

Article Title: ARCHIVE | General Criteria: Post-Default Ratings Methodology: When Does S&P; Global Ratings Raise A Rating From 'D' Or 'SD'? Data: (EDITOR'S NOTE: —This article is no longer effective after Aug. 7, 2020. Its contents were moved in their entirety into "S&P; Global Ratings Definitions" (see "Upgrade from 'D' Or 'SD'" in "Appendix") without any change in substance. These contents are primarily definitional in nature and characterized as either fundamental attributes of our rating products, clarifications of the meanings of our ratings, or specific applications of our rating definitions.) 1. S&P; Global Ratings is clarifying its criteria as to what conditions must be met to raise an issue credit rating from 'D', or an issuer credit rating from 'D' or 'SD' (selective default). SCOPE OF THE CRITERIA 2. These criteria apply globally to all issue credit ratings, issuer credit ratings, and insurer financial strength ratings, including global and national scale credit ratings. When this article uses the term "ICR", the relevant criteria apply to both issuer credit ratings (ICRs) and insurer financial strength ratings. 3. These criteria do not address the following topics, which are covered by separate criteria, or by S&P; Global Ratings' rating policies: The circumstances under which we lower an issue credit rating to 'D', or an ICR to 'D' or 'SD'; The circumstances under which we withdraw a rating; or How we determine the specific level of a rating when we raise it from 'D' or 'SD'. SUMMARY OF THE CRITERIA 4. Generally, after we lower a rating to 'D' or 'SD', the rationale and the timing of any upgrade involve consideration of: the nature of the event that caused the downgrade to 'D' or 'SD', and whether the event was resolved. The weight on each factor varies depending on the nature of the situation. Furthermore, any upgrade from 'D' or 'SD' would not occur on the same day as the downgrade to 'D' or 'SD'. 5. This paragraph has been deleted. 6. This paragraph has been deleted. METHODOLOGY 7. These criteria categorize 'D' or 'SD' ratings into five distinct types of causal events (see each of sections A to E below, as well as the Glossary Of Terms at the end of this article). For each event, specific conditions must be met to raise a 'D' or 'SD' rating (for example, to the 'CCC' category or higher) to reflect our forward-looking opinion on the post-default creditworthiness of an issue or issuer, as the case may be, assuming the rating has not already been withdrawn. If the situation pertains to more than one of the types of events described in sections A to E, all conditions specified in the relevant sections must be met to raise a 'D' or 'SD' rating. To be clear, an upgrade from 'D' or 'SD' does not presuppose that the likelihood of another default is low. For instance, our forward-looking opinion may lead us to determine that a rating should be raised only to the 'CCC' category, which denotes a relatively high likelihood of default. However, this is not meant to suggest that we have a rating cap at the 'CCC' category for companies emerging from a default. Additionally, we will not raise a rating from 'D' or 'SD' if we believe a further default is virtually certain, which corresponds to 'CC' in our rating definition. 8. In addition, to enhance the clarity of communications, we do not raise a rating from 'D' or 'SD' on the same day we lowered it to 'D' or 'SD'. This is in addition to any other condition mentioned below. A. After A Filing For Bankruptcy Proceedings Issuer credit ratings (ICRs) 9. If the ICR was lowered to 'D' as a result of bankruptcy proceedings (see Glossary), we will not raise the rating from 'D' until the issuer emerges from such bankruptcy proceedings, typically following the bankruptcy court's approval of the reorganization or similar plan. Issue credit ratings 10. Similarly, we will not raise an issue credit rating that was lowered to 'D' because of bankruptcy proceedings until the issuer emerges from such bankruptcy proceedings, except where the obligation has been restructured and is expected to be serviced during the proceedings. Under such circumstances the issue credit rating may be raised to reflect our forward-looking view of the likelihood that the obligation would be paid in accordance with its new terms. 11. Neither an ICR nor an issue credit rating will be raised from 'D' or 'SD' after the issuer becomes subject to bankruptcy proceedings if the bankruptcy is in the form of a liquidation. B. After A Failure Of Payment Under A Contractual Promise Issue credit ratings and ICRs 12. If we lowered an issue credit rating to 'D', or an ICR to 'D' or 'SD', to reflect a failure of payment under a contractual promise, the rating will not be raised from 'D' or 'SD' until payments resume (see Glossary) in accordance with the original terms. This applies unless the terms are amended and have become legally effective, in which case we would raise the rating from 'D' or 'SD' when the term amendments become legally effective, unless we believe a default under the amended terms is virtually certain. ICRs--Specific situation 13. For sovereign and some other issuers, typically those that are not subject to bankruptcy, even if the defaulted obligations have not been discharged by a court or formally restructured or renegotiated by the parties involved, the ICR may be raised from 'SD' or 'D' if, based on

the passage of time, we expect no further resolution to occur and we believe a revised rating better reflects our forward-looking opinion on the creditworthiness of the entity. This approach applies to the following types of issuers. Sovereign issuers Nonsovereign entities that are not subject to bankruptcy, including, but not limited to, many local and regional governments (LRGs), government-related entities (GREs), multilateral lending institutions and other supranationals, and central banks 14. This approach also applies in rare circumstances where entities may be subject to bankruptcy provisions but we assess that such proceedings are highly unlikely to occur, such as: LRGs and GREs that can become subject to bankruptcy, only if we become confident that a bankruptcy is very unlikely to be filed Companies that are subject to bankruptcy, only if we become confident that a bankruptcy is very unlikely to be filed. We expect such cases to be rare, and likely limited to emerging markets where companies are not subject to involuntary bankruptcy filings, or where we believe creditors would not have practical access to legal remedies such as bankruptcy proceedings. 15. To be clear, even where the ICR is raised from 'SD' or 'D' based on the considerations described in the previous two paragraphs, we will not raise our issue credit ratings on the defaulted obligations, as described in paragraph 12, until payments have resumed or the terms are amended and have become legally effective within any necessary process. C. Breach Of An Imputed Promise (Contractual Deferral Or Contractual Payment Omission) Issue credit ratings 16. When an issue credit rating is lowered to 'D' to reflect the breach of an imputed, rather than a contractual, promise (for example, a payment was deferred or omitted in accordance with the terms and conditions of the obligation--- see "Principles For Rating Debt Issues Based On Imputed Promises," published Dec. 19, 2014), we will not raise the issue credit rating on the obligation from 'D' until payments resume in accordance with the initial imputed promise. ICRs 17. Of note, under S&P; Global Ratings' ratings definitions, the lowering of an issue credit rating to 'D' as a result of the breach of an imputed, but not contractual, promise does not necessarily lead to a lowering of the associated ICR to 'D' or 'SD'. D. A Principal Write-Down Has Occurred Issue credit ratings 18. When an issue credit rating is lowered to 'D' to reflect a principal write-down that occurred in accordance with the terms and conditions of the obligation or the statutory powers or legal framework applicable to the obligation, the below requirements must be satisfied in order to raise the rating (see paragraphs 19 and 20, as well as the table below). 19. For temporary write-downs, the issue credit rating may be raised if: The principal has been written back up to initial par; and If the terms and conditions of the obligation contemplate compensation for the temporary lower par and interest forgone during the period when par was below initial par, such compensation has been paid to creditors in accordance with these terms and conditions. 20. For permanent and partial write-downs: For hybrid capital issues of corporate and government issuers, the issue credit rating may be raised after payment has resumed. With respect to corporates and governments, an upgrade after a principal write-down can occur. Our forward-looking view in this case would reflect the likelihood that the lower par amount and associated interest will be paid. For example, when the principal amount of a bank's hybrid capital instrument is partially written down because of a failure to meet a certain regulatory capital ratio while the obligation still has a very long residual life, such as 60 years, any new rating after 'D' reflects the likelihood of payment going forward based on the written-down principal amount throughout the remaining 60 years. However, securitizations (structured finance transactions) will usually not be upgraded from 'D' after a permanent and partial write-down. Such a write-down of the principal on securitizations usually means the transaction has permanently exhausted cash-flow coverage from the securitized assets to fully support the issuance. Therefore it would be unusual to raise the rating from 'D'. Conditions For Raising 'D' Issue Credit Ratings After Principal Write-Downs

CONDITIONS FOR UPGRADE FROM 'D'	NATURE OF WRITE-DOWN	PAYMENT RESUMPTION	WRITE-UP BACK TO INITIAL PAR	COMPENSATION	PAYMENT§	Temporary, with compensation	Temporary, without compensation	Permanent, partial, hybrids	Permanent, partial, structured finance
Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	N/A
No	Yes	Yes	No	No	No	No	Yes	N/A	N/A
No	No	Yes	No	No	No	No	Yes	N/A	N/A
No	No	No	No	No	No	No	Yes	N/A	N/A

§Temporary, with compensation  
 §Temporary, without compensation  
 §Permanent, partial, hybrids  
 §Permanent, partial, structured finance  
 The rating will usually not be raised from 'D'. The rating will usually not be raised from 'D'. The rating will usually not be raised from 'D'. Permanent, full† N/A N/A N/A \*When multiple conditions apply, all conditions need to be concurrently met for an upgrade from 'D'. §Compensation payment in this table refers to payment required as compensation for the temporary, lower par having reduced interest during the write-down period. †The rating is typically withdrawn for full, permanent write-downs. N/A--Not applicable. ICRs 21.

Of note, the lowering of an issue credit rating to 'D' owing to a principal write-down in accordance with an obligation's terms and conditions does not necessarily lead to a lowering of the associated ICR to 'D' or 'SD' under our ratings definitions.

**E. After A Distressed Debt Restructuring** 22. In this criteria article, we use the term "restructuring" broadly, as defined in the Glossary. Exchanges can be either full or partial (see paragraph 25), and repurchases can be effected in either a single transaction or multiple transactions (see paragraph 26). Issue credit ratings 23. In the case of a single repurchase, the issue credit rating on any remaining portion will not be raised from 'D' until the next business day after the downgrade to 'D' (see paragraph 26 for multiple repurchases). In the case of a term amendment, we will not raise from 'D' our issue credit rating before the next business day after the downgrade to 'D', and the revised rating reflects the amended terms of the obligation. ICRs 24. Unless paragraph 25 applies, if we lowered an ICR to 'D' or 'SD' as a result of a restructuring (whether an exchange, a repurchase, or a term amendment), the earliest the rating could be raised from 'D' or 'SD' will be the next business day after the downgrade to 'D' or 'SD'. (For the criteria for lowering the ICR to 'D' or 'SD' upon a distressed debt restructuring, see "Rating Implications Of Exchange Offers And Similar Restructurings, Update," published May 12, 2009.) Partial exchanges 25. If we lowered an ICR to 'D' or 'SD' owing to an exchange, we will raise the ICR from 'SD' or 'D'--even if full and timely payment has not been made on the original securities that have not been exchanged--if: The circumstances fall under one of the four situations described in paragraphs 13 and 14; and We consider, given the acceptance rate level, that (i) no further resolution of the default will likely occur, and (ii) the near-term ability of holdout creditors to materially complicate the issuer's financing ability is limited. Multiple repurchases 26. If we lowered our issue credit rating on an obligation to 'D' as a result of a repurchase and we expect additional repurchases to occur in separate transactions over the course of several weeks or months, the rating remains at 'D' until we become confident that the likelihood of further repurchases is remote. By contrast, even in such a case, the ICR can be raised as early as one business day after the downgrade to 'D' or 'SD' without regard to ongoing repurchases on the obligation to reflect our forward-looking opinion on the creditworthiness of the entity.

**GLOSSARY OF TERMS**

**Bankruptcy** Encompasses insolvency and similar legal proceedings. **Exchange** Outstanding obligations are entirely or partly replaced with new obligations. **Obligation** Includes not only legal obligations but also imputed promises in some issues such as preferred stocks that we rate based on an imputed promise (see "Principles For Rating Debt Issues Based On Imputed Promises," published on Dec. 19, 2014, for details). **Payment resumption** Debt service has fully resumed according to the terms of the obligation (including new terms, if the terms were amended). Where the obligation is cumulative and, therefore, the issuer is obliged to settle missed payments, resumption of payments includes the settlement of any arrearages, any penalties, and any interest owed on deferred interest. **Repurchase** The outstanding obligation is repurchased in the market, typically only in part. **Restructuring** Any debt restructuring--typically an exchange, a repurchase, or a term amendment--that we view as distressed according to "Rating Implications Of Exchange Offers And Similar Restructurings, Update," published May 12, 2009. **Term amendment** The terms of the outstanding obligation are amended, including, but not limited to, principal amount, interest rate, deferability, maturity, seniority, and/or currency denomination. **Term amendment** here is the narrow meaning of "restructuring" as used in the credit derivative world.

**REVISIONS AND UPDATES** This article was originally published on March 23, 2015. These criteria partially supersede the "Frequently Asked Questions" section of "General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update," published on May 12, 2009. Specifically, these criteria supersede the last paragraph of the answer to question 5 (in reference to specific rating actions on distressed transactions) and the entire answer to question 11 (in reference to restructurings not affected in a single transaction). Changes introduced after original publication: Following our periodic review completed on March 21, 2016, we updated our contact information and criteria references, deleted an outdated section that appeared in paragraph 5, and removed information on the effective date in paragraph 6. Following our periodic review completed on March 14, 2017, we updated our contact information. Following our periodic review completed on March 9, 2018, we updated our contact information and added the "Revisions And Updates" section. In addition, we implemented nonmaterial changes in paragraph 7 to aid transparency as it relates to the circumstances under which we would not upgrade from the 'D' or 'SD' rating. On May 4, 2020, we republished this

criteria article to make nonmaterial changes to update the "Related Criteria And Research" section.

**RELATED CRITERIA AND RESEARCH** Related Criteria Hybrid Capital: Methodology And Assumptions, July 1, 2019 Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014 Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012 Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009 These criteria represent the specific application of fundamental principles that define credit risk and ratings opinions. Their use is determined by issuer- or issue-specific attributes as well as S&P; Global Ratings' assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions may change from time to time as a result of market and economic conditions, issuer- or issue-specific factors, or new empirical evidence that would affect our credit judgment.