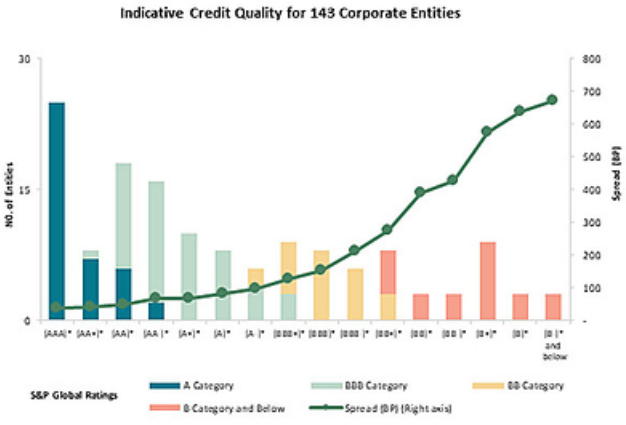
Understanding the Broad Relationship Between the Rating Scales of S&P Global (China) Ratings and S&P Global Ratings

BEIJING, Feb. 1, 2021 /PRNewswire/ -- S&P Global (China) Ratings has observed great interest in our approach to ratings and our differentiated credit opinions. To help market participants better understand our rating differentiation and improve transparency, S&P Global (China) Ratings today published a report presenting an overview of the broad relationship between the rating scales of S&P Global (China) Ratings and S&P Global Ratings.

Despite the broad relationship between the two scales, they are different and there is no mapping between the two. The two scales have the same purpose: providing better credit differentiations and greater granularity on rating outcomes. Our desktop analysis of indicative credit quality, further details of which can be found below, shows the results of S&P Global (China) Ratings are more widely distributed, due to the removal of any sovereign credit rating related constraints which may be applicable in S&P Global Ratings' methodology.

S&P Global (China) Ratings' rating methodologies are broadly based on S&P Global Ratings' frameworks but have been modified and tailored for local application in China. To help investors better understand the broad relationship between the two scales, we conducted a desktop analysis of 143 Chinese corporates, applying S&P Global (China) Ratings' methodology to public information.

The chart below presents S&P Global (China) Ratings' view of the indicative credit quality distribution of the 143 corporates. This sample covers almost all corporate sectors, with the entities selected from a pool of more than 200 companies on which S&P Global Ratings has ratings outstanding. We chose to exclude certain entities from this desktop analysis, including Hong Kong-based subsidiaries of Chinese companies or offshore financing platforms which are less likely to be issuers in the domestic market. The chart also includes the spread of a wider pool of 1,700 corporates to show how this aligns with our view of differentiated credit quality.



Note: Outstanding S&P Global Ratings data from January 15, 2021; Spread is average spread data of 1,700 sample corporates analyzed by S&P Global (China) Ratings on January 19, 2021. In our calculation of spread, we use the yields of China Development Bank bonds with corresponding maturities as a benchmark. Spread is for reference only.
*The indicative issuer credit quality distributions expressed in this report are only S&P China's indicative views of credit quality derived from a desktop analysis based on public information without interactive review with any particular entity or the full credit rating process such as a rating committee. The opinions expressed herein are not and should not be represented as a credit rating and should not be taken as an indication of a final credit rating on any particular entity
Source: S&P Global Ratings, ChinaBond Pricing Center, Wind, S&P Global (China) Ratings.
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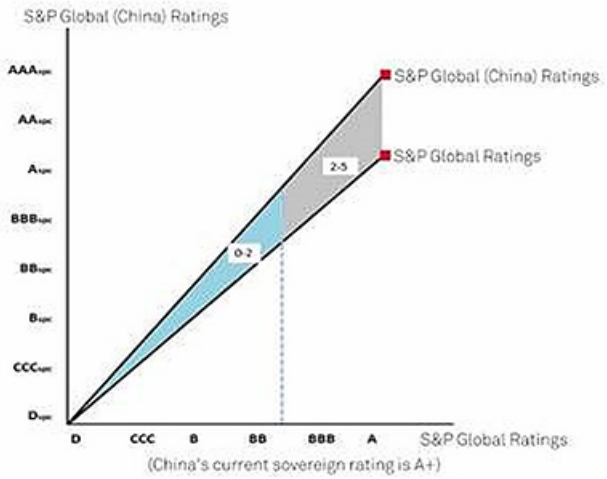
From the chart we can observe a broad relationship between the two rating scales, with the indicative credit quality distribution by S&P Global China Ratings of the 143 corporates covering the entire spectrum from [AAA_{spc}] to [B_{spc}-] and below. For companies rated in the A category by S&P Global Ratings, their indicative credit quality on S&P Global (China) Ratings' scale may fall somewhere between [AAA_{spc}] and [AA_{spc}-], across four different notches. Companies rated in the BBB category by S&P Global Ratings may have indicative credit quality ranging from [AA_{spc}+] to [BBB_{spc}+] on the S&P Global (China) Ratings' scale.

This broader distribution can be attributed to differences in core analytical approaches used in our respective corporate methodologies, sovereign credit quality constraints which may be applicable to the S&P Global credit ratings, as well as differences in analytical approaches associated with any group or government support uplift benefit potentially applicable to a given issuer.

In general, ratings on companies with stronger credit quality may vary more widely on the two scales, while any difference in ratings on entities with weaker credit quality is generally smaller. It should be emphasized that this is based on our observation and is not absolute, and there is no one-to-one mapping between the results of S&P Global (China) Ratings and S&P Global Ratings.

A look at how we approach RMB bonds issued by foreign institutions inChina (Panda Bonds) offers another perspective on the relationship between the two scales. The S&P Global (China) Ratings Panda Bond rating methodology is a separate framework. Under this framework, for foreign issuers that conduct the majority of their business overseas, we usually refer to S&P Global Ratings' credit opinion on the entity and use this as a starting point to arrive at S&P Global (China) Ratings' rating determination.

Broad Relationship Between Credit Opinions of S&P Global Ratings and S&P Global (China) Ratings



Source: S&P Global (China) Ratings.
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As the above chart shows, when S&P Global Ratings views a foreign issuer as having relatively lower credit quality (typically below BBB category), S&P Global (China) Ratings may assign a similar view of credit quality with adjustments typically of up to 2 notches. When S&P Global Ratings views a foreign issuer as having stronger credit quality, S&P Global (China) Ratings may assign a view of credit quality typically in a range of 2-5 notches higher than the credit quality opinion of S&P Global Ratings.

Under our Panda Bond rating methodology, the indicative credit quality of foreign issuers follows similar trends as that of domestic issuers under S&P Global (China) Ratings' other rating methodologies, with some correlation with the credit opinions of S&P Global Ratings. However, in both cases there is no one-to-one mapping relationship with S&P Global Ratings.

This report does not constitute a rating action.

(Note: This document is prepared in both English and Chinese. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency between the English version and the Chinese version.)

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