

S&P Global (China) Ratings--Panda Bond Methodology

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SCOPE AND OVERVIEW

This methodology represents S&P Global (China) Ratings' approach to considering the analysis of Panda bonds. This methodology may apply to ratings where an offshore issuer is issuing renminbi-denominated securities into the Chinese domestic market. Issuers may include offshore entities associated with a group predominantly domiciled in China, and may also be applicable for wholly foreign domiciled entities issuing into China.

This methodology outlines the principles with which we may consider the credit quality of the issuer for the purposes of our S&P Global (China) Ratings credit opinion.

METHODOLOGY

Panda Bond issuers typically fall into one of two groups of issuers:

1. An offshore entity of a China based group, commonly an offshore financing entity, where the group's headquarter and main operations are domiciled in China ("China Group Issuer");
2. Issuers which are truly a foreign domiciled issuer whose activities are predominantly foreign ("Foreign Issuer").

We apply a unique analytical approach for each group of issuers as detailed below:

China Group Issuer

Panda Bonds issued by a China Group Issuer are typically rated using S&P Global (China) Ratings sector rating methodologies.

For example, if the issuer is a Malaysia based subsidiary of a China based metals and mining company, our analysis would typically be conducted using S&P Global (China) Ratings - Corporate Methodology and S&P Global (China) Ratings Supplemental Methodology – Materials Industry. There may be additional methodologies which may be applicable, such as S&P Global (China) Ratings Guarantee Methodology, amongst others.

We may also consider the general credit quality of the jurisdiction of domicile of the offshore issuer in our analysis, if we believe this may have implications for any rating we may assign. And we may also consider the importance of the issuer to its group or government to determine the degree of support it may receive, based on which we may adjust its issuer credit rating.

To assign an issue-level rating, we may apply S&P Global (China) Ratings General Considerations on Rating Modifiers and Relative Ranking Methodology, in addition to our view of the issuer's credit quality.

Foreign Issuer

For analyzing Foreign Issuers, we typically consider the credit opinion of S&P Global Ratings on that issuer and use such credit opinion as the starting point for S&P Global (China) Ratings' rating determination. We believe the robustness and standards of the analysis conducted by S&P Global Ratings to be sufficiently robust to be relied upon by S&P Global (China) Ratings.

Once we have an S&P Global Ratings opinion of the issuer's credit quality, we typically transform it into an S&P Global (China) Ratings credit rating using the following approach: where the Foreign Issuer has a credit quality that's equivalent to or higher than BBB category credit quality as determined by S&P Global Ratings, S&P Global (China) Ratings may assign an issuer credit rating of AAA_{spc}. When the Foreign Issuer's credit quality declines, S&P Global (China) Ratings' issuer credit rating will be adjusted down accordingly. Where the Foreign Issuer has a credit quality that's equivalent to B category credit quality as determined by S&P Global Ratings, S&P Global (China) Ratings may assign a similar view of credit quality that falls within B_{spc} category. This approach is also applicable while arriving at the stand-alone credit profile on the issuer.

The conversion method is equally applicable to the assessment of the individual credit quality of the issuing entity.

Where S&P Global Ratings has credit opinions on the related entities of the foreign issuer rather than on the foreign issuer itself, we may analyze the relationship between the foreign issuer and its related entities to determine the issuer credit rating on the issuer, which is typically equal to or lower than the issuer credit ratings on its related entities. Our assessment is based on the approach to group support analysis described in S&P Global (China) Ratings - Corporate Methodology or S&P Global (China) Ratings - Financial Institutions Methodology.

If S&P Global Ratings hasn't formed credit opinions on the foreign issuer or its related entities, we may apply S&P Global (China) Ratings sector rating methodologies and consider country risk and other factors to assign stand-alone credit profile and issuer credit rating on the issuer.

After assigning our view of the issuer's credit quality, we may then refer to S&P Global (China) Ratings General Considerations on Rating Modifiers and Relative Ranking Methodology to arrive at the issue-level rating.

OTHER CONSIDERATIONS

This methodology is not intended to be an exhaustive list of all factors we may consider in our analysis. Where appropriate, we may apply additional and/or different, quantitative and/or qualitative, considerations in our analysis to reflect the circumstances of the analysis for a particular issuer, issue or security type. A rating committee may adjust the application of the methodology to reflect individual circumstances in our analysis.

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