

Macro & Financial

Market News

CDB issues first quasi-sovereign international green bond

The China Development Bank successfully issued China's first quasi-sovereign international green bond on November 9, including 500 million five-year USD-denominated bond and 1 billion four-year Euro-denominated bond, which will be traded at the Hong Kong Stock Exchange and China Europe International Exchange AG (CEINEX). The bond proceeds will be used to support green projects under the Belt and Road Initiative, including clean traffic, renewable energy and water resource protection. The issuance used single issue rating, both bonds realized negative premium and ultra high subscription rate, setting a new example in the international green bond market.

Ernst & Young provided third-party green verification for the issuance according to ISAE3000, and will disclose the use of the proceeds and its generated environmental benefits annually. Crédit Agricole CIB and Deutsche Bank are the joint advisors to green bond issuance structure. The joint lead underwriters and bookrunners USD bond are Agricultural Bank of China (Hong Kong Branch) Bank of China (Hong Kong), BNP Paribas, China Construction Bank (Asia), Commonwealth Bank of Australia, Crédit Agricole CIB, Deutsche Bank and Standard Chartered. The joint lead underwriters and bookrunners of the Euro bond are the Bank Of Communications, China Construction Bank (Europe) S.A., Commerzbank of Germany, Crédit Agricole CIB, Deutsche Bank, HSBC, ING Bank of Holland and Skandinaviska Enskilda Banken of Sweden.

CDB's successful issuance of the first international green bond had many highlights. First, the issuing interest rate is lower than regular bond in the secondary market, with the nominal interest rate of the five-year USD bond being 2.75% and that of the four-year Euro bond 0.375%. The issuance at negative premium reflected the active exploration of the cost advantage of green financing and set a new pricing basis for Chinese institutions to issue green bonds overseas in the future. Second, it drew extensive attention in the international capital market. The issuance was publicized in an all-round way for the first time, including site road show, online road show and investors' teleconference. Over 200 institutional investors subscribed for it, with 70% of the orders coming from regions outside Asia, including professional green

investors, overseas central banks and sovereign wealth funds. This reflected international investors' full recognition in China's sovereign credit and CDB. Third, it implemented the highest international green bond principles. The green bond strictly implements the GBP, received the climate bond logo from CBI, and is recognized by international investors.

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CDB launched first pilot bond switch auction program

CDB carried out the first pilot bond switch auction program in the national interbank bond market on November 16. Under the guidance and support of PBC and relevant rules such as the Notice of the PBC Financial Market Department on Matters Concerning the Pilot Bond Switch Auction Program, CDB formulated the Operational Guide for Pilot RMB Financial Bond Switch Auction Program.

According to the Operational Guide, bond switch auction means the issuer issues switch bond to the underwriters or investor and obtains the switched bond from the underwriter or investor. Switch bond means the bond issued during the switch auction, in which the existing bond redeemed through switch auction.

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