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General Criteria:

Stand-Alone Credit Profiles: One Component Of A Rating

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RELATED CRITERIA AND RESEARCH

General Criteria:

Stand-Alone Credit Profiles: One Component Of A Rating

(Editor's Note: We originally published this criteria article on Oct. 1, 2010. We're republishing this article following our periodic review completed on Aug. 11, 2014. As a result of our review, we updated the author contact information.)

1. This article comments on Standard & Poor's Ratings Services' stand-alone credit profiles (SACPs).
2. SACPs refer to Standard & Poor's opinion of an issue's or issuer's creditworthiness, in the absence of extraordinary intervention from its parent or affiliate or related government, and are but one component of a rating. We use lowercase symbols, for example 'aaa', or 'aa', to designate SACPs, and may modify this symbol with a "+" or "-" sign, depending on the specificity of the relevant analysis. SACPs do not have outlooks and are not placed on CreditWatch. We do not consider SACPs to be ratings, in contrast to SPURs (Standard & Poor's underlying ratings), which reflect an issuer's credit quality without enhancement.
3. We are publishing this article to help market participants better understand our approach to reviewing the components of ratings when other entities, including governments and parents, influence credit quality. This article is related to our criteria article "Principles Of Corporate And Government Ratings," which we published on June 26, 2007.

SCOPE OF THE CRITERIA

4. These criteria apply to the analysis of corporate and governmental issues and issuers globally. Please refer to specific criteria for further description of how Standard & Poor's uses the SACP in its analysis.

SUMMARY OF CRITERIA UPDATE

5. This article defines the SACP, as a rating component and not as a rating in itself, and reviews the symbology for the SACP.
6. This definition supersedes all other SACP definitions in criteria articles, including in "Enhanced Methodology And Assumptions For Rating Government-Related Entities," published June 29, 2009, and in "Group Methodology," published April 22, 2009.

IMPACT ON OUTSTANDING RATINGS

7. We do not expect any rating changes as a result of these new criteria.

EFFECTIVE DATE AND TRANSITION

8. These criteria are effective immediately.

METHODOLOGY

Definition Of Stand-Alone Credit Profile (SACP)

9. The SACP is not a rating, but a component of the issue rating or issuer credit rating (ICR). We do not assign outlooks to SACPs or place them on CreditWatch.
10. Standard & Poor's may assign an SACP as a component of a rating to provide information on an issuer's creditworthiness. The SACP is Standard & Poor's opinion of an issuer's creditworthiness in the absence of extraordinary support or burden. It incorporates direct support already committed and the influence of ongoing interactions with the issuer's group and/or government. However, the SACP differs from the ICR in that it does not include potential future extraordinary support from a group or government, during a period of credit stress for the issuer, except if that support is systemwide. Neither does the SACP include the potential for the owner or government under a stress to extract assets, capital, or liquidity from the issuer.
11. We assign the SACP at the issuer level. It is not generally applied to specific obligations, except in some cases when an issuer does not have an ICR. But the SACP can directly influence ratings on deferrable instruments (hybrids). While we use the ICR as the starting point for rating nondeferrable debt, we use the SACP as the basis for rating hybrids when we believe that the potential for extraordinary support does not fully extend to them or that extraordinary interference may even target them specifically.
12. We conceive SACPs as existing on a scale ranging from 'aaa' to 'd', which parallels the ICR rating scale, 'AAA' to 'D'. We use 'd' or 'sd' SACPs for issuers with 'D' or 'SD' ICRs respectively. Standard & Poor's uses lowercase letters for SACPs to indicate their status as a component of a rating rather than as a rating. While we attempt to refine the SACP and utilize "+" and "-" to graduate the scale in the same way we do for ICRs, in some cases we may use category-only scoring. Text accompanying the SACP will discuss whether the score is a category or is refined.
13. We recognize it is not always possible to assign an SACP, particularly when the issuer's operations and finances are closely intertwined with the related group or governmental entity's position.

The SACP Includes Ongoing Interaction/Influence

14. The determination of an SACP includes ongoing interaction or influence, whether beneficial (positive), neutral, or burdensome (negative). We also include extraordinary support when we believe it has been committed. Ongoing interaction or influence from governments includes interaction with an entire sector on a continuous basis. We consider that groups, including owners and affiliates, influence the SACP when there are regular interactions with the

issuer. Table 1 presents examples of influences that we would include in determining the SACP.

Table 1

| Positive And Negative Influences | |
|---|---|
| Examples of positive influence on SACP | Examples of negative influence on SACP |
| Recurrent operating or capital subsidies | Price ceilings |
| Access to preferential funding | Risky project mandates |
| Availability of centralized group liquidity resources | Directives to provide loss-making goods and services |
| Conferring monopoly powers | Double leverage, high shareholder-distribution policies |
| Favorable government contracts | Aggressive financial expectations from owners |
| Supportive regulation | Unfavorable regulatory, tax, or legal regime |
| Dividend policies, equity issuance flexibility or restriction | |
| Applicable tax regime | |
| Existing guarantees or lines of credit | |
| Use of a group brand | |
| Provision of services (property, investment, payroll, shares sales force, etc.) | |
| Committed capital or liquidity injection | |
| Support of financial system | |

The SACP Does Not Include Potential Extraordinary Intervention

15. We include potential future extraordinary intervention in the ICR determination, but not in the SACP.
16. We consider interventions as "extraordinary" when they are issuer-specific, related to the issuer's financial stress, and nonrecurrent in nature. Such intervention could be in the form of support to the issuer from groups or governments or interference with the issuer from groups or governments--for example to protect such groups' or governments' own credit quality--that weaken an issuer.
17. Based on our assessment of the relationship between the issuer and its government or group, we form an opinion on the likelihood of timely and sufficient extraordinary intervention in support of the issuer meeting its financial obligations. While support can take many forms, common types include capital and liquidity injections or risk relief (table 2).
18. In our analysis, we specify the potential sources of future extraordinary external intervention. The relevant parent may or may not be the ultimate parent, particularly when intermediate holding companies may exist between the issuer and the relevant parent; government intervention with an issuer may come from national or local public authorities; and an ICR may be influenced by several parents (in the case of non-fully owned subsidiaries), affiliates, and/or governments.
19. If we expect an issue or issuer to receive extraordinary support in the very near term to prevent it from defaulting, we will assign an SACP of 'cc'.

Table 2

| Extraordinary Intervention | |
|--|--|
| Examples of potential extraordinary support | Examples of potential extraordinary interference |
| Discrete liquidity support that governments, parents, or affiliates provide to specific entities | Special taxes |
| Loans from the parent or government, or through affiliates or government-owned banks | Special shareholder distributions |
| Recapitalizations with common equity or hybrid instruments | Asset- or cash-stripping the issuer at the behest of the group or government to service other obligations of the group or government |
| Arrangement of a solvency rescue package directly from the government or through other market participants | |
| One-off transfers of risk from an issuer to a governmental entity, its parent or an affiliate to alleviate future stress | |
| Targeted increase in some form of ongoing support to a specific entity beyond promised or planned levels | |

RELATED CRITERIA AND RESEARCH

- Methodology: Differentiating The Issuer Credit Ratings Of A Regulated Utility Subsidiary And Its Parent, March 11, 2010
- Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 9, 2010
- Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments, Feb. 9, 2010
- Enhanced Methodology And Assumptions For Rating Government-Related Entities, June 29, 2009
- Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009
- Group Methodology, April 22, 2009
- Franchise Stability, Confidence Sensitivity, And The Treatment Of Hybrid Securities In A Downturn, Dec. 1, 2008
- Corporate Ratings Criteria 2008, April 15, 2008

These criteria represent the specific application of fundamental principles that define credit risk and ratings opinions. Their use is determined by issuer- or issue-specific attributes as well as Standard & Poor's Ratings Services' assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions may change from time to time as a result of market and economic conditions, issuer- or issue-specific factors, or new empirical evidence that would affect our credit judgment.

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