

Methodology for notching the standalone ratings of subsidiaries for group support

Updated: October 2025



Content

- 01 | Executive Summary**
- 02 Framework for Notching up the Standalone Ratings of subsidiaries for Group Support**
- 03 Notching criteria for group support based on strategic level**
- 04 Notching criteria for group support in a stronger subsidiary and weaker parent scenario**



This publication has been developed by FiinRatings and substantially revised by international experts at FiinRatings. This publication presents FiinRatings' methodology for notching standalone rating of subsidiaries for group support in Vietnam and is intended as a general guidance to help companies, investors and other market participants to understand how FiinRatings looks at quantitative and qualitative factors in explaining rating outcomes.

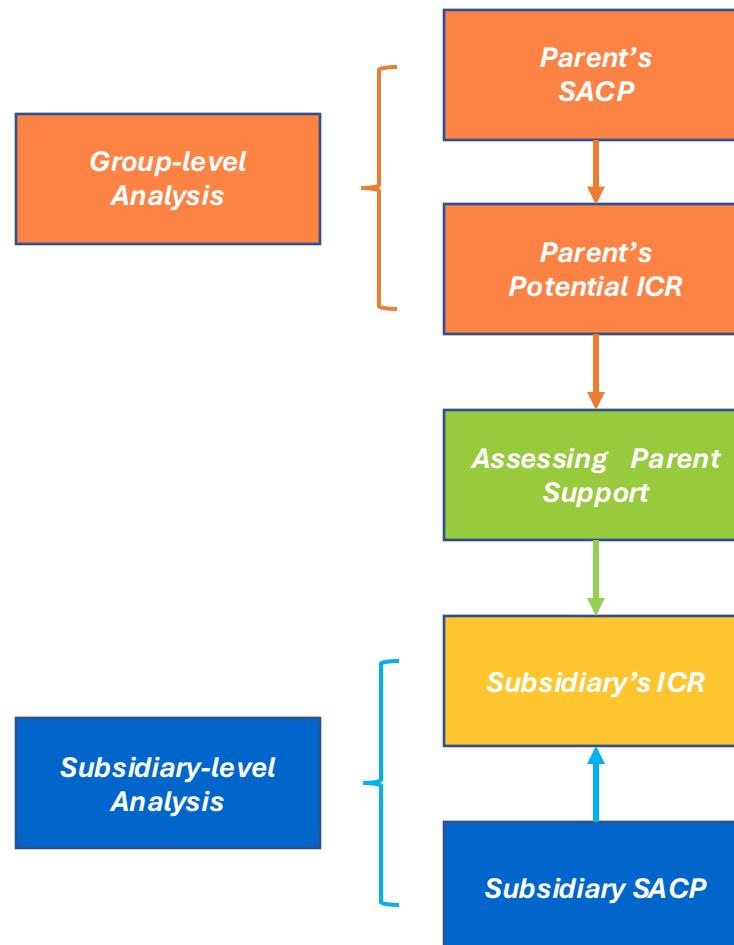
- The criteria highlight the analytical process according to a common framework and articulate the steps in developing the issuer credit rating (ICR) for financial institutions and corporations in accordance with international standards.
- FiinRatings uses a principle-based approach for assigning and monitoring ratings nationally, which is in accordance with international standards. These broad principles apply generally to ratings of all types of corporates and asset classes. However, for certain types of issuers and issues, FiinRatings complements these principles with specific methodologies and assumptions.
- FiinRatings assigns credit ratings to both issuers and issues and strives to maintain comparability of ratings across sectors and over time. That is, FiinRatings intends for each rating symbol to connote the same general level of creditworthiness for issuers and issues in different sectors and at different times nationally.
- FiinRatings' approach to rating financial institutions and corporations involves a comprehensive assessment of several parameters. Some core parameters are considered to have a high influence on the credit quality of these organizations, while others are considered supplementary parameters. FiinRatings takes a forward-looking view on the performance of these organizations on these parameters while evaluating its rating.
- If you have any question or concern, please contact our Analytical Team at <https://fiinratings.vn/ContactUs/en>, or email support.fiinratings@fiingroup.vn

Content

- 01** Executive Summary
- 02** | Framework for Notching up the Standalone Ratings of subsidiaries for Group Support
- 03** Notching criteria for group support based on strategic level
- 04** Notching criteria for group support in a stronger subsidiary and weaker parent scenario



Exhibit 1: Group Rating Methodology Framework

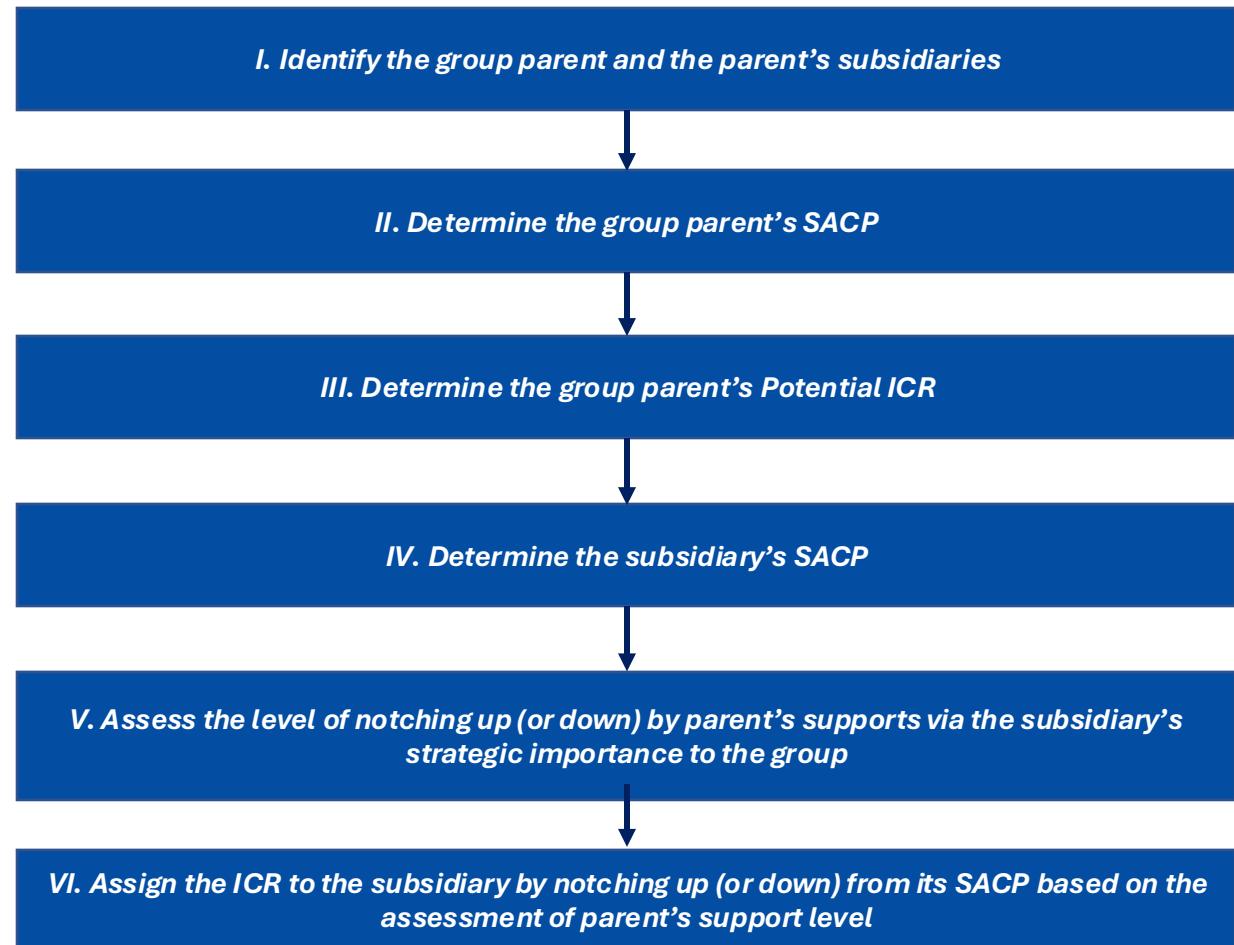


Source: FiinRatings

Note:

- The Stand-Alone Credit Profile (“SACP”): an issuer’s creditworthiness in the absence of external influence, which can be positive or negative
- The Issuer Credit Rating (“ICR”): an issuer’s overall creditworthiness given the assessment of external influence

Exhibit 2: Determining Issuer Credit Rating on Group’s subsidiary



Content

- 01** Executive Summary
- 02** Framework for Notching up the Standalone Ratings of subsidiaries for Group Support
- 03** | Notching criteria for group support based on strategic level
- 04** Notching criteria for group support in a stronger subsidiary and weaker parent scenario



GROUP SUPPORT NOTCHING UP LEVEL based on the subsidiary's strategic importance to the group				
Core	Highly strategic	Strategically important	Moderately strategic	Nonstrategic
Equate to Parent's Potential ICR	Parent's Potential ICR – 1 notch	<p>Lower of:</p> <p>(i) Issuer's SACP + 2 to 3 notches or; (ii) Parent's Potential ICR – 1 notch</p>	<p>Lower of:</p> <p>(i) Issuer's SACP + 1 to 2 notches or; (ii) Parent's Potential ICR – 1 notch</p>	Issuer's SACP
Matrix to determine the subsidiary's strategic importance to the group				
MORAL OBLIGATION	High (H)	Moderately High (MH)	Medium (M)	Low (L)
High (H)	Core	Highly strategic	Strategically important	Moderately strategic
Medium (M)	Highly strategic	Strategically important	Moderately strategic	Nonstrategic
Low (L)	Strategically important	Moderately strategic	Nonstrategic	Nonstrategic

MORAL OBLIGATION			ECONOMIC LINKAGE			
Key Criteria (*)		H	M	L	Key Criteria	
Name sharing	1. Sharing of name and/ or logos 2. Public awareness of parentage	Meet at least 7/10 Criteria (Must include criteria 7)	Meet between 4-6/10 Criteria	Meet below 4/10 criteria	Strategic importance to the parent	1. Size of operations in respect to the parent, criticality to the parent's current and future business plans, commonality of industry
Extent of management control	3. Dominating BOD representation 4. Close monitor and supervision by the parent 5. Regular technical inputs by parent 6. Effective treasury function control				Extent of parent holding	2. Existence of synergy between parent and subsidiary
Stated posture of management	7. Demonstrated track record of support (previous bail-out, equity infusion, extension of unsecured loans, etc.) 8. Assurances from the parent 9. Legally enforceable provisions 10. Domiciliary status of parent				Economic incentive to the parent	3. Extent of current and prospective ownership (>50% is high) so as to have controlling power
						4. Extent of revenue and profit contribution (current and prospective) to the group, return on cap employed
						5. Parent's ability to bail out the subsidiary in distress situation
						6. Longevity higher than industry's average or closest peers
						Meet at least 5/6 Criteria (Must include criteria 1,4,5)
						Meet 4/6 Criteria (Must include criteria 1,5)
						Meet 3/6 Criteria (Must include criteria 5)
						Meet below 3/6 criteria

(*) Other considerations: Corporate Status of the Parent company

Content

- 01 Executive Summary**
- 02 Framework for Notching up the Standalone Ratings of subsidiaries for Group Support**
- 03 Notching criteria for group support based on strategic level**
- 04 | Notching criteria for group support in a stronger subsidiary and weaker parent scenario**



Building on our assessment of the subsidiary's strategic importance and operational linkages within the group, this page delves into the critical factor of insulation. When a subsidiary demonstrates a Standalone Credit Profile (SACP) stronger than its parent's Group Credit Profile (GCP), the final Issuer Credit Rating (ICR) is determined by the robustness of the "ring-fence" protecting it from potential negative intervention.

Our approach combines two complementary perspectives:

- **Top-Down (SACP Notching):** Assessing the subsidiary's inherent strength and adjusting downwards based on its dependence.
- **Bottom-Up (GCP Uplift):** Determining how many notches above the parent's rating the subsidiary can reach, based on its level of insulation.

The final ICR will be the lower of the ratings derived from these two approaches, unless no insulation is assessed.

Limited Insulation Conditions	Rating Derivation
The entity's independent financials, funding arrangements, and records from the group.	If SACP is at least two notches higher than GCP, we take the lower value of: <ul style="list-style-type: none"> • SACP - 2 notches • GCP + 1 notch
Strong economic incentive for the parent to preserve the subsidiary's credit strength.	
Group entities' defaults do not lead to the insulated entity's default.	If SACP is only one notch higher than GCP, we would typically cap the rating at GCP.
Moderate Insulation Conditions	Rating Derivation
All conditions for Limited Insulation must be met.	If SACP is at least two notches higher than GCP, we take the lower value of: <ul style="list-style-type: none"> • SACP - 1 notch • GCP + 2 notches
Limited group control: (i) significant minority shareholders, (ii) independent directors, (iii) explicit restrictions or protective covenants within financing agreements. Or proactive cash flow & operational ring-fencing: (i) independent cash flow & operations, (ii) no cross-default linkages, (iii) independent funding access, (iv) economic interest of third parties.	If SACP is only one notch higher than GCP, we would typically take the value of SACP or GCP + 1 notch.
Significant Insulation Conditions	Rating Derivation
All conditions for Moderate Insulation must be met.	
Material structural safeguards: robust legal and regulatory protections shielding the subsidiary from the group influence, extending beyond contractual covenants to formal, enforceable structures including: (i) regulatory oversight, (ii) protective governance, (iii) legal separation, (iv) no material related-party financial transactions, (v) fully autonomous project development.	If SACP is higher than GCP, we take the lower value of: <ul style="list-style-type: none"> • SACP - 0 notches • GCP + 3 notches
No Insulation Conditions	Rating Derivation
If the assessment concludes that no meaningful insulation exists, equivalent to significant linkage/no insulation, the insulation notching does not apply.	Subsidiary ICR is based on the group status relative to the parent's GCP. Generally, for a subsidiary deeply integrated with a weaker parent, its ICR is capped at the group's GCP.



A Strategic Partner of S&P Global

Contact us

Head Office

10th Floor, Peakview Tower,
36 Hoang Cau St., O Cho Dua Ward,
Hanoi City, Vietnam

Tel: (84) 24 3562 6962

Email:

support.fiinratings@fiingroup.vn

Ho Chi Minh Branch

16th Floor, Bitexco Financial Tower,
2 Hai Trieu St., Saigon Ward,
Ho Chi Minh City, Vietnam

Tel: (84) 329 813 686

Email: support.fiinratings@fiingroup.vn

This document has been prepared by FiinRatings for the purpose of reference only. This document does not recommend any buy, sell, or hold decisions for any securities and for any specific transactions. Information in this report, including data, charts, figures, analytical opinions and assessments provided by FiinRatings, should be used only for the reference purpose depending on the readers' decision and risk. FiinRatings does not hold any responsibilities for any consequences resulted from using information in this report. FiinRatings possesses the copyright of this report and all of its contents. This document is protected under the copyright protection regulations in Vietnam and other countries according to their mutual agreements.

