

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

April 23, 2025

## 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<sub>spc</sub>. 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<sub>spc</sub> 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.

Copyright © 2025 by S&P Ratings (China) Co., Ltd. All rights reserved. S&P Ratings (China) Co., Ltd. ("S&P Ratings") owns the copyright and/or other related intellectual property rights of the abovementioned content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content). No Content may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Ratings. Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel. The Content shall not be used for any unlawful or unauthorized purposes. S&P Ratings and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively "S&P Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P Ratings' opinions, analyses, forecasts and rating acknowledgment decisions (described below) are not and should not be viewed as recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Ratings assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and / or clients when making investment and other business decisions. S&P Ratings does not act as a fiduciary or an investment advisor except where registered as such. While S&P Ratings has obtained information from sources it believes to be reliable, S&P Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses. S&P RATINGS IS NOT PART OF THE NRSRO. A RATING ISSUED BY S&P RATINGS IS ASSIGNED ON A RATING SCALE SPECIFICALLY FOR USE IN CHINA, AND IS S&P RATINGS' OPINION OF AN OBLIGOR'S OVERALL CREDITWORTHINESS OR CAPACITY TO MEET SPECIFIC FINANCIAL OBLIGATIONS, RELATIVE TO THAT OF OTHER ISSUERS AND ISSUES WITHIN CHINA ONLY AND PROVIDES A RANK ORDERING OF CREDIT RISK WITHIN CHINA. AN S&P RATINGS' RATING IS NOT A GLOBAL SCALE RATING, AND IS NOT AND SHOULD NOT BE VIEWED, RELIED UPON, OR REPRESENTED AS SUCH. S&P PARTIES ARE NOT RESPONSIBLE FOR ANY LOSSES CAUSED BY USES OF S&P RATINGS' RATINGS IN MANNERS CONTRARY TO THIS PARAGRAPH. To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P Ratings reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. S&P Ratings disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof. S&P Ratings keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Ratings may have information that is not available to other S&P Ratings business units. S&P Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. S&P Ratings may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Ratings reserves the right to disseminate its opinions and analyses. S&P Ratings' public ratings and analyses are made available on its Web site [www.spgchinaratings.cn](http://www.spgchinaratings.cn), and may be distributed through other means, including via S&P Ratings' publications and third-party redistributors.