



# China Bond Recovery Review 2023

Property And Non-Property Bonds Diverge

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**S&P Global**  
Ratings

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*This report does not constitute a rating action*

# Key Takeaways

We examined all defaults since 2015 in China's domestic bond market (717 bonds) and dollar bond market (368). Key findings include:

## For U.S. dollar-denominated bonds:

- In 2023, 4x as many defaulted bonds were resolved by courts than 2022, while only a fifth as many were able to settle out of court.
- 60% of property and 41% of non-property bond defaults remain unresolved, but more are likely to go to court as other options run out.
- After defaults, unresolved cases typically enter courts in two to nine months, and are resolved within two months thereafter.
- Property bonds tend to be resolved faster than non-property, both out of court (18 vs. 44 days) and in court (three vs. 11 months).
- Most out-of-court property cases extend maturities via existing (38%) or new bonds (31%), rarely paid cash (10%) or other assets (27%).
- For in-court resolutions, all property and two-thirds of non-property bonds compensated with a mix of cash, equity, assets, and bonds.
- Property bonds' cash recovery rates are lower than non-property both out of court (36% vs. 47%) and in court (3% vs. 18%).

## For domestic renminbi (RMB) bonds:

- Cases entering courts dropped 70% in 2023, and all were non-property, as property bond investors prefer out-of-court settlements.
- Only 30% of cases remain unresolved. Among those that are, more are resolved out of court (36%) than in court (31%).
- After outright defaults, unresolved cases typically enter courts in seven to eight months, followed by resolution in nine to 26 months.
- Most onshore out-of-court cases are settled by maturity extensions for property bonds (92%) as well as non-property bonds (61%).
- All property and 64% of non-property bonds resolved in-court compensate with a varying mix of cash, shares, and maturity extensions.
- Like offshore, cash recovery rates onshore are much higher for out-of-court (46%) than in-court resolutions (11%).
- Onshore property bonds' cash recovery rates are also lower vs. non-property both out-of-court (33% vs. 61%) and in-court (8% vs. 11%).
- This is likely due to the property sector's unprecedented and continuing downturn, which is not faced by issuers in other sectors.

# Sample Overview: Property Bond Defaults Dominate Since 2020

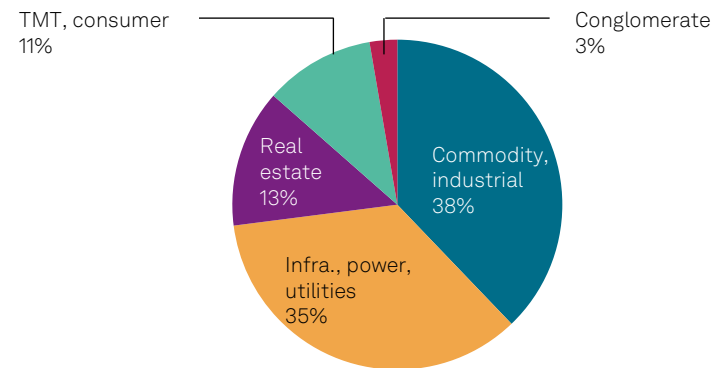
- We examined all defaults in China's bond markets since 2015, including offshore (368 USD bonds, 97 issuers) and onshore (717, 258).
- In 2015-2019, offshore saw five property bond defaults vs. 32 non-property, while onshore saw 15 vs. 247.
- Since 2020, offshore saw 288 property bond defaults vs. 43 non-property, while onshore saw 233 property vs. 222 non-property.

	Offshore					Onshore				
	No. of bonds	No. of issuers	Amt. bil. US\$	No. of bonds defaulted during 2015-2019	No. of bonds defaulted 2020-2023YTD	No. of bonds	No. of issuers	Amt. bil. RMB	No. of bonds defaulted during 2015-2019	No. of bonds defaulted during 2020-2023YTD
<b>Real estate</b>	<b>293</b>	<b>58</b>	<b>125</b>	<b>5</b>	<b>288</b>	<b>248</b>	<b>53</b>	<b>409</b>	<b>15</b>	<b>233</b>
<b>Non-real estate</b>	<b>75</b>	<b>39</b>	<b>26</b>	<b>32</b>	<b>43</b>	<b>469</b>	<b>205</b>	<b>473</b>	<b>247</b>	<b>222</b>
Conglomerate	3	1	1	1	2	28	11	30	14	14
Infra., power, utilities	21	14	7	13	8	60	20	69	17	43
Commodity, industrial	25	11	9	14	11	245	104	252	155	90
TMT, consumer	26	13	10	4	22	136	70	122	61	75
<b>POE</b>	<b>327</b>	<b>86</b>	<b>134</b>	<b>31</b>	<b>296</b>	<b>617</b>	<b>219</b>	<b>756</b>	<b>221</b>	<b>396</b>
<b>SOE</b>	<b>41</b>	<b>11</b>	<b>16</b>	<b>6</b>	<b>35</b>	<b>100</b>	<b>41</b>	<b>125</b>	<b>41</b>	<b>59</b>
Central	15	3	6	0	15	38	15	62	22	16
Local	26	8	10	6	20	62	26	63	19	43

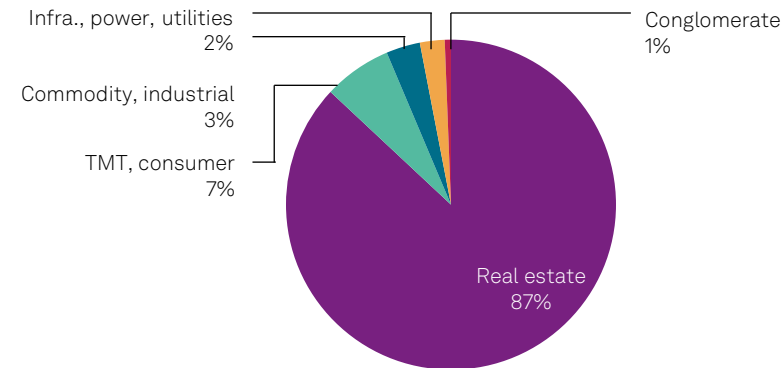
Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Includes defaulted bonds of all nonfinancial Greater China corporates in the offshore U.S. dollar bond market and China's domestic bond market. Amount is the amount at issuance. Amt.--Amount. Bil.--Billion. YTD--Year to date. Infra--Infrastructure. TMT--Technology, media, and telecom. POE--Privately-owned enterprise. SOE--State-owned enterprise. Sources: Wind, Bloomberg, company and court releases, media sources, S&P Global Ratings.

# Sample Overview: Offshore Defaults Mostly Property, Onshore More Mixed

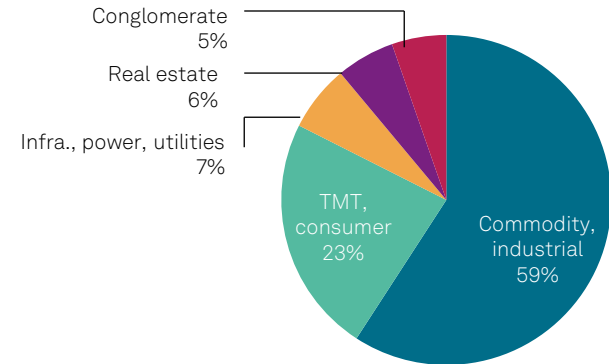
Offshore 2015-2019



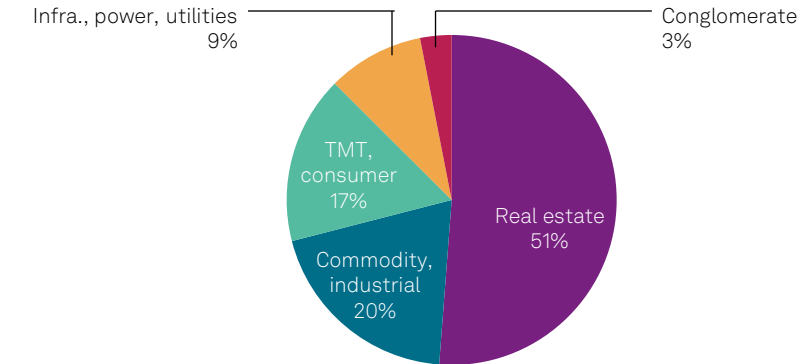
Offshore 2020-2023



Onshore 2015-2019



Onshore 2020-2023



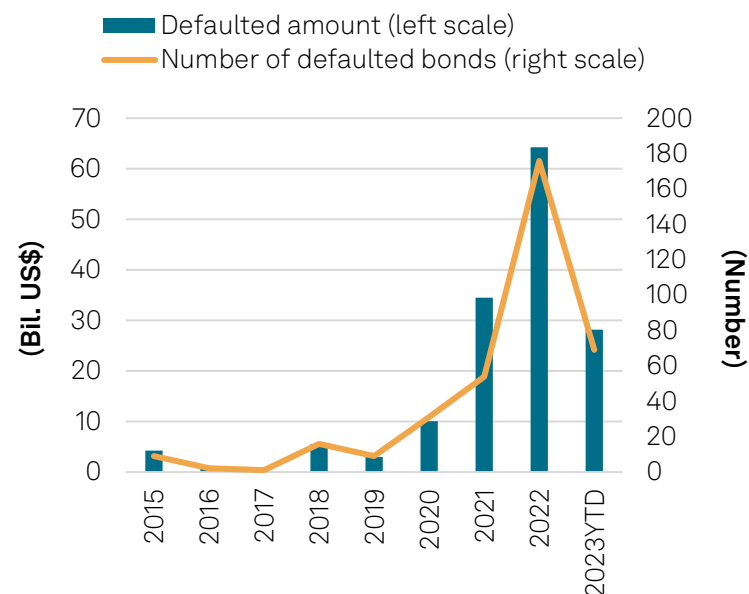
Note: Defaulted bonds distribution by number of bonds. Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Includes defaulted bonds of all nonfinancial Greater China corporates in the offshore U.S. dollar bond market and China's domestic bond market. Infra.-Infrastructure. TMT--Technology, media, and telecom. Sources: Wind, Bloomberg, company and court releases, media sources, S&P Global Ratings.

# Offshore Bond Recovery

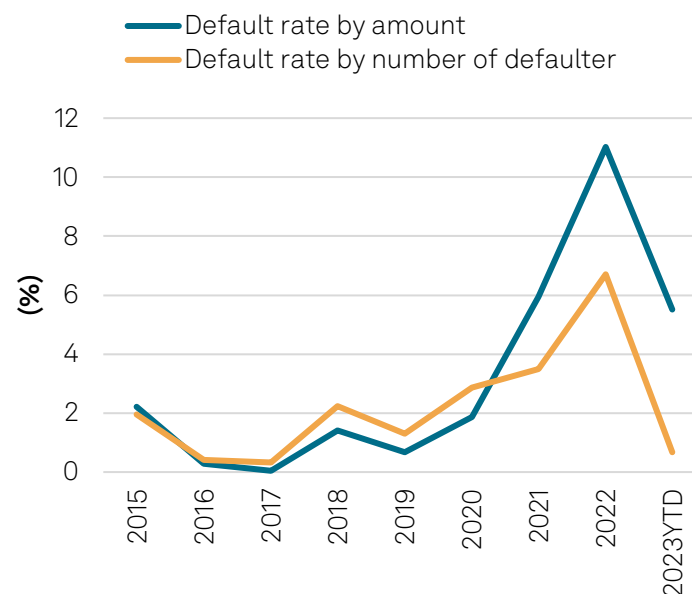
# Offshore Defaults Peaked In 2022, Fell In 2023

- 2022 offshore bond defaults surged to a record 6.7%, or US\$64 bil., which is 2x 2021's US\$34 bil. and 6x 2020's US\$10 bil.
- Defaults fell in 2023, but more bonds will come due in the next two years, particularly in non-property sectors.

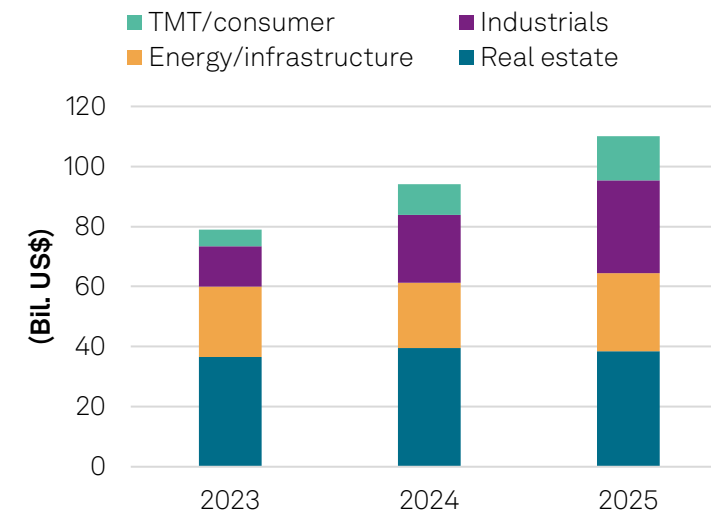
## Offshore defaults fell in 2023



## Default rate hit record levels last year



## Maturities will rise in the coming years

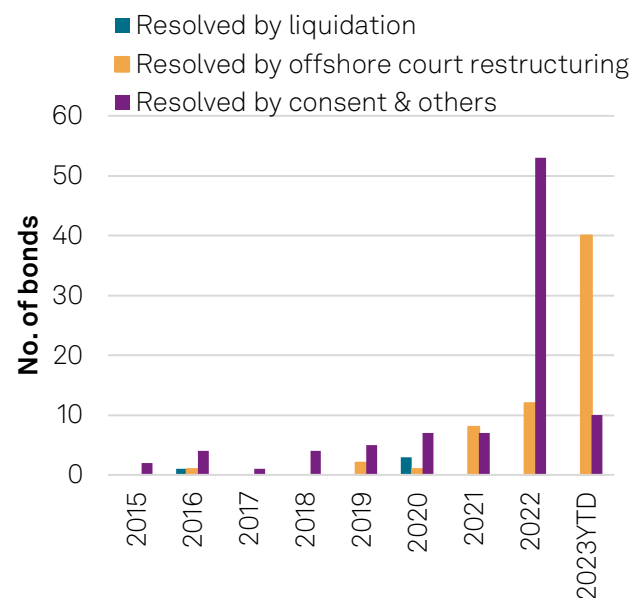


Note: Default data ranged from Jan. 1, 2015 to Oct. 10, 2023, includes all nonfinancial Greater China corporates in the offshore U.S.-dollar bond market. Defaults are failures to pay interest or principal in full and on time, including maturity extension and other distressed restructurings. Default amount includes only defaulted bonds (i.e., not other debts by the same issuer). Number of defaulters is the number of first-time defaulted issuers. Maturity data as of Oct. 31, 2023, includes nonfinancial Greater China corporates bonds listed in the offshore U.S.-dollar and euro- bond markets, excluding those with tenor less than one year, amount issued less than US\$100 million, catastrophe bonds, certificates of deposit, commercial paper, and preferred stock. YTD—Year to date. Sources: Bloomberg, company and court releases, media sources, S&P Global Ratings.

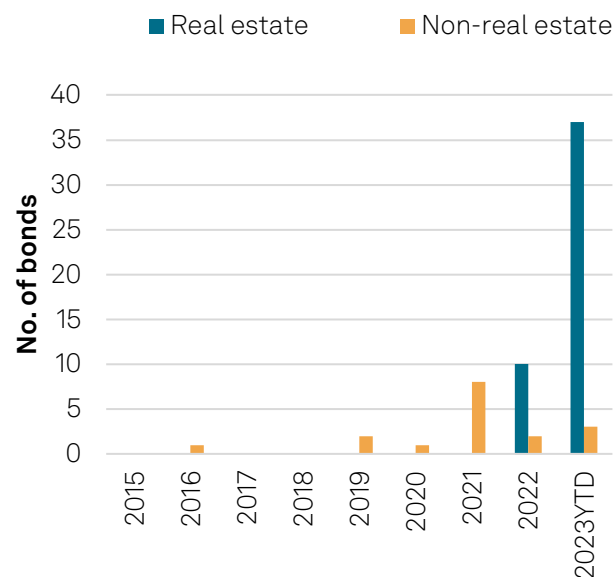
# More Offshore Bonds Are Resolved By Courts In 2023

- In 2023, 4x as many bonds were resolved by offshore courts than 2022, but only a fifth as many were settled out of court.
- More property as well as non-property bonds entered offshore courts, typically under “holistic” restructurings.
- Liquidations remain rare, with no cases over the past three years.

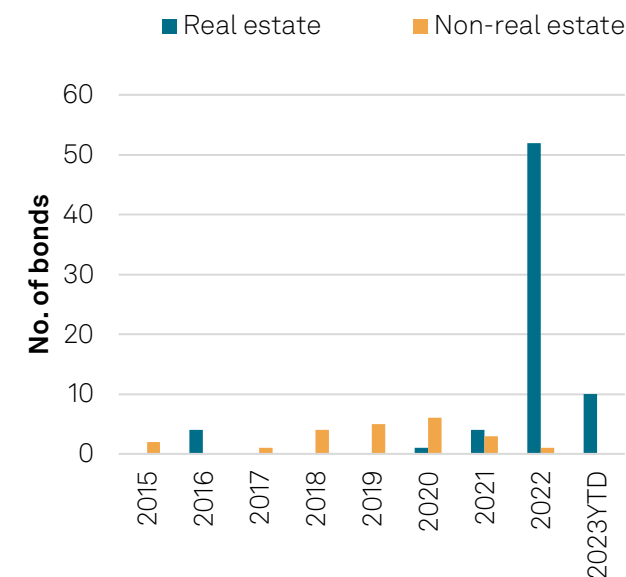
## Resolved by in-court processes



## Resolved by offshore court restructuring



## Resolved by consent & other means

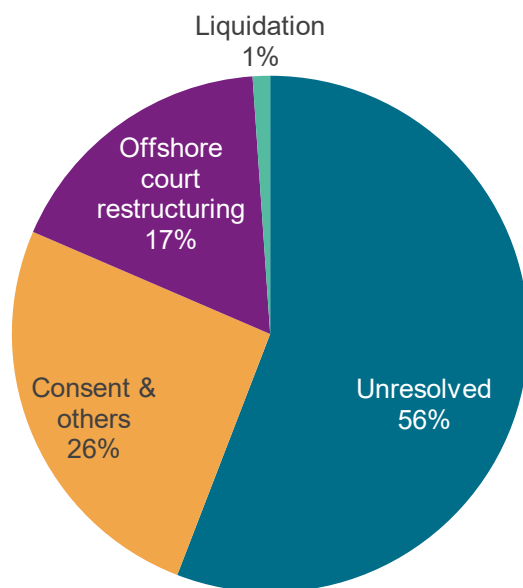


Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Offshore court restructuring refers to court approved-restructuring at offshore jurisdictions such as Cayman, BVI, HK and U.S. through scheme of arrangement or other procedures in which the normal operation of an entity is restored after restructuring. Liquidation refers to a process in which an entity ceases normal operations and distributes or sell assets to repay relevant stakeholders. Consent & others refer to restructurings without the involvement of courts. Sources: Bloomberg, company and court releases, media sources, S&P Global Ratings.

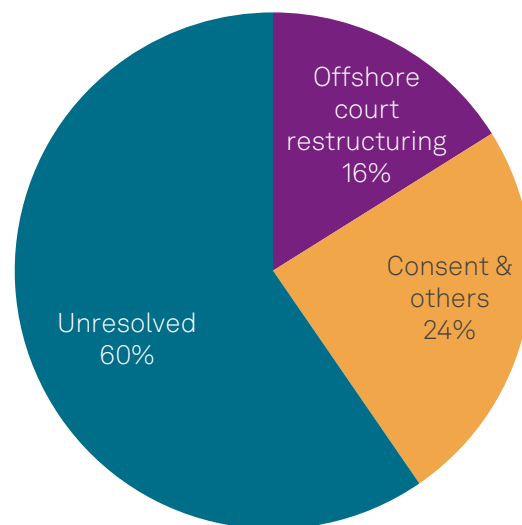
# Most Offshore Bond Defaults Remain Unresolved

- Of all defaulted offshore bonds since 2015, 56% remain unresolved, while 26% were resolved out of court, and 17%, in court.
- A large majority of defaulted property bonds remain unresolved (60%), versus a minority of non-property bonds (41%).
- Only 16% of property bonds were resolved in court, vs. 23% for non-property, but more are likely to go to court as other options run out.

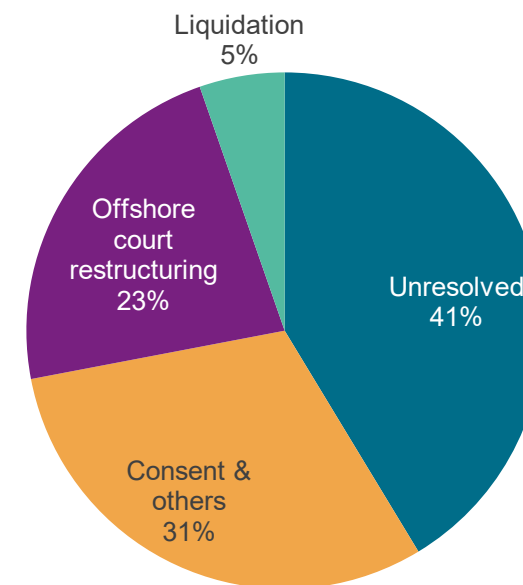
## Overall



## Real estate



## Non-real estate

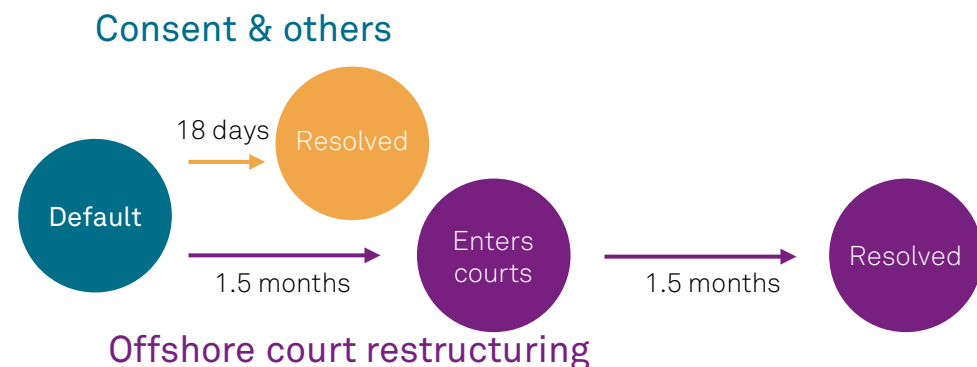


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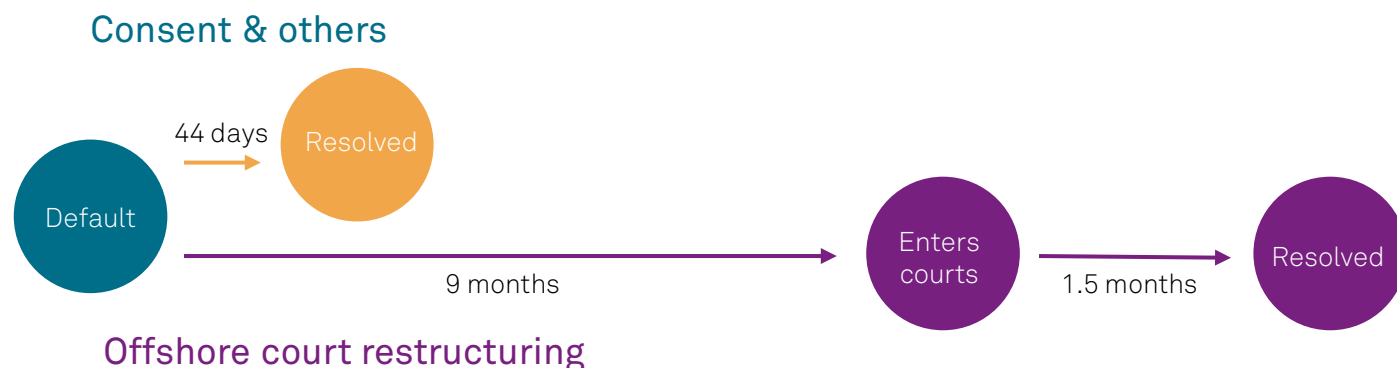


# Offshore Resolutions Take 3-6 Weeks Out Of Court, 3-11 Months In Court

## Post-default resolution time, property medians



## Post-default resolution time, non-property medians



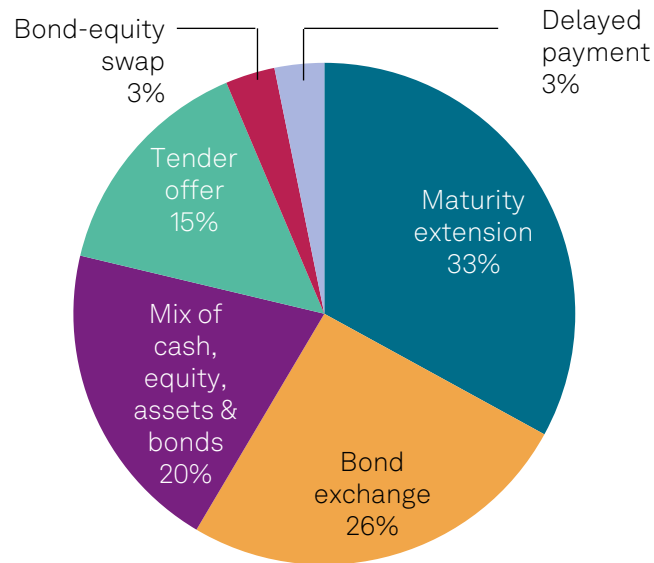
Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Numbers shown are group medians. Offshore court restructuring refers to court approved-restructurings at offshore jurisdictions such as Cayman, BVI, HK and US through scheme of arrangement or other procedures in which the normal operation of an entity is restored after restructuring. Consent & others refer to restructurings without the involvement of court. Sources: Bloomberg, company and court releases, media sources, S&P Global Ratings.

- Issuers that have the ability or assets to resolve defaults tend to do so before outright defaulting or soon after.
- Issuers that don't have the ability or assets to resolve tend to enter court processes under "holistic" restructurings within two to nine months after outright defaulting.
- Once under the court process, cases tend to be resolved within two months for property as well as non-property bonds.
- Property bonds tend to be resolved faster than non-property, whether out of court (18 vs. 44 days) or in-court (3 vs. 11 months).
- These figures may change in the coming year, as most offshore defaults remain unresolved.

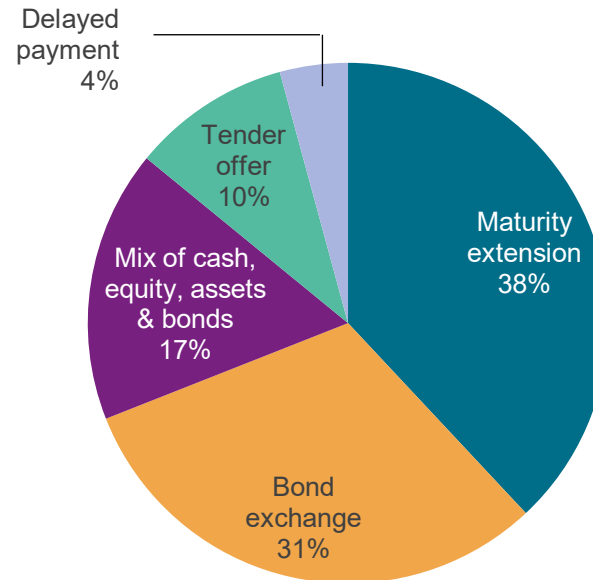
# Most Offshore Out-Of-Court Cases Compensate With Non-Cash Means

- In offshore out-of-court settlements, only 15% paid in cash (via tenders), the rest compensated with mixed or non-cash means.
- Property bonds mostly extend maturities of existing (38%) or new bonds (31%), and rarely paid cash (10%) or other assets (17%).
- This is because unlike other sectors, the property sector faced – and continues to face – an unprecedented industry downturn.

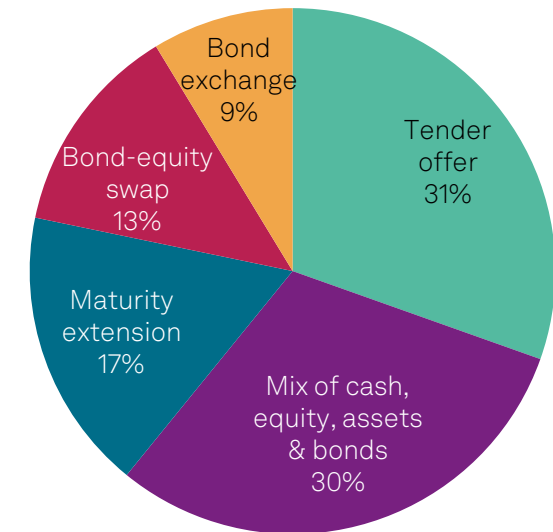
## Overall



## Real estate



## Non-real estate

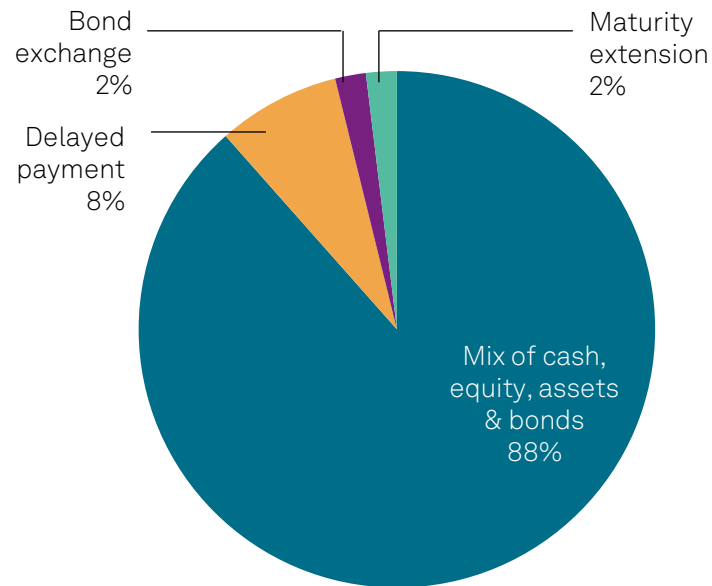


Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Percentages are calculated according to the number of bonds. Percentages in the charts do not total 100% due to rounding. Tender offer--issuer buys back bonds with cash, usually at a haircut rate. Bond-equity swap--bonds are exchanged for shares of a company or a trust plan. Maturity extension--Maturity of bonds are extended to a later date. Bond exchange--Bonds are exchanged into a series of newly issued bonds with the same/a different coupon rate and/or maturity date. Delayed payment--Issuer honors repayment at a later date. Mix of cash, equity, assets, and bonds—A combination of above-mentioned methods. Sources: Bloomberg, company and court releases, media sources, S&P Global Ratings.

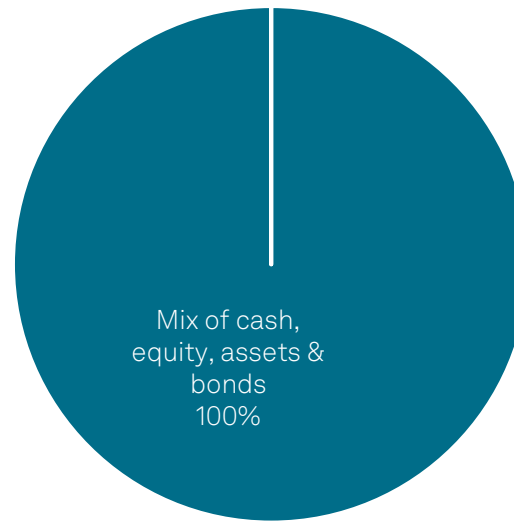
# Most Offshore Court Restructurings Compensate With Mixed Assets

- For restructurings through offshore courts, 88% compensated with a mix of cash, equity, assets, and bonds.
- This is true for all property bonds and two-thirds of non-property bonds.

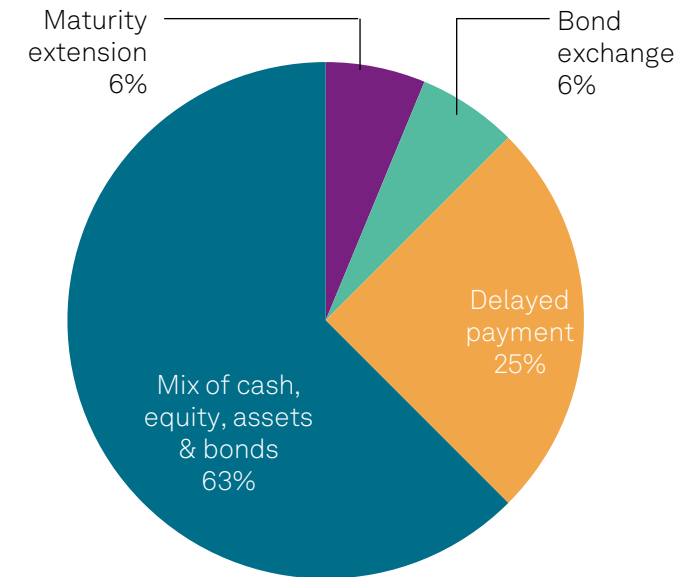
Overall



Real estate



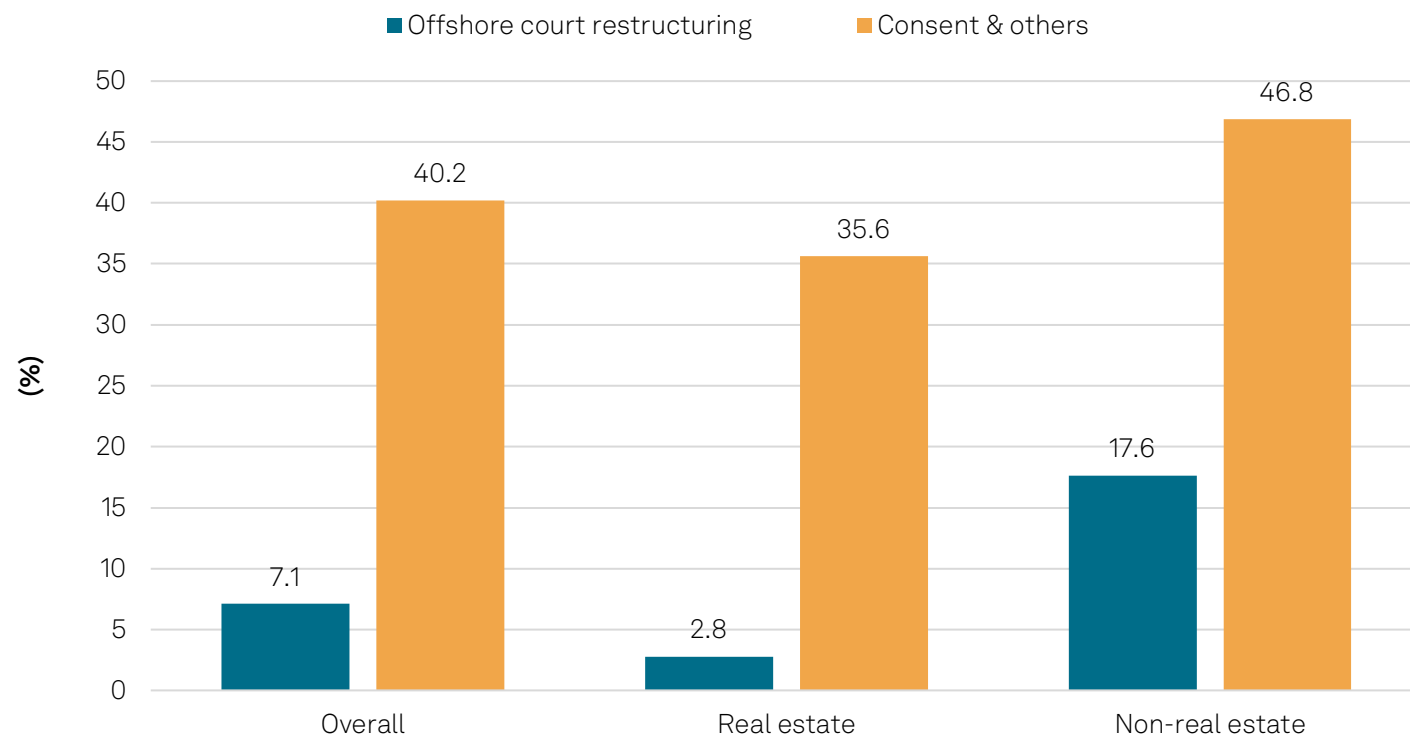
Non-real estate



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# Offshore Cash Recovery Rates Average 40% Out Of Court, 7% In Court

## Average offshore cash recovery rates



Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Cash recovery rate is calculated as cash repayment upfront or within one year post restructurings as a percentage of par. Liquidation is excluded due to small sample size. Compensation that does not include cash portion of repayment will not be included in the cash recovery calculation. Sources: Bloomberg, company and court releases, media sources, S&P Global Ratings.

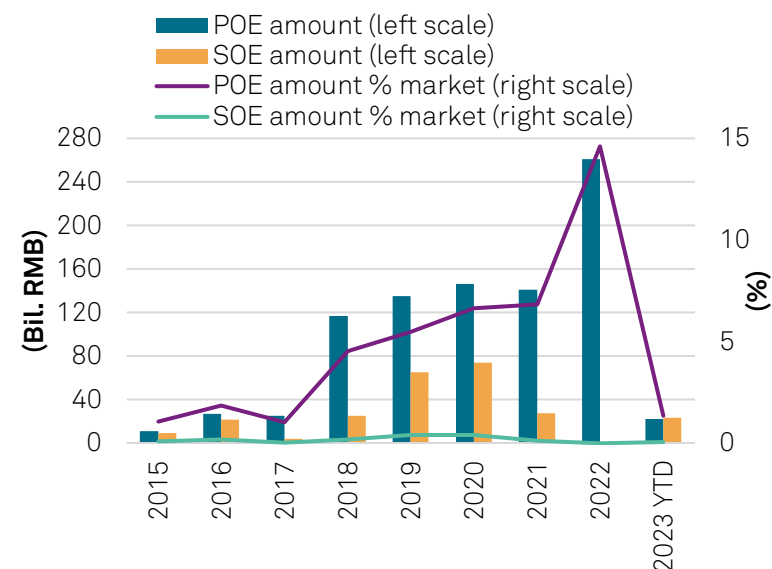
- We calculate “cash recovery rates” as cash received at the end of, or expected to be received within one year after, the restructuring.
- For offshore bonds, consents and out-of-court resolutions yield a 40% cash recovery rate on average.
- Restructurings via court processes yield a much lower cash recovery rate of 7%, as most cases enter such processes due to lack of cash or assets to resolve out of court.
- This is particularly pronounced for property bonds, which yielded a cash recovery rate of 3% in-court and 36% out of court.
- For non-property bonds, cash recovery rates are much higher in-court (18%) and out-of-court (47%), likely because property is the only sector facing unprecedented stress.

# Onshore Bond Recovery

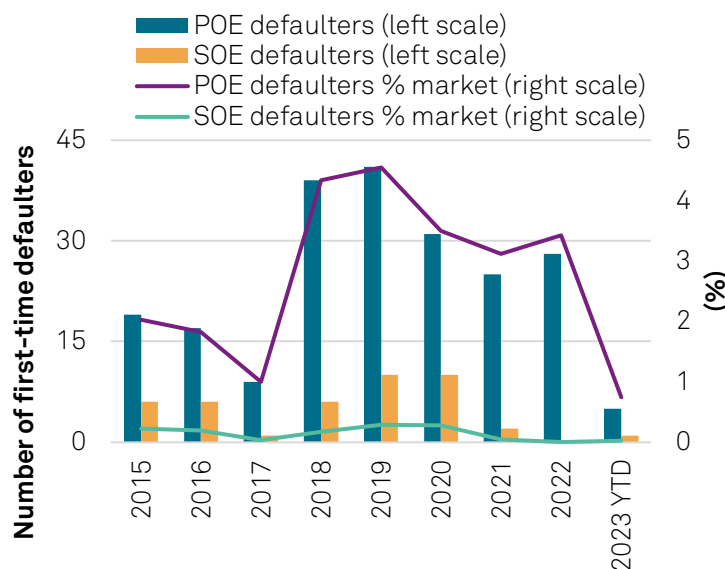
# Onshore Defaults: POEs Climbed, SOEs Fell, Both Dropped In 2023

- Onshore defaults dropped in 2023, but as defaulters remained large, cases continued to hit markets with outsized broadcast effects.
- Each defaulter had RMB7.7 bil. of bonds outstanding on avg., which is 2x 2018's RMB3.2 bil. and 10x 2015's RMB0.8 bil.
- SOE defaults remained low under tighter government scrutiny, but more cases of stress are surfacing outside of bond markets.

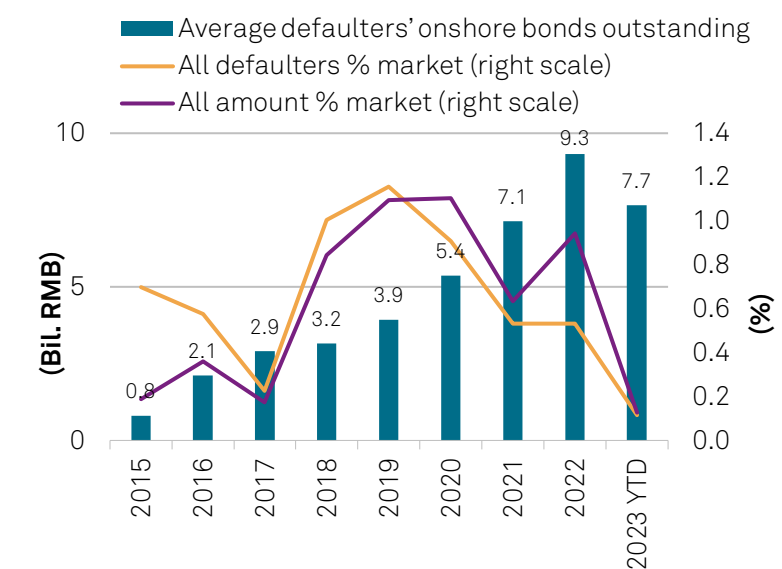
## Onshore defaults fell in 2023



## Defaulters rose for POEs, fell for SOEs



## Maturities will rise in the following years

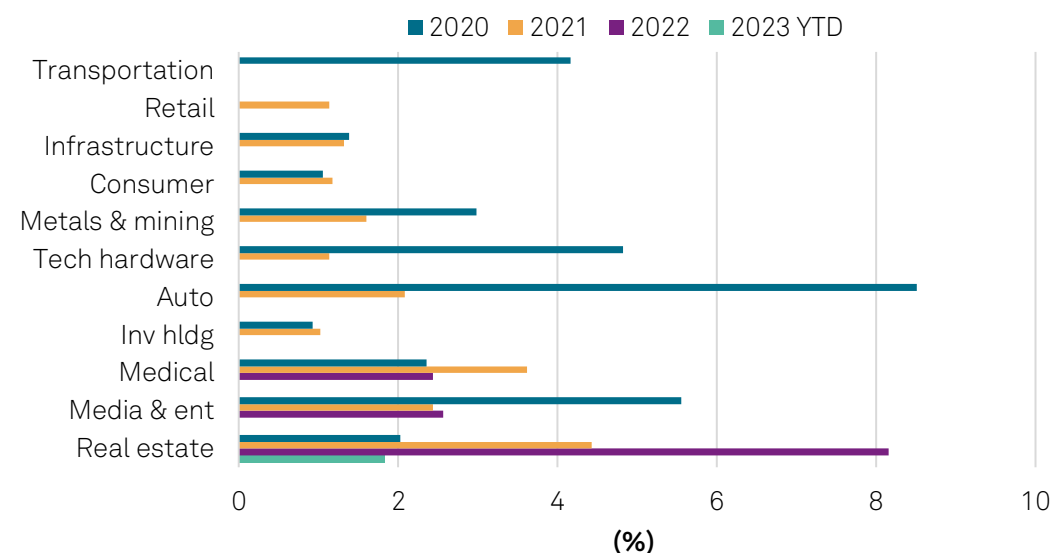


Note: Default data ranged from Jan. 1, 2015 to Oct. 10, 2023, includes all nonfinancial issuers in China's domestic bond market. Defaults are failures to pay interest or principal in full and on time, including maturity extension and other distressed restructurings. Default amount is defaulters' bonds outstanding on the date of first default. Number of defaulters is the number of first-time defaulted issuers. Market is the total bonds outstanding or the number of total issuers in the market at the beginning of the year. YTD—Year to date. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

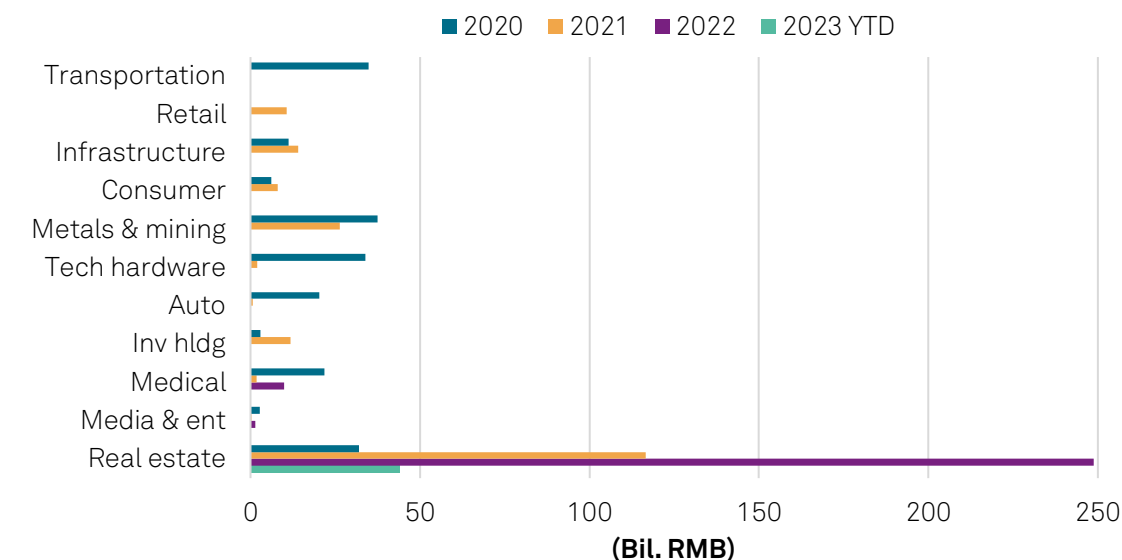
# Onshore Defaults: Property Crisis Continues, But Still No Default Crisis

- In 2021, first year of the “three red lines” policy, the property sector’s default rate doubled to 4.4% while amount tripled to RMB117 bil.
- In 2022, the property sector’s default rate and amount doubled again to 8.2% and RMB249 bil. while other sectors’ fell.
- After surging for two years and peaking last year, defaults finally dropped in 2023.

China onshore bond default rates by sector



China onshore bond default amounts by sector

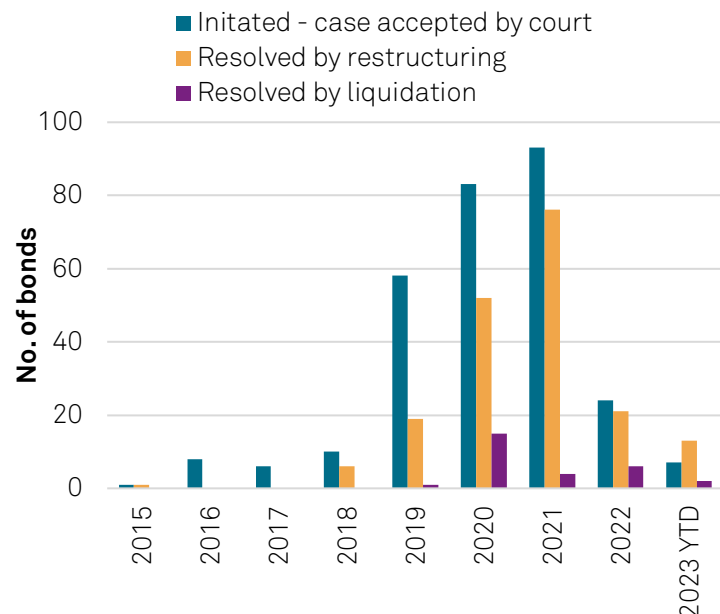


Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023, includes all nonfinancial corporates in China’s domestic bond market. Defaults are failures to pay interest or principal in full and on time, including maturity extension and other distressed restructurings. Default amount is defaulters’ bonds outstanding on the date of first default. Default rate is the number of first-time defaulters divided by the number of total issuers in the sector in the market. YTD—Year to date. Inv hldg--Investment holding. Media & ent--Media and entertainment. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

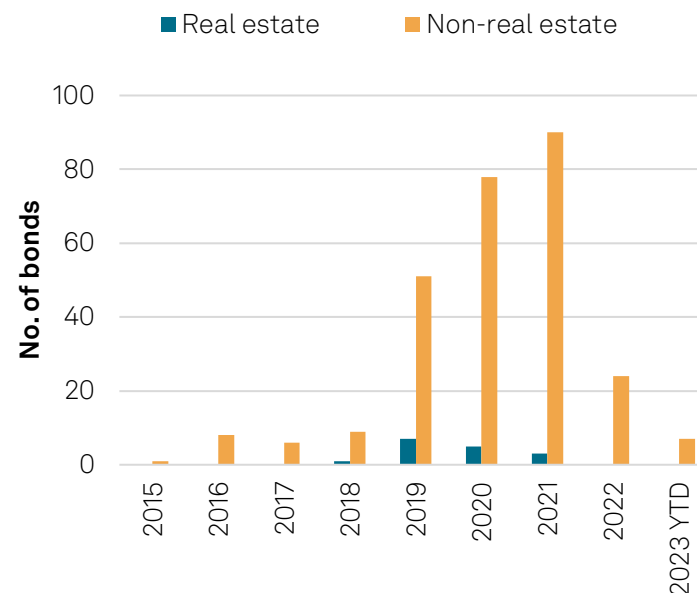
# Fewer Onshore Bond Holders Are Going To Court

- Onshore bonds entering courts grew ninefold between 2018 and 2021, but dropped 74% in 2022 and a further 70% in 2023.
- Nearly all cases that entered or are resolved by court processes are non-property bonds.
- This is because most cases since 2021 are property bonds, where holders prefer out-of-court resolutions.

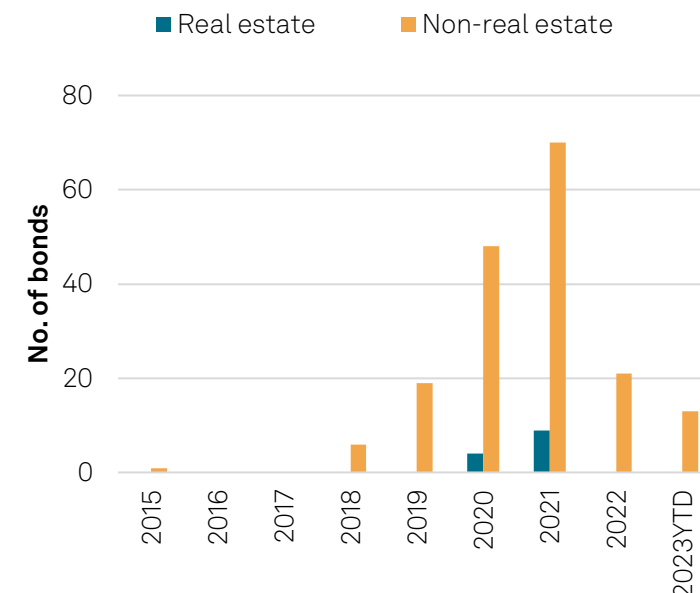
## In-court resolution types



## Initiated – case accepted by courts



## Resolved by in-court restructuring



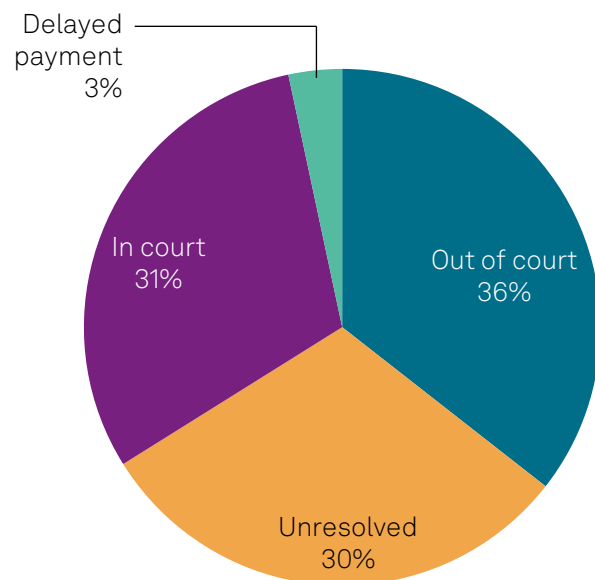
Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. In-court restructuring refers to court-approved restructuring in which normal operations of an entity is restored after restructuring. Liquidation refers to a process in which an entity ceases normal operations and distributes or sells assets to repay relevant stakeholders. YTD--Year to date. Sources: Wind, company and court releases, media sources, S&P Global Ratings.



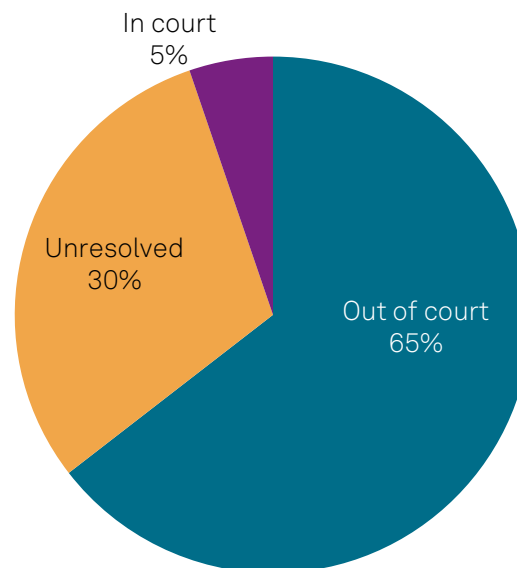
# Most Domestic Property Bond Defaults Are Resolved Out Of Court

- Of all defaulted domestic bonds since 2015, only 30% remain unresolved, while 36% are resolved out of court, and 31%, in court.
- This is because two-thirds of defaulted property bonds were resolved out of court, versus 5% in court.
- Non-property bonds are the opposite – more are resolved in court (44%) than out of court (20%), likely due to more complex cases.

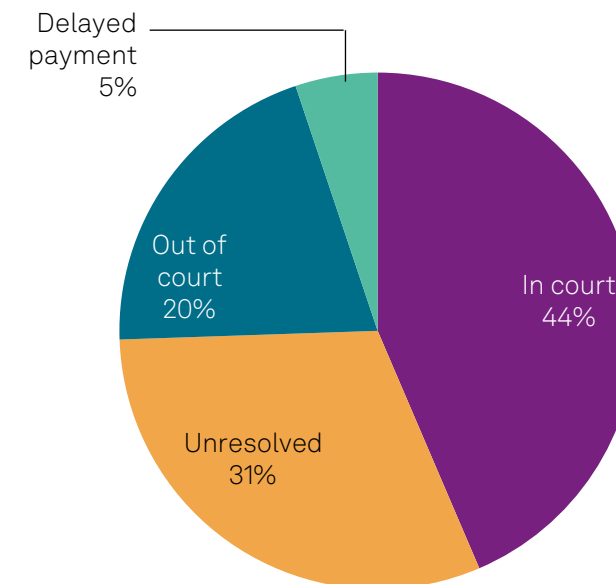
## Overall



## Real estate



## Non-real estate

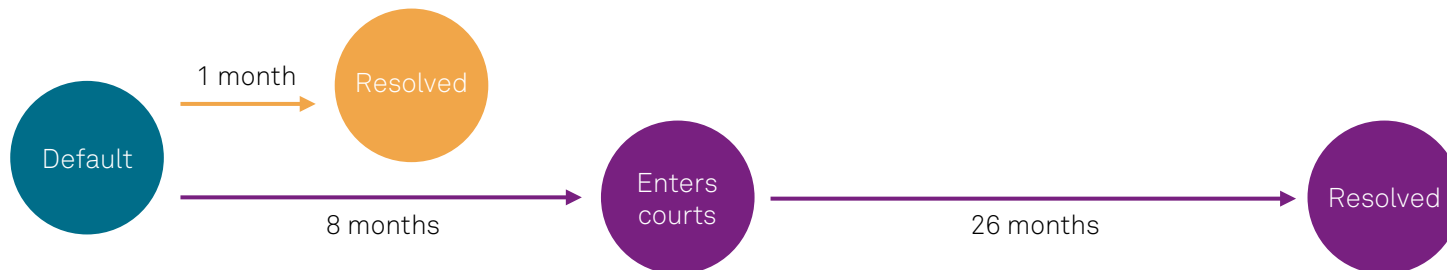


Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Percentages are calculated according to the number of bonds. Percentages in the charts do not total 100% due to rounding. Delayed payment refers to an issuer making repayment afterwards without entering any negotiation process on bond terms, which is not treated as a resolution approach in our definition. In court--In-court restructuring and liquidation. In-court restructuring refers to court-approved restructuring in which normal operations of an entity is restored after restructuring. Liquidation refers to a process in which an entity ceases normal operations and distributes or sells assets to repay relevant stakeholders. Out of court--Out-of-court restructuring refers to bond restructuring approved on creditors' meetings, without the involvement of court. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

# Onshore Resolutions Take 1-4 Weeks Out Of Court, 1-3 Years In Court

## Post-default resolution time, property medians

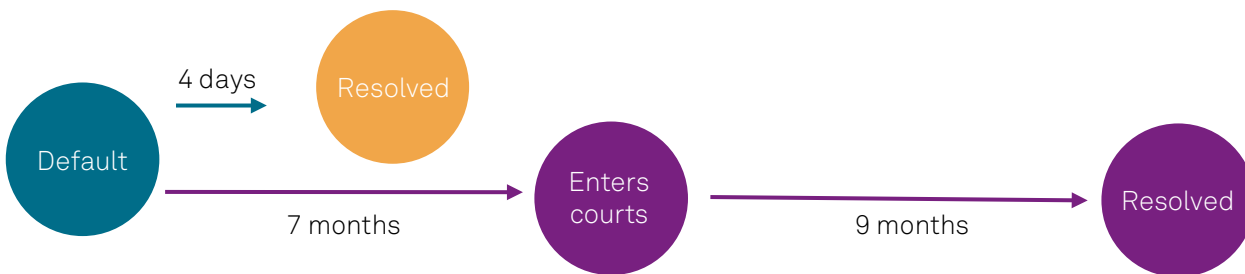
### Out-of-court process



### In-court process

## Post-default resolution time, non-property medians

### Out-of-court process



### In-court process

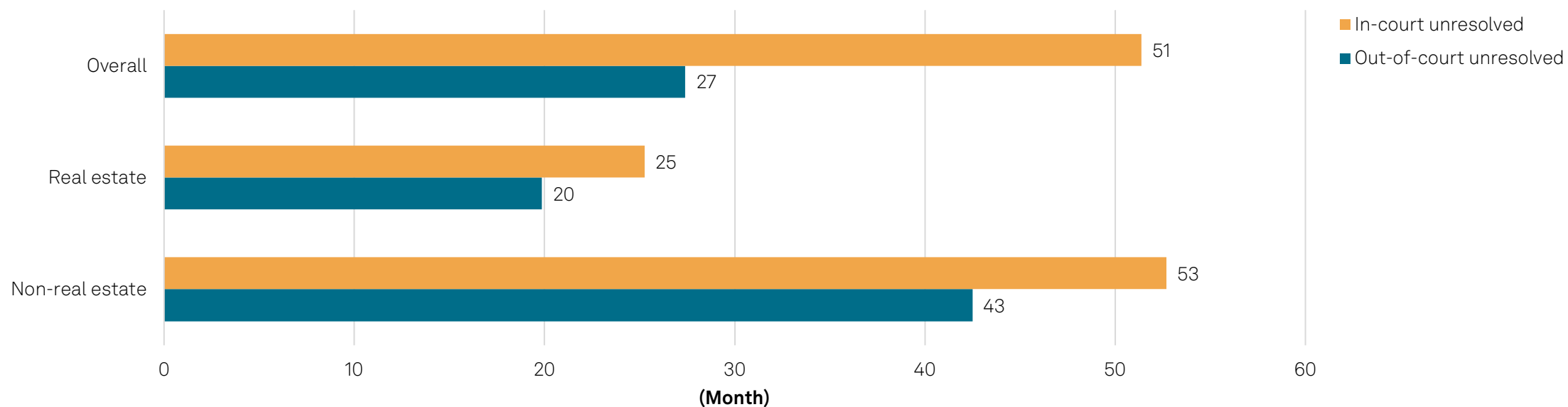
- Issuers that have the ability or assets to resolve defaults tend to do so before outright defaulting or soon after.
- Issuers that don't have the ability or assets to resolve tend to enter court processes 7-8 months after outright defaulting.
- Once under the court process, cases tend to be resolved within 26 months for property and 9 months for non-property bonds.
- Non-property bonds tend to be resolved faster than property, both out-of-court (1 vs. 4 weeks) and in-court (9 vs. 26 months).
- That said, these figures may change in the coming year, as most property bond defaults are recent, and most remain unresolved.

Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Numbers shown are group medians. Out of court--Out-of-court restructuring refers to bond restructuring approved by creditors' meetings, without the involvement of courts. In court--In-court restructuring and liquidation. In-court restructuring refers to court-approved restructuring in which normal operations of an entity is restored after restructuring. Liquidation refers to a process in which an entity ceases normal operations and distributes or sells assets to repay relevant stakeholders. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

# Unresolved Onshore Cases Can Drag On For Two To Four Years

- Unresolved onshore cases can be stuck for a median of 27 months out of court and 51 months in court.
- This is mostly due to non-property cases that dragged on for as long as 43 months out of court and 53 months in court.
- Property cases are mostly recent and have yet to drag-on that long, but the unresolved median is already some two years.

## Unresolved time post-outright default (medians)

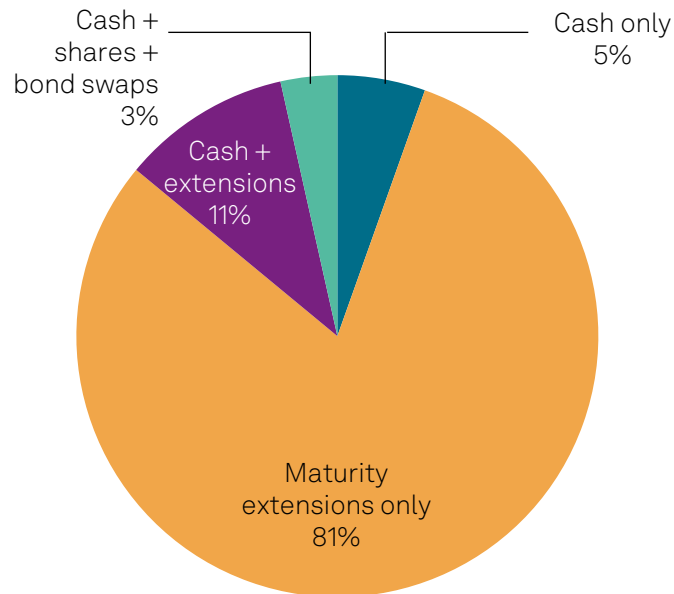


Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. All the numbers shown above are calculated in median. In court--In-court restructuring and liquidation. In court--In-court restructuring and liquidation. In-court restructuring refers to court-approved restructuring in which normal operations of an entity is restored after restructuring. Liquidation refers to a process in which an entity ceases normal operations and distributes or sells assets to repay relevant stakeholders. Out of court--Out-of-court restructuring refers to bond restructuring approved on creditors' meetings, without the involvement of court. Unresolved time is the time from default date of an individual bond to Oct. 10, 2023. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

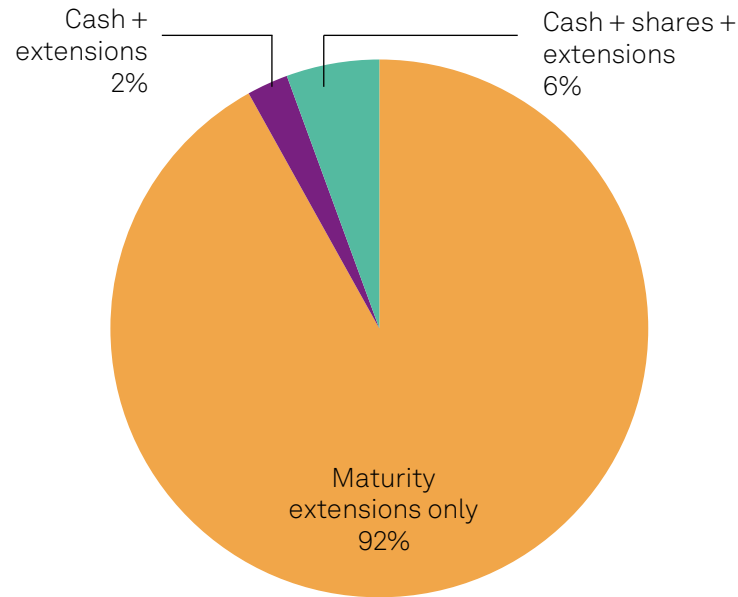
# Onshore Out-Of-Court Cases Are Mostly Settled By Maturity Extensions

- Most onshore out-of-court cases are settled by maturity extensions-only for property (92%) as well as non-property (61%).
- Only 5% of cases are settled by cash only, the rest compensated with a mix of cash, shares, and maturity extensions.

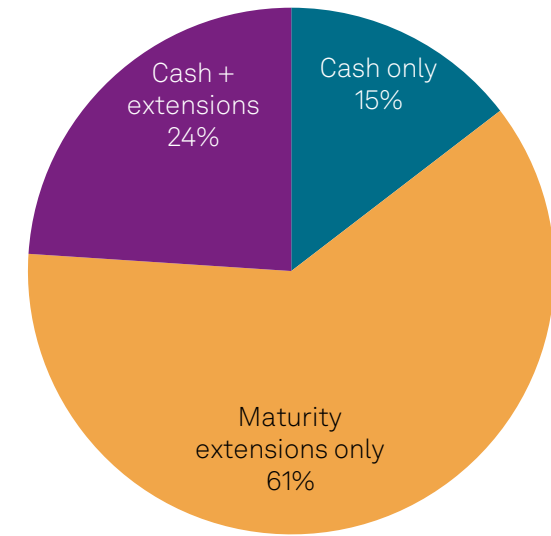
## Overall



## Real estate



## Non-real estate

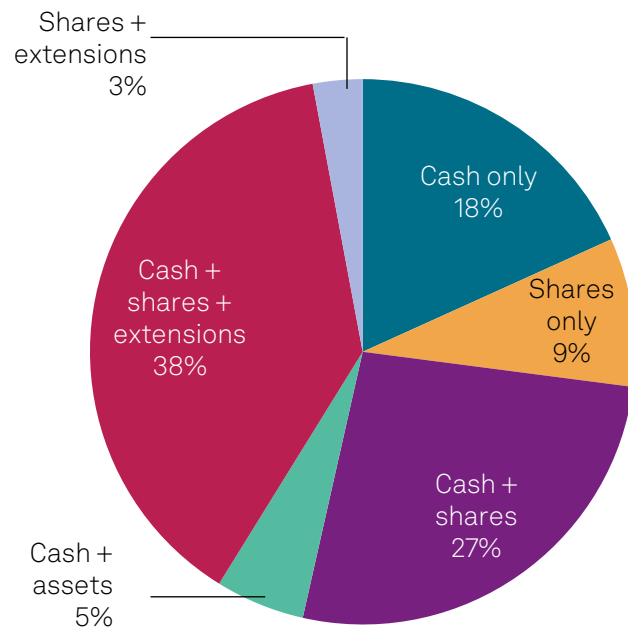


Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Percentages are calculated according to the number of bonds. Percentages in the charts do not total 100% due to rounding. Out of court--Out-of-court restructuring refers to bond restructuring approved on creditors' meetings, without the involvement of court. Maturity extension--Maturity of the bonds are extended to a later date. Shares--Bonds are exchanged into shares of an entity without any cash repayment involved. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

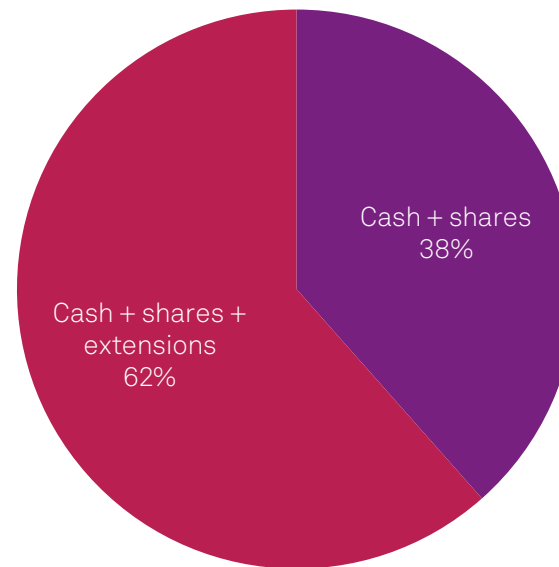
# Onshore Cases Resolved In Court Compensate Mostly With Mixed Assets

- Onshore cases resolved in court compensate mostly (68%) with a varying mix of cash, shares and maturity extensions.
- This is true for all real estate cases and 64% of non-real estate cases.
- Non-property bonds' compensation is more diverse, with 20% cash only, 10% shares only, and 6% cash and assets.

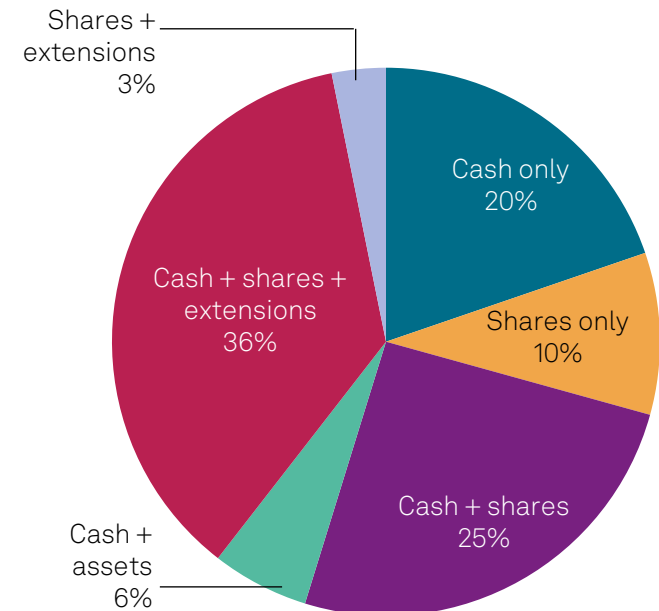
## Overall



## Real estate



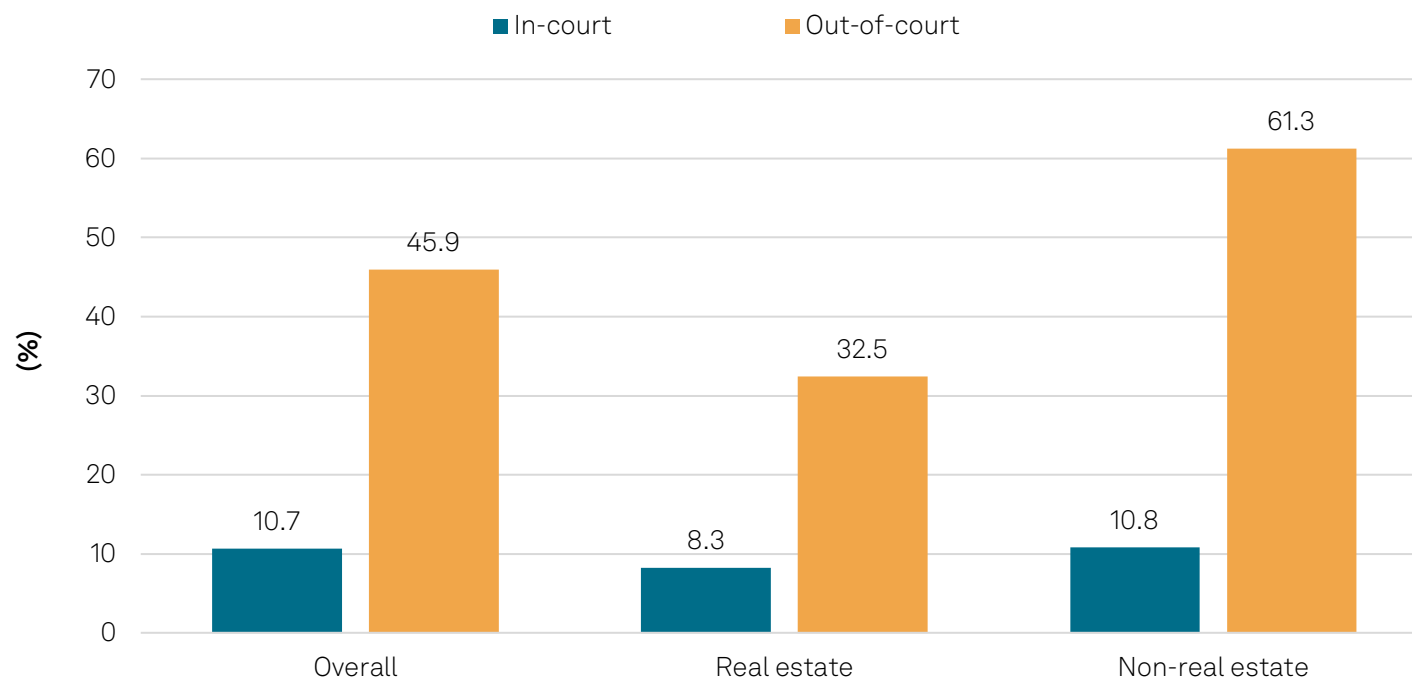
## Non-real estate



Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Percentages are calculated according to the number of bonds. Percentages in the charts do not total 100% due to rounding. In court--In-court restructuring and liquidation. In-court restructuring refers to court-approved restructuring in which normal operations of an entity is restored after restructuring. Liquidation refers to a process in which an entity ceases normal operations and distributes or sells assets to repay relevant stakeholders. Shares--Bonds are exchanged into shares of an entity without any cash repayment involved. Extension--Maturity of bonds are extended to a later date. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

# Onshore Cash Recovery Rates Average 11% In Court, 46% Out Of Court

## Average onshore cash recovery rates



Note: Data ranged from Jan. 1, 2015 to Oct. 10, 2023. Out of court--Out-of-court restructuring refers to bond restructuring approved on creditors' meetings, without the involvement of court. In court--In-court restructuring and liquidation. In-court restructuring refers to court-approved restructuring in which normal operations of an entity is restored after restructuring. Liquidation refers to a process in which an entity ceases normal operations and distributes or sells assets to repay relevant stakeholders. Compensation that does not include cash portion of repayment will not be included in the cash recovery calculation. Sources: Wind, company and court releases, media sources, S&P Global Ratings.

- We calculate “cash recovery rates” as cash received at the end of, or expected to be received within one year after, the restructuring.
- Cash recovery rates onshore are much higher on average for out-of-court (46%) than in-court resolutions (11%).
- This is true for property (33% vs. 8%) as well as non-property (61% vs. 11%), as firms with sufficient assets tend to settle out of court.
- So far, property bonds' cash recovery rates are lower than non-property, both out of court (33% vs. 61%) and in court (8% vs. 11%).
- This is likely due to the property sector's unprecedented and continuing stress, which is not faced by issuers in other sectors.

# Appendix

## Related research

- [China Property Delistings Narrow Restructuring Options](#), Jun. 07, 2023
- [China Default Review 2023: Where's The Next Wave?](#), Apr. 13, 2023
- [China Debt Restructurings: Five Cents On The Dollar Or 50?](#), Mar. 02, 2023
- [Swap It Out? China's Defaulted Developers Have New Template For Restructurings](#), Mar. 1, 2023
- [Credit FAQ: China Property Is On The Cusp Of A Recovery](#), Jan. 12, 2023
- [China's Surging Defaults Test Courts And Bond Recovery](#), May 01 2022





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