Article Title: ARCHIVE | General Criteria: Joint-Support Criteria Update Data: (EDITOR'S NOTE: — This criteria article has been superseded by "Methodology And Assumptions For Rating Jointly Supported Financial Obligations," published May 23, 2016. , We originally published this criteria article on April 22, 2009. We're republishing this article following our periodic review completed on Dec. 4, 2015. Tables 1, 2, and 3 in this article supersede the information in the article titled, "Municipal Applications For Joint-Support Criteria," published on June 25, 2007. The tables in this article are designed for exporting in certain Standard & Poor's products; therefore, printing quality may vary. Changing your page orientation to landscape mode, reducing your page margins, and/or reducing the text size in your browser may improve the printed output.) Standard & Poor's Ratings Services has updated its methodology and assumptions for rating jointly supported obligations when each obligor is fully responsible for the entire obligation. In this situation, a default on the obligation would occur only if both obligors default. Common examples of joint support include a primary obligor plus a guarantor, or a primary obligor and a letter-of-credit (LOC) provider. The risk that both obligors would default is less than the risk that either one would. As a result, the obligation may be rated higher than the rating on the stronger obligor (supporter). We will continue to apply the same joint-support analytical framework we introduced three years ago, but we have updated our assumptions for default risk correlation of U.S. financial institutions (FIs). This article amends and partly supersedes "Criteria Update: Joint Support Criteria Refined," published Feb. 3, 2006, and "U.S. Public Finance Criteria: Municipal Applications For Joint Support Criteria," published June 5, 2007, both on RatingsDirect. Also see "Principles-Based Rating Methodology For Global Structured Finance Securities," published May 29, 2007, and "Principles of Corporate And Government Ratings," published June 26, 2007, on RatingsDirect and on Standard & Poor's Web site at www.standardandpoors.com. This article is part of a broad series of measures announced last year to enhance our governance, analytics, dissemination of information, and investor education initiatives. These initiatives are aimed at augmenting our independence, strengthening the rating process, and increasing our transparency to better serve the global markets. We are publishing this article to help market participants better understand our rating approach for jointly supported obligations. The rating for a jointly supported obligation can be found in one of three reference tables, one each for obligor pairs that have high, medium, and low default correlation (see tables 1, 2, and 3). The reference tables are derived from each obligor's rating and assumed default correlations of 25% (high), 20% (medium), and 15% (low). Obligations of more highly correlated entities remain ineligible for joint-support credit enhancement. Table 1 High Correlation Reference Table RATING OUTCOMES AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC CCC- D AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AA+ AAA AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA AA AA AA AA AA AA AA AA AA AA- AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA- AA- AA- AA- AA- AA- AA- AA- AA- AA- A+ AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA- AA- A+ A+ A+ A+ A+ A+ A+ A+ A+ A AAA AAA AAA AAA AAA AA+ AA+ AA AA AA- A+ A+ A A A A A A A A A- AAA AAA AAA AAA AA+ AA+ AA+ AA AA- A+ A A A- A- A- A- A- A- A- A- BBB+ AAA AAA AA+ AA+ AA+ AA AA AA- A+ A A- A- A- BBB+ BBB+ BBB+ BBB+ BBB+ BBB+ BBB+ BBB AAA AA+ AA+ AA+ AA AA AA- A+ A A- A- BBB+ BBB+ BBB+ BBB BBB BBB BBB BBB BBB BBB- AAA AA+ AA AA AA- AA- A+ A A- BBB+ BBB+ BBB BBB BBB BBB BBB- BBB- BBB- BBB- BBB- BB+ AAA AA+ AA AA- AA- A+ A A- A- BBB+ BBB+ BBB BBB BBB BBB- BBB- BB+ BB+ BB+ BB+ BB AAA AA+ AA AA- A+ A+ A A- BBB+ BBB BBB BBB BBB- BBB- BBB- BB+ BB BB BB BB BB- AAA AA+ AA AA- A+ A A- A- BBB+ BBB BBB BBB- BBB- BB+ BB+ BB BB BB- BB- BB- B+ AAA AA+ AA AA- A+ A A- BBB+ BBB+ BBB BBB BBB- BB+ BB+ BB BB BB- B+ B+ B+ B AAA AA+ AA AA- A+ A A- BBB+ BBB BBB BBB- BBB- BB+ BB BB BB- B+ B+ B B B- AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BBB- BB+ BB BB BB- B+ B B B- B- CCC+ AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB BB- B+ B B- B- CCC+ CCC+ CCC AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B+ B B- CCC+ CCC+ CCC CCC- AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC+ CCC CCC- D AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC CCC- D Table 2 Medium Correlation Reference Table RATING OUTCOMES AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC CCC- D AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA

AAA AA+ AAA AAA AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA AAA AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA AA AA AA AA AA AA AA AA AA- AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA AA- AA- AA- AA- AA- AA- AA- AA- AA- A+ AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA- AA- A+ A+ A+ A+ A+ A+ A+ A+ A AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA- AA- A+ A+ A A A A A A A A- AAA AAA AAA AAA AAA AA+ AA+ AA+ AA AA- A+ A A A- A- A- A- A- A- A- BBB+ AAA AAA AAA AA+ AA+ AA+ AA+ AA AA- A+ A A- A- A- BBB+ BBB+ BBB+ BBB+ BBB+ BBB+ BBB AAA AAA AA+ AA+ AA+ AA AA AA- A+ A A- A- BBB+ BBB+ BBB+ BBB BBB BBB BBB BBB BBB- AAA AA+ AA+ AA AA AA- AA- A+ A A- BBB+ BBB+ BBB BBB BBB BBB BBB- BBB- BBB- BBB- BB+ AAA AA+ AA AA AA- AA- A+ A A- BBB+ BBB+ BBB BBB BBB BBB- BBB- BBB- BB+ BB+ BB+ BB AAA AA+ AA AA- AA- A+ A A- A- BBB+ BBB BBB BBB BBB- BBB- BB+ BB+ BB BB BB BB- AAA AA+ AA AA- A+ A+ A A- BBB+ BBB BBB BBB BBB- BBB- BB+ BB BB BB- BB- BB- B+ AAA AA+ AA AA- A+ A A- A- BBB+ BBB BBB BBB- BBB- BB+ BB BB BB- BB- B+ B+ B AAA AA+ AA AA- A+ A A- BBB+ BBB+ BBB BBB- BBB- BB+ BB BB BB- B+ B+ B B B- AAA AA+ AA AA- A+ A A- BBB+ BBB BBB BBB- BB+ BB BB BB- B+ B B B- B- CCC+ AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BBB- BB+ BB BB- B+ B B- B- CCC+ CCC+ CCC AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- BB- B+ B B- CCC+ CCC+ CCC CCC- AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC+ CCC CCC- D AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC CCC- D Table 3 Low Correlation Reference Table RATING OUTCOMES AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC CCC- D AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AA+ AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA+ AA AAA AAA AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA+ AA AA AA AA AA AA AA AA AA- AAA AAA AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA AA- AA- AA- AA- AA- AA- AA- A+ AAA AAA AAA AAA AAA AAA AAA AAA AA+ AA AA AA AA- AA- A+ A+ A+ A+ A+ A+ A AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA AA- AA- A+ A A A A A A A- AAA AAA AAA AAA AAA AAA AAA AA+ AA+ AA AA- A+ A+ A A A- A- A- A- A- BBB+ AAA AAA AAA AAA AAA AA+ AA+ AA+ AA A+ A+ A A- A- A- BBB+ BBB+ BBB+ BBB+ BBB+ BBB AAA AAA AAA AAA AA+ AA+ AA+ AA AA- A A A- A- BBB+ BBB+ BBB+ BBB BBB BBB BBB BBB- AAA AAA AA+ AA+ AA AA AA A+ A A- A- BBB+ BBB+ BBB BBB BBB BBB- BBB- BBB- BBB- BB+ AAA AAA AA+ AA+ AA AA AA- A+ A A- BBB+ BBB+ BBB BBB BBB BBB- BBB- BB+ BB+ BB+ BB AAA AA+ AA+ AA AA AA- A+ A A- BBB+ BBB+ BBB BBB BBB BBB- BBB- BB+ BB BB BB BB- AAA AA+ AA AA AA- AA- A+ A- A- BBB+ BBB BBB BBB- BBB- BB+ BB+ BB BB BB- BB- B+ AAA AA+ AA AA- AA- A+ A A- BBB+ BBB BBB BBB BBB- BB+ BB+ BB BB- BB- B+ B+ B AAA AA+ AA AA- A+ A A A- BBB+ BBB BBB BBB- BB+ BB+ BB BB- B+ B+ B B B- AAA AA+ AA AA- A+ A A- BBB+ BBB+ BBB BBB- BBB- BB+ BB BB- BB- B B B- B- CCC+ AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BBB- BB+ BB BB- B+ B B- B- CCC+ CCC+ CCC AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB BB- B+ B B- CCC+ CCC+ CCC CCC- AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC+ CCC CCC- D AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC CCC- D To facilitate implementation of the framework, we use relatively simple guidelines to determine which table is appropriate. The main factors are whether the obligors are in the same industry, in the same region, or are speculative-grade. The high, medium, or low correlation table is selected based on the obligors' characteristics, as shown in table 4. Case-specific analytical conclusions about correlation are made when appropriate. Table 4 Default Correlation Guidelines DEFAULT CORRELATION (%) CHARACTERISTICS Too high No benefit (1) Affiliated companies, (2) government and its owned/supported entities, (3) economically codependent entities, (4) both obligors in the same country and its sovereign government is rated speculative-grade* High 25 Both obligors share two of the following: same industry, same region, rated speculative-grade* Medium 20 Both obligors share one of the following: same industry, same region, rated speculative-grade* Low 15 Obligors are in different industries and regions, and at least one is rated investment-grade* *When rating a jointly supported foreign currency issue, the foreign currency ratings on the obligors and sovereign are relevant, but the result is constrained by the transfer and convertibility assessment. New Correlation Assumptions For U.S. Financial Institutions In the U.S., a region is generally defined as a state. However, under our updated criteria, any pair of U.S. FIs will be deemed to be in the same region and industry. We will no longer make regional distinctions among U.S. FIs. Previously, a bank concentrated in the Northwest and a bank concentrated in the Southeast were considered to be in different regions. Although some U.S. regional differences in economic conditions persist, the current downturn is severe and widespread. The U.S. financial sector in particular has been heavily affected in all regions and to a degree not seen in several decades. The banking industry has also experienced substantial consolidation. For U.S. FIs, we believe intra-sector credit risk is more correlated, regardless of region, than it was in the past, and therefore we are updating this aspect of our criteria. Our other correlation assumptions are unchanged. When a U.S. FI supports the obligation of a U.S. entity outside the FI sector, such as a school district or a manufacturing firm, we will continue to generally take a state-by-state approach to assessing geographic correlation. However, major U.S. banks with globally diverse business profiles are not treated as being in any particular U.S. state. For entities based outside the U.S., we will continue to generally consider each country as a separate region. We will normally view FIs based in different countries as being in different regions, although there may be exceptions. For purposes of applying joint-support criteria, we classify banking organizations, finance companies, broker/dealers, and investment banks as financial institutions in a single industry. Effect Of The Criteria Update The updated assumptions' rating effect, if any, will depend on a combination of factors and will be limited to obligations that are supported by two U.S. FIs. The most common structure involving two U.S. FIs consists of a primary obligor, an LOC provider, and a confirming LOC provider. In transactions of this type that we rate currently, the primary obligor is usually unrated. If the primary obligor is rated, its rating could affect the rating assigned to the jointly supported obligation and may temper the effect of the criteria update. If three obligors are each fully responsible for the obligation, the joint-support criteria are applied to the best two out of three (see the "Rating Transparency" section below). We use the joint-support criteria reference table (high, medium, or low correlation) for the two obligors that produce the highest rating, which will often, but not always, be the two most highly rated obligors. Here is an example: The primary obligor is a health care organization rated 'BBB', an LOC is provided by a bank rated 'BBB+', and a confirming LOC is provided by a bank rated 'A-'. The primary obligor in based in Florida, the LOC provider is in Texas, and the confirming LOC provider is in New York. We would use the high correlation table for the two banks (same industry, same region, and both rated investment-grade), resulting in a rating of 'AA'. Previously, we used the medium correlation table for this structure because both obligors were considered to be in different regions, resulting in a rating of 'AA+'. However, the primary obligor's credit quality can make a difference in the obligation's rating. If the health care firm is upgraded one notch to 'BBB+', the obligation would merit a 'AA+' rating because we would then apply the low correlation reference table (different regions and industries) to the primary obligor and the confirming LOC provider. Highly Correlated Entities Standard & Poor's will continue to exclude very highly correlated entities—such as affiliated companies—from any joint-support benefit. Obligations insured by mono-line bond insurers will remain ineligible for joint-support credit enhancement, reflecting the significant correlation between the insurer and its portfolio of insured obligations. In addition, the joint-support approach remains inappropriate for U.S. public finance "double-barreled" bonds, those that are backed by economically codependent payment sources (e.g., a general obligation pledge and revenue from water and sewer charges), nor is the criteria applied to obligations of government-owned or -supported enterprises when the joint obligors are the issuer and its government owner/supporter. Typically, we will no longer apply the joint-support methodology to obligations supported by a confirming LOC from a Federal Home Loan Bank (FHLB) and a fronting LOC from an FHLB member bank. The level of correlation between an FHLB and a member bank, in our view, is generally too high. Rating Transparency To enhance transparency of our public ratings, the joint-support approach will be applied only when both obligors have a public long-term and, if relevant, short-term rating, unless the joint-support criteria affect only one element of a complex transaction. To enable joint-support analysis, U.S. public finance issuers should request a Standard & Poor's Underlying Rating (SPUR) on the obligation, reflecting the unenhanced rating on the issue. Unrated primary obligors in other sectors should request an Issuer Credit Rating (ICR). It is not necessary to request application of the joint support criteria when Standard & Poor's has assigned a SPUR to the obligation or an ICR to the primary obligor, assuming the transaction structure meets our joint-support criteria. Previously, corporate obligors with public ICRs had the option of requesting joint-support analysis when the obligation was backed by an LOC.