

Article Title: ARCHIVE | Criteria | Corporates | Recovery: Methodology For Applying Recovery Ratings To National Scale Issue Ratings Data: (EDITOR'S NOTE: —This article has been fully superseded by "Methodology For National And Regional Scale Credit Ratings," published June 25, 2018.)

1. These criteria present how S&P; Global Ratings expanded its global scale recovery rating methodology to include national scale issue ratings. The global scale recovery rating methodology is contained in "Recovery Rating Criteria For Speculative-Grade Corporate Issuers," published Dec. 7, 2016. This methodology is also related to "National And Regional Scale Credit Ratings," published Sept. 22, 2014.

SCOPE OF THE CRITERIA

2. The criteria pertain to national scale issue ratings on rated corporate entities in countries where we have national scale recovery ratings. In those countries, we may apply such national scale recovery ratings, and related issue rating methodology, when our view of issuer creditworthiness corresponds to an issuer credit rating of 'BB+' or lower on the global scale.

SUMMARY OF THE CRITERIA

3. Criteria guidelines for recovery ratings on global scale speculative-grade corporate debt are in "Recovery Rating Criteria For Speculative-Grade Corporate Issuers," published Dec. 7, 2016. These guidelines formalize the extension of this criteria to national scale corporate debt. We will notch issue ratings up or down from national scale issuer credit ratings based on recovery expectations shown in the table below.

4. This paragraph has been deleted.

5. This paragraph has been deleted.

METHODOLOGY

6. This methodology applies to the recovery rating scale and issue rating framework for national scale corporate credit ratings.

7. The tables summarize our issue rating framework. The issue rating we assign to the loans and bonds of companies is based on our recovery rating expectations for the specific instrument being rated. Issues with a high recovery rating ('1+', '1', or '2') would lead us to rate the loan or bond above the national scale issuer credit rating, using the number of notches indicated in the table below, while a low recovery rating ('5' or '6') would lead us to rate the issue below the national scale issuer credit rating. Note that the column headed "Issue rating notches relative to national scale issuer credit rating" refers only to notching for post-default recovery. If an instrument has deferral characteristics, such as a hybrid capital instrument, we may notch down incrementally for heightened default risk (see "National And Regional Scale Credit Ratings," paragraph 34).

GROUP A AND B JURISDICTIONS FOR ISSUERS WITH A SPECULATIVE-GRADE ISSUER CREDIT RATING

GROUP A JURISDICTION	GROUP B JURISDICTION	NOMINAL RECOVERY EXPECTATIONS	RECOVERY RATING*	RECOVERY DESCRIPTION	GREATER THAN OR EQUAL TO	LESS THAN	GREATER THAN OR EQUAL TO	LESS THAN	ISSUE RATING NOTCHES
ICR 1+	Highest expectation, full recovery	100%	N/A	N/A	N/A	+3 notches	1	Very high recovery	90%
100%	N/A	N/A	+2 notches	2	Substantial recovery	70%	90%	90%	100%
+1 notch	3	Meaningful recovery	50%	70%	50%	90%	0 notches	4	Average recovery
30%	50%	30%	50%	0 notches	5	Modest recovery	10%	30%	10%
30%	-1 notch	6	Negligible recovery	0%	10%	0%	10%	-2 notches	

*Recovery ratings are capped in certain countries to adjust for reduced creditor recovery prospects in these jurisdictions. Recovery ratings on unsecured debt issues are generally also subject to caps (see Step 6, paragraphs 90-98 for further detail). A recovery rating of '1+' or '1' can only be applied in Group A jurisdictions. ICR--Issuer credit rating. N/A--Not applicable.

Jurisdiction-Specific Adjustments

8. The majority of national scale rating scales are for countries whose legal regimes we rank as Group B (less creditor-friendly) or Group C (least creditor-friendly), as defined in our criteria, "Methodology: Jurisdiction Ranking Assessments," Jan. 20, 2016. Recovery ratings in Group B jurisdictions are generally capped at '2', which means issue-level ratings in those countries will not be more than one notch above the issuer credit rating. In Group C jurisdictions, we do not assign recovery ratings. We apply the same notching rules to determine issue credit ratings as we do in jurisdictions where we have not assigned a jurisdiction ranking assessment, as set forth under "2008 Corporate Criteria: Rating Each Issue," published Apr. 15, 2008, except that we do not notch issue credit ratings up from the ICR in these jurisdictions.

General Recovery Methodology For National Scale Industrials

9. The methodology for assigning national scale ratings replicates the approach for assigning global scale ratings as detailed in "Recovery Rating Criteria For Speculative-Grade Corporate Issuers," published Dec. 7, 2016.

10. In summary, recovery analytics for industrials issuers have three basic components: (1) determining the most likely path to default for a company; (2) valuing the company following default; and (3) distributing that value to claimants based on each claimant's relative priority. Our analytical process breaks down these components into the following steps: Decide whether, following a

hypothetical default, the company would be restructured as a going concern or liquidated; Estimate the enterprise valuation at emergence; Estimate the exposure at default; Allocate enterprise valuation to each debt instrument; Determine if a recovery adjustment applies; Determine if a recovery rating cap applies; and Assign a recovery rating (or ratings) and publish a recovery report that summarizes our assumptions and conclusions. REVISIONS AND UPDATES This criteria article was originally published on Sept. 22, 2014. These criteria became effective on Sept. 22, 2014, the date of publication, and initially applied to national scale ratings in some jurisdictions and countries, including Brazil and Mexico, and may be expanded to cover additional countries in the future. Changes introduced after original publication: Following our periodic review completed on Sept. 22, 2016, we updated our contact information, updated criteria references, and deleted outdated sections that appeared in paragraphs 4 and 7, which were related to the initial publication of these criteria and no longer relevant. We also updated paragraph 8 to clarify that national recovery ratings are not assigned on issuers in Jurisdiction 'C' countries and to align with the criteria "Methodology: Jurisdiction Ranking Assessments," published Jan. 20, 2016. Following our periodic review completed on Sept. 11, 2017, we updated paragraphs 7, 8, and 10 to align them with the wording in "Recovery Rating Criteria For Speculative-Grade Corporate Issuers," published Dec. 7, 2016. We also updated criteria references. RELATED CRITERIA AND RESEARCH Related Criteria S&P; Global Ratings' National And Regional Scale Mapping Tables, July 27, 2017 S&P; Global Ratings Definitions, June 26, 2017 Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016 Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016 National And Regional Scale Credit Ratings, Sept. 22, 2014 Principles Of Credit Ratings, Feb. 16, 2011 2008 Corporate Criteria: Rating Each Issue, April 15, 2008 Related Research Jurisdiction Ranking Assessments Of National Insolvency Regimes Update: July 2017, July 20, 2017 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 S&P; Global Ratings 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.