



TRENDS IN

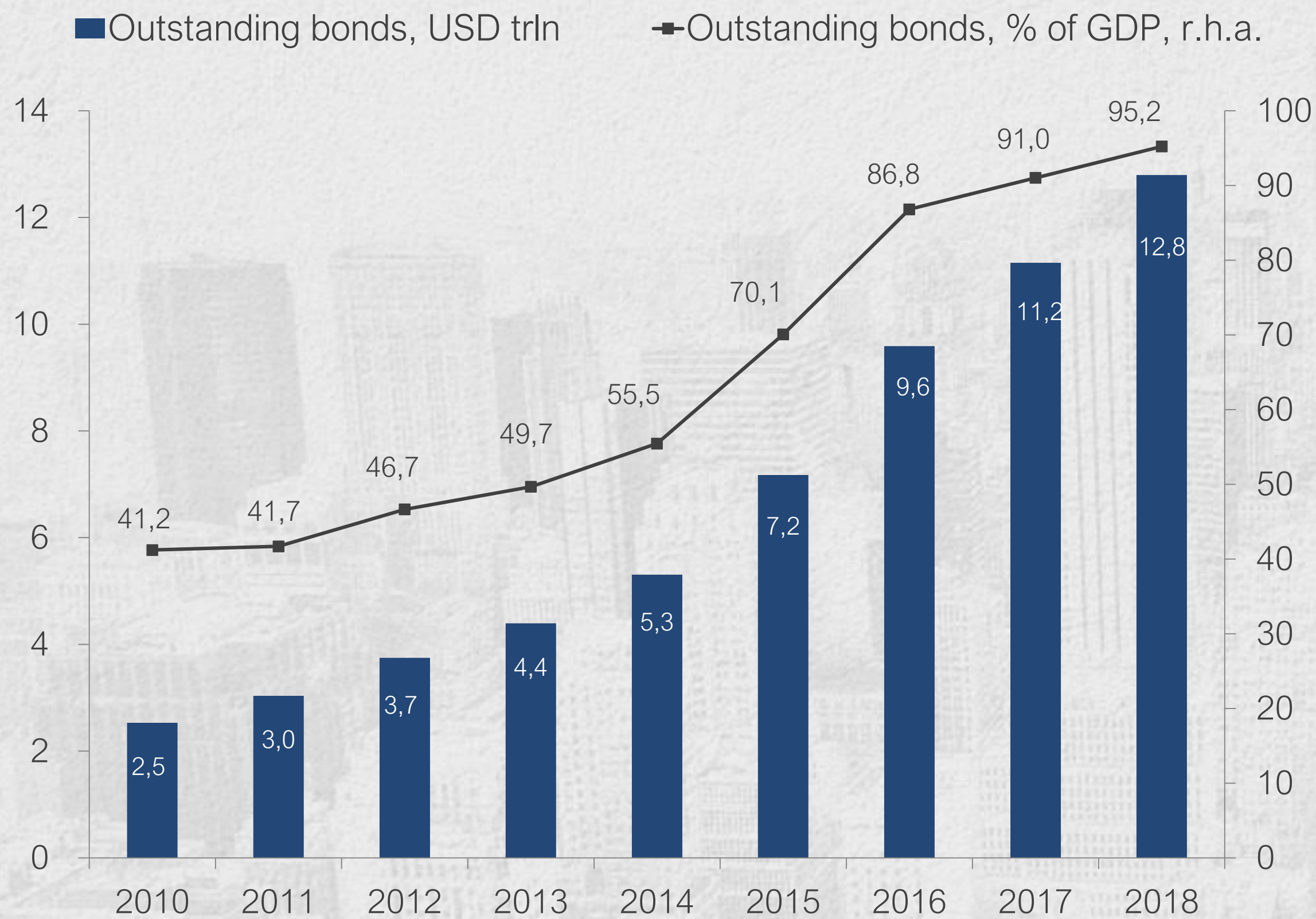
# CHINA' S BOND MARKET AND PANDA BOND ISSUANCE

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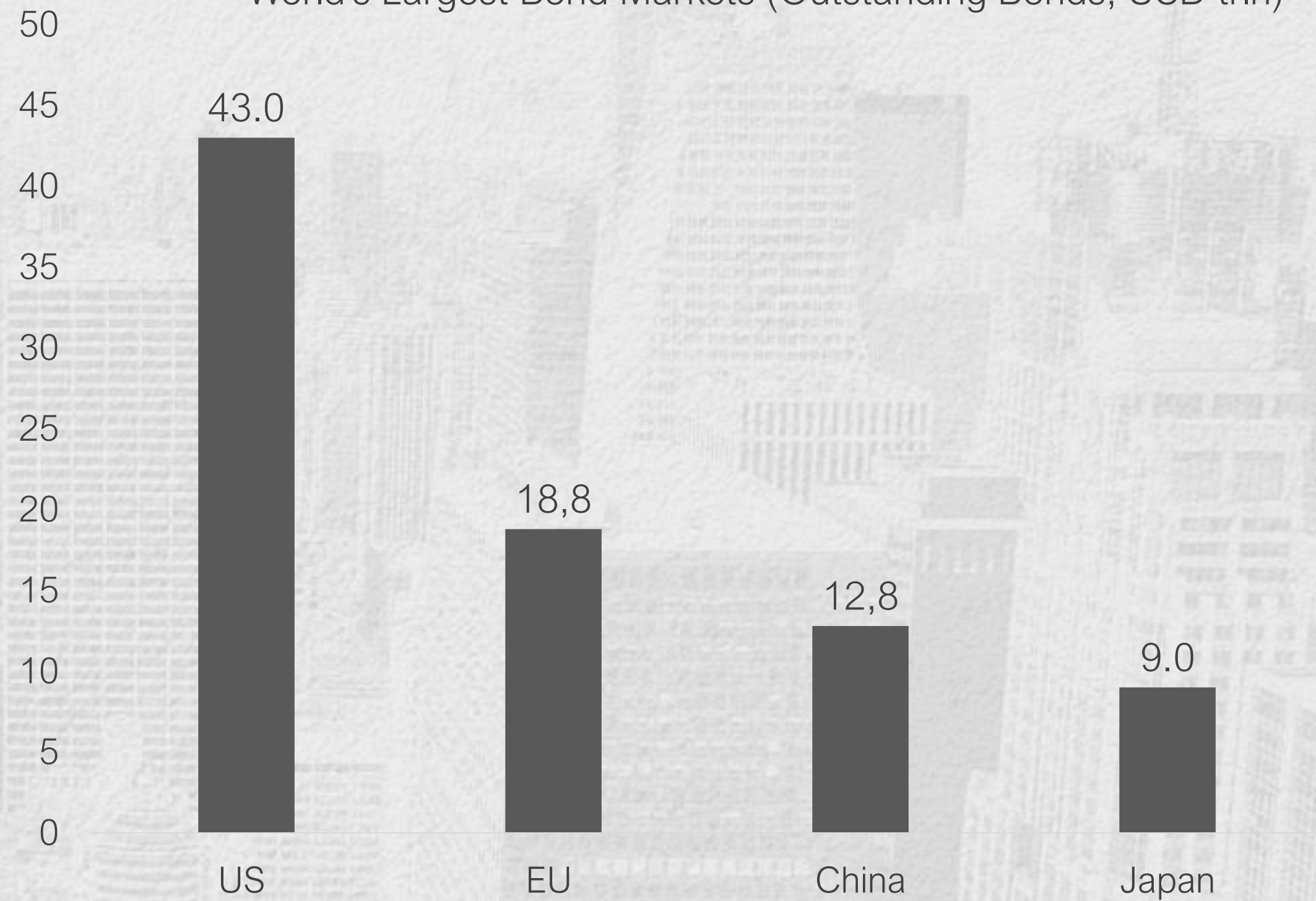
# A FAST-GROWING MARKET WHICH HAS BEEN RANKED THIRD GLOBALLY

China's bond market has grown rapidly in recent years, becoming the world's third largest by outstanding bonds.



Source: Wind, Golden Credit

World's Largest Bond Markets (Outstanding Bonds, USD trln)

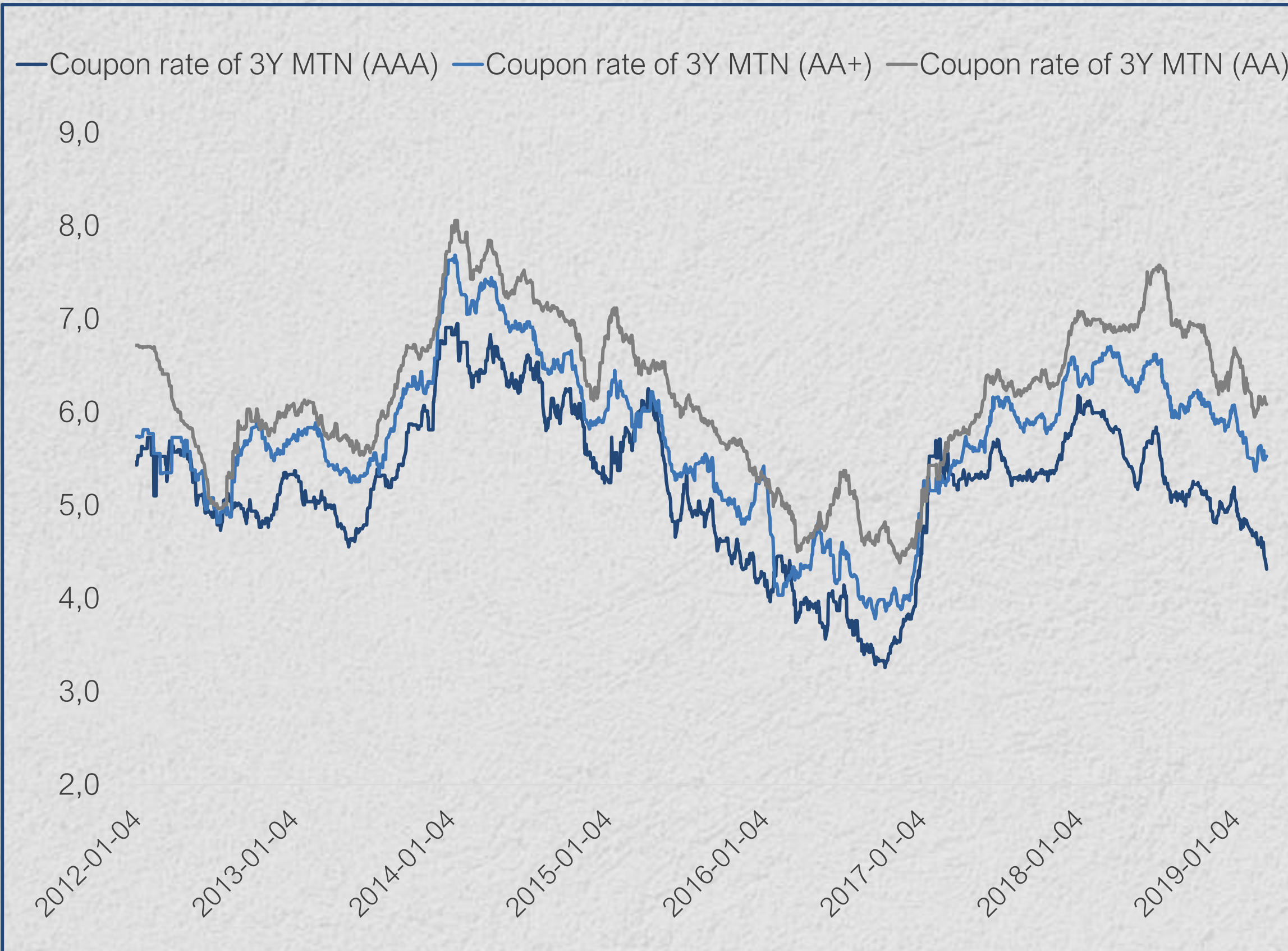


Source: Bou Zhan Think Tank

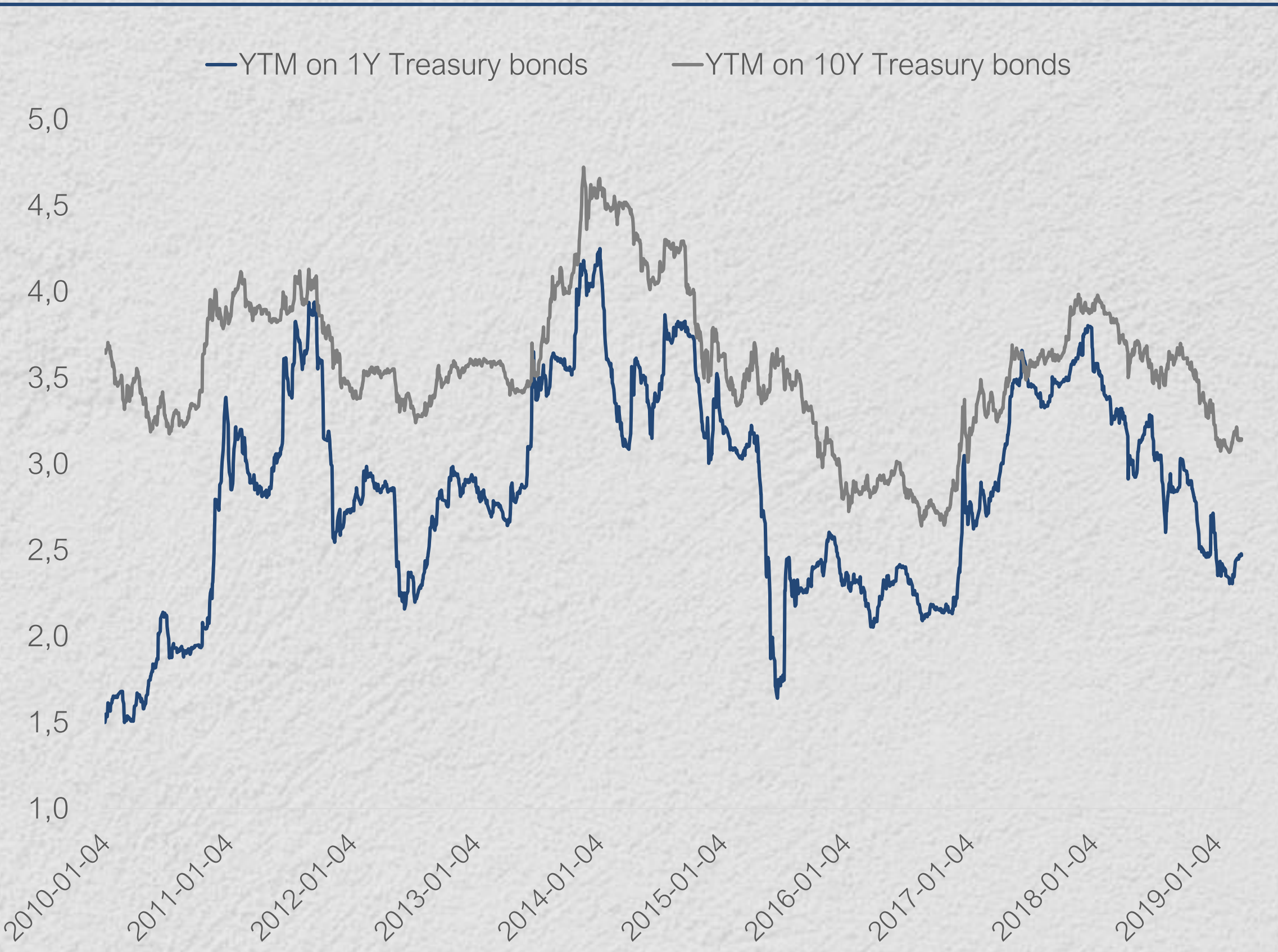


# COUPON RATES OF BOND ISSUANCE AND YIELD TO MATURITY ON BONDS

30-day Rolling Average Coupon Rates, %



YTM on Treasury Bonds, %



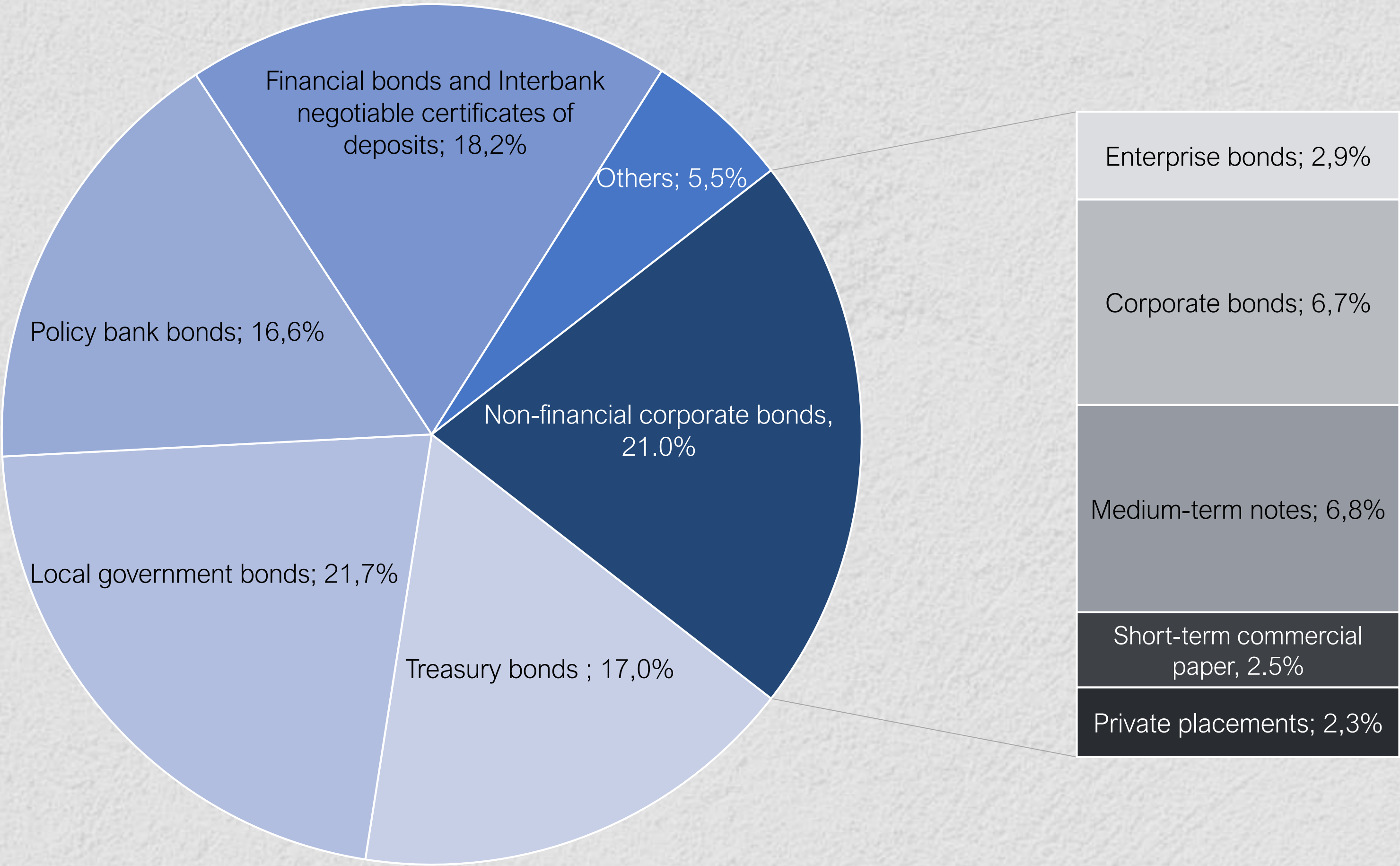
Notes: MTN is medium-term notes which are bonds issued by non-financial corporates with maturities from 1 year to 10 years.

Source: Wind, Golden Credit



# BOND TYPES IN CHINA'S BOND MARKET

Composition of Outstanding Bonds, as of March 19, 2019



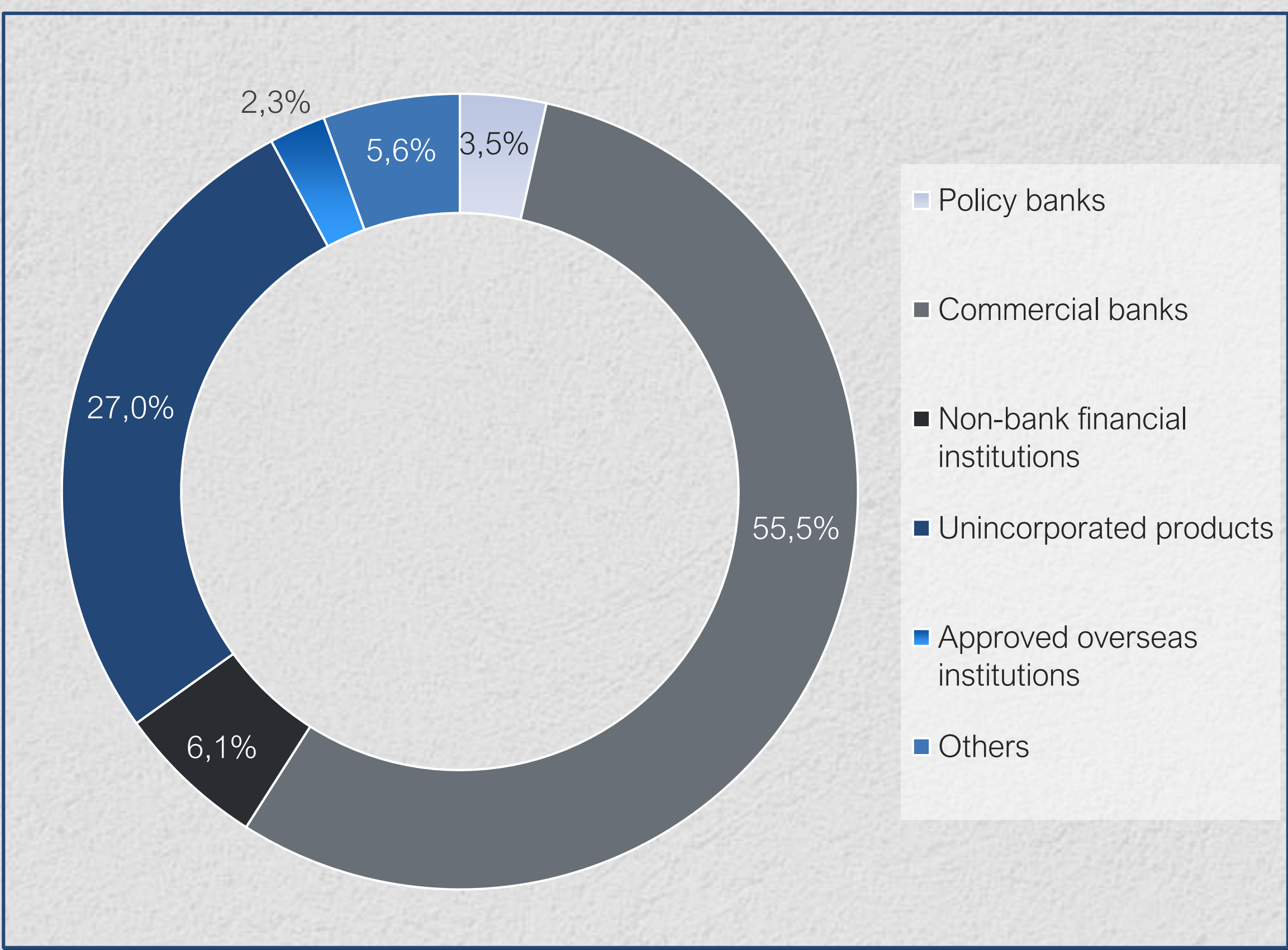
Notes: here financial bonds exclude policy bank bonds; others include government-backed agency bonds, ABS, convertible bonds, exchangeable bonds, foreign institution bonds, etc.

Source: Wind, Golden Credit

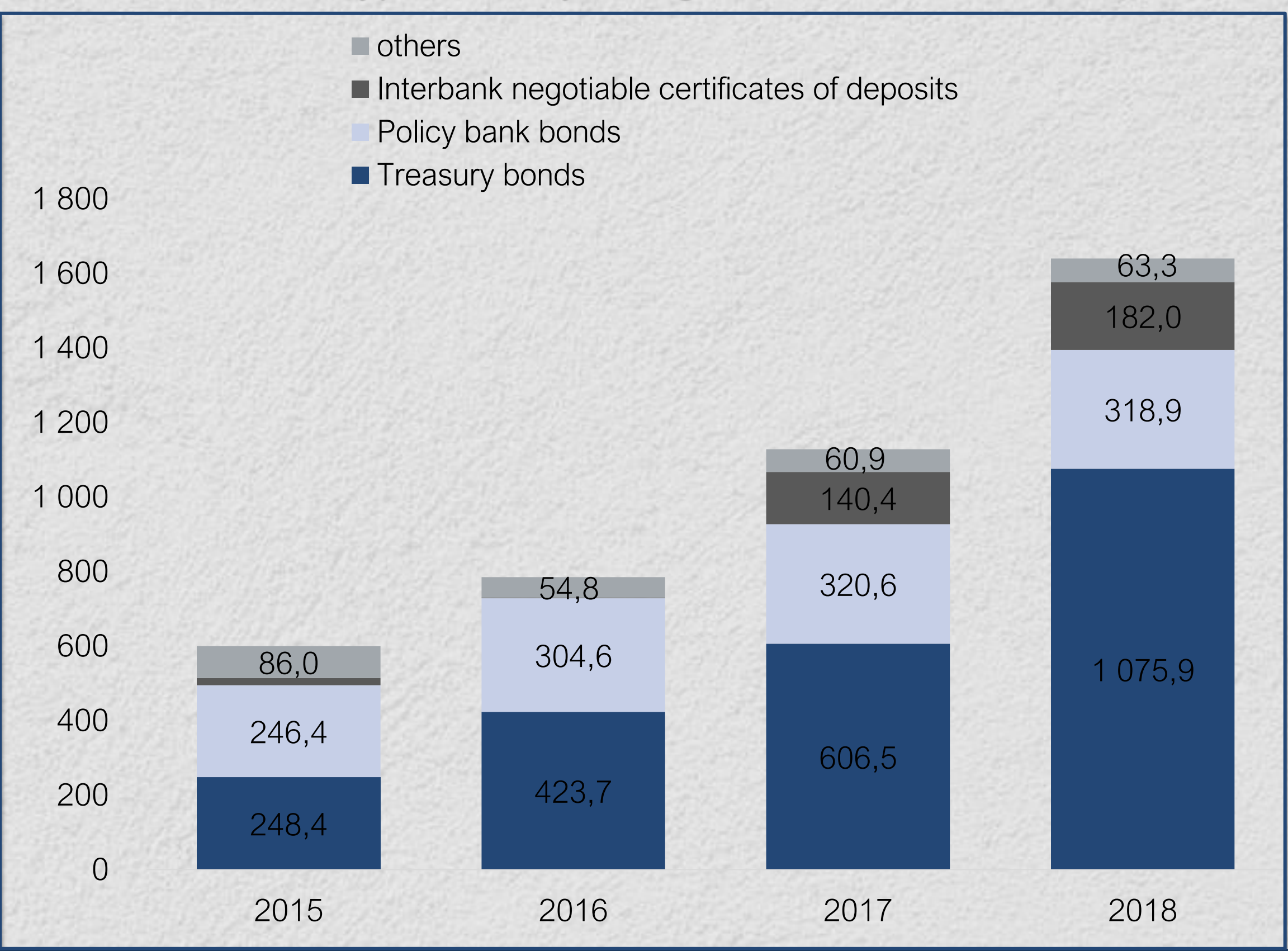


# INVESTORS IN CHINA'S BOND MARKET

Structure of Investors, as of December 2018



Bond Types Held by Foreign Investors, RMB bln

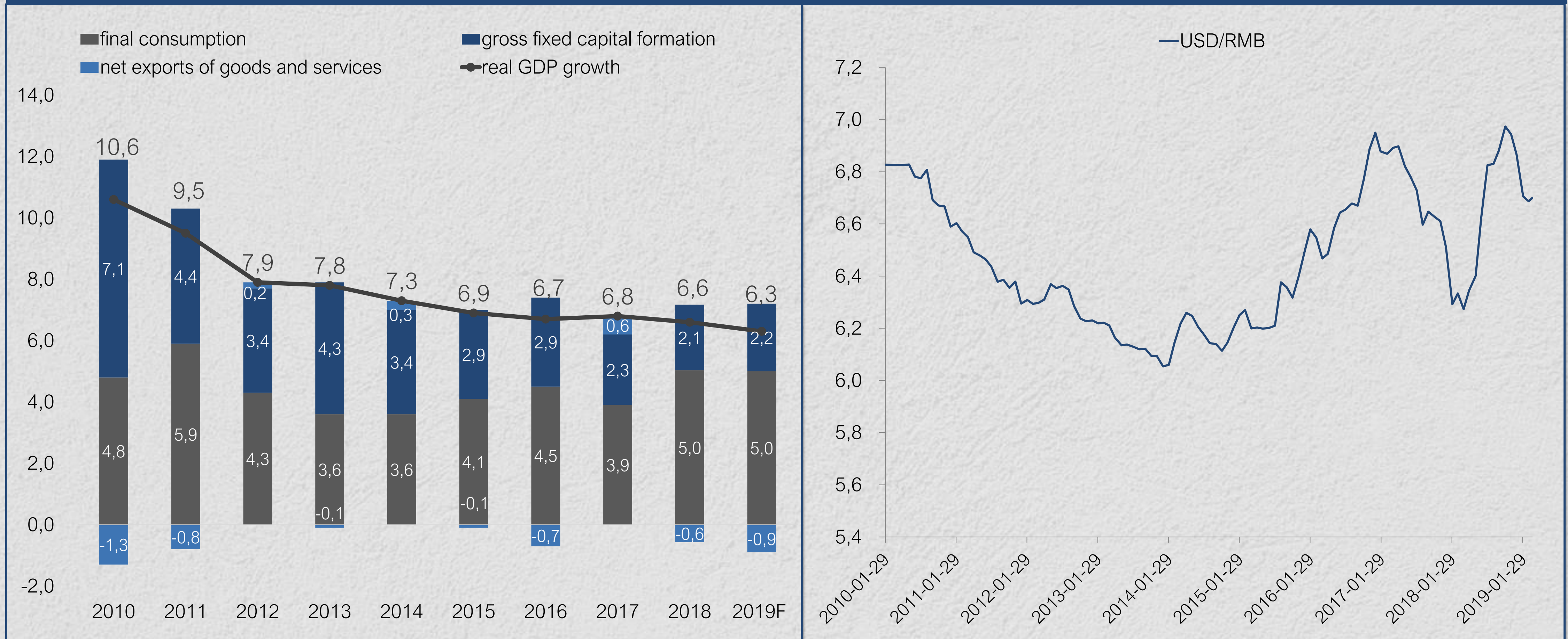


Notes: "Unincorporated products" include securities investment funds, national social security funds, trust plans, enterprise annuity funds, insurance products, asset management plans of securities companies, specific asset management portfolios of fund companies, commercial products of commercial banks, etc.



# ECONOMIC FORECASTS AND RMB EXCHANGE RATE TREND

Rapid economic growth will continue to drive the expansion of China's bond market, and stable exchange rate will benefit the two-way opening of the bond market.

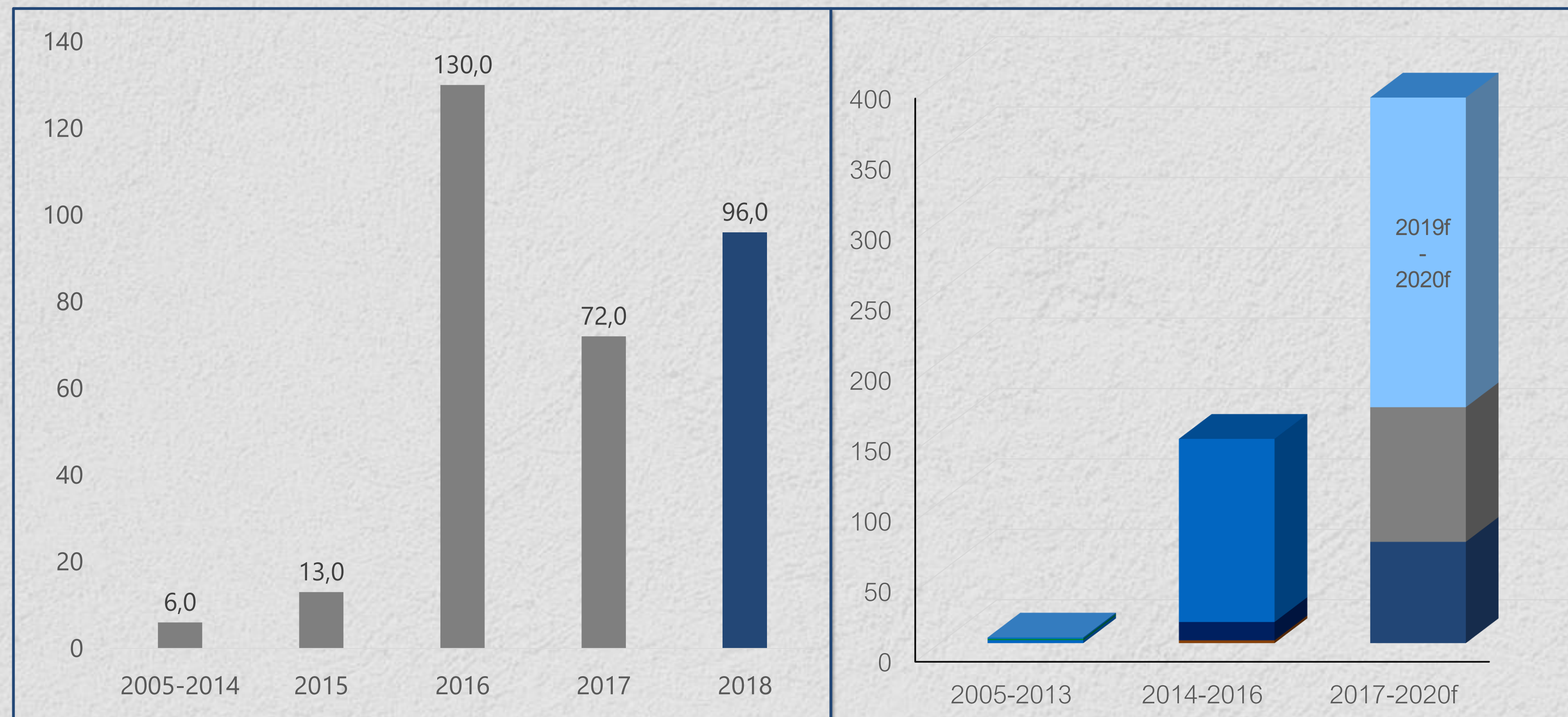


Source: Wind, Golden Credit



# BUOYANT ISSUANCE SEEN IN 2018 PANDA BOND MARKET

Issuance Volume of Panda Bonds and Short-term Forecasts, RMB bln



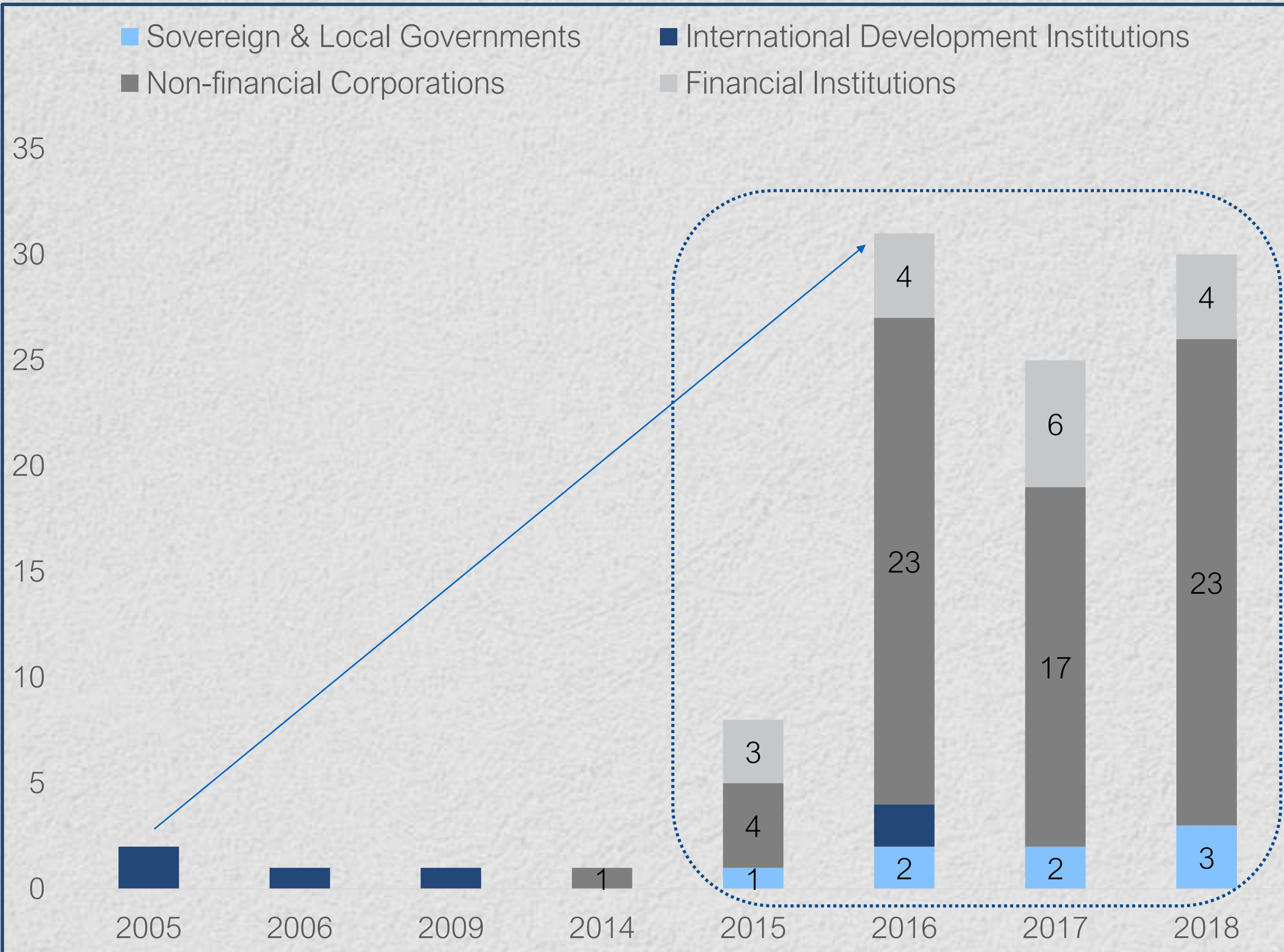
Source: Wind, Golden Credit

Panda bond issuance reached 95.6 RMB bln in 2018, a y-o-y increase of over 32.9%. The primary market showed a clear warming trend with the acceleration of China's financial opening up.

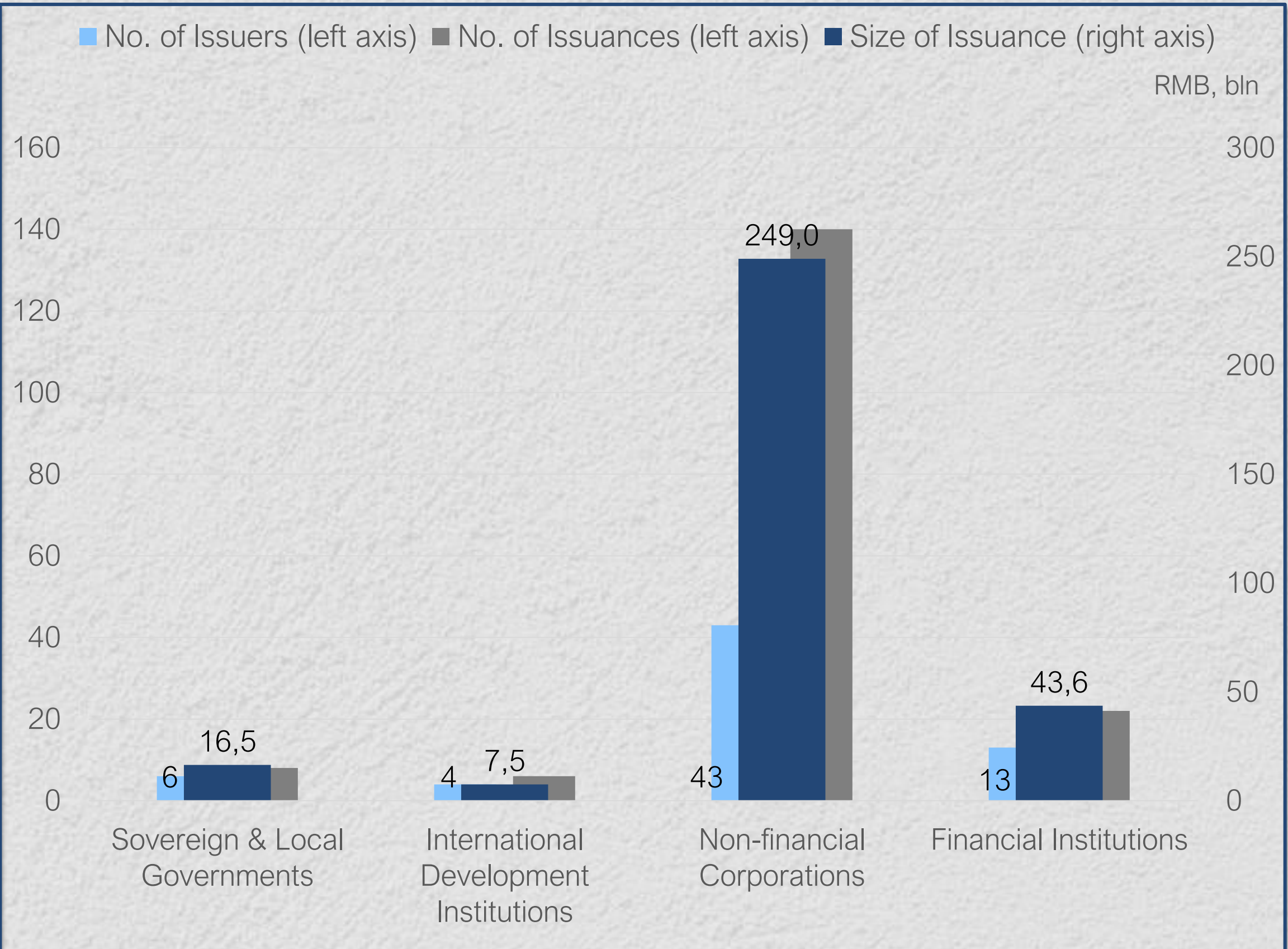


# INCREASING DIVERSIFICATION IN ISSUER BASE

Number of Different Types of Issuers



Number and Size of Issuance of Different Types of Issuers, 2005-2018

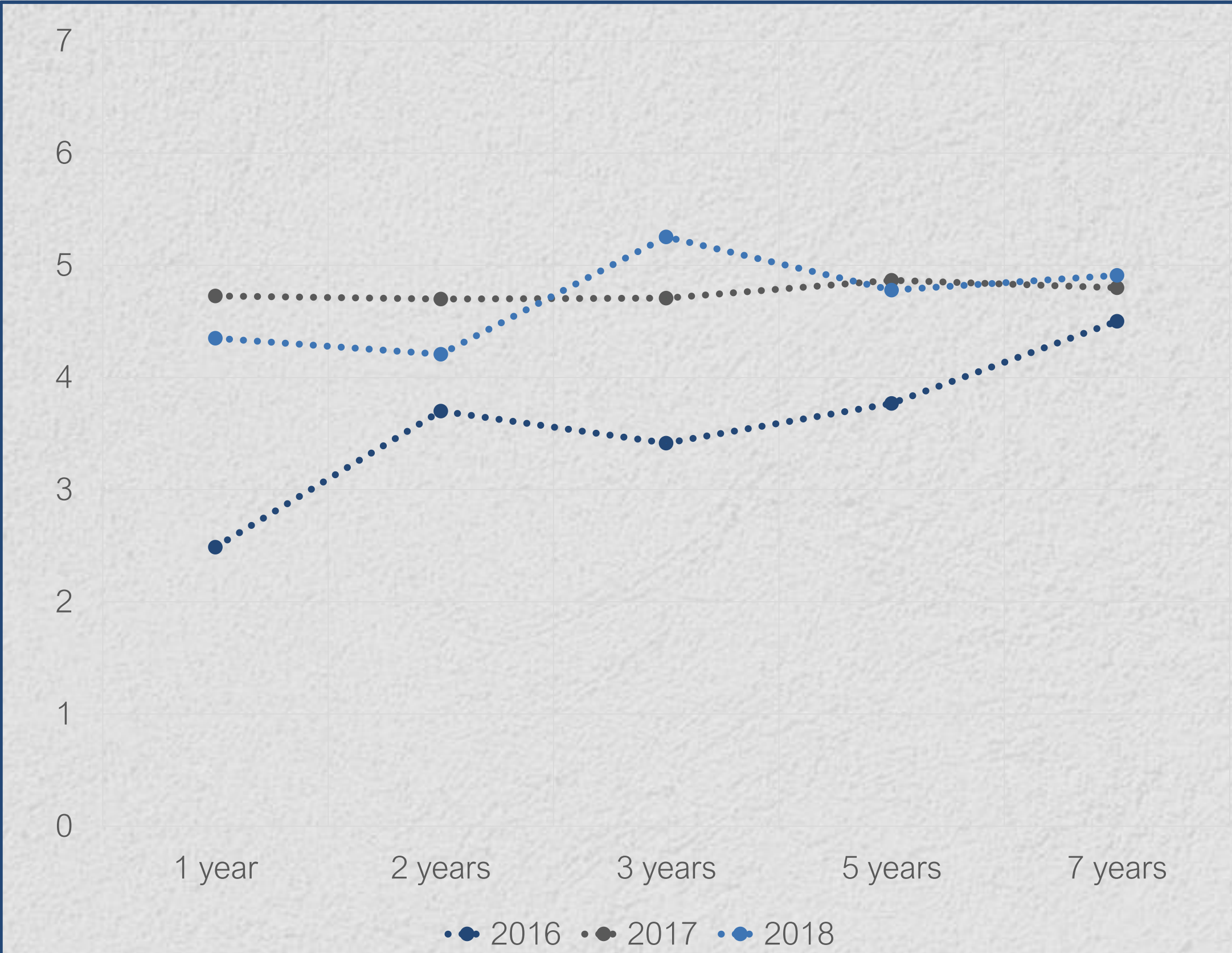


Source: Wind, Golden Credit

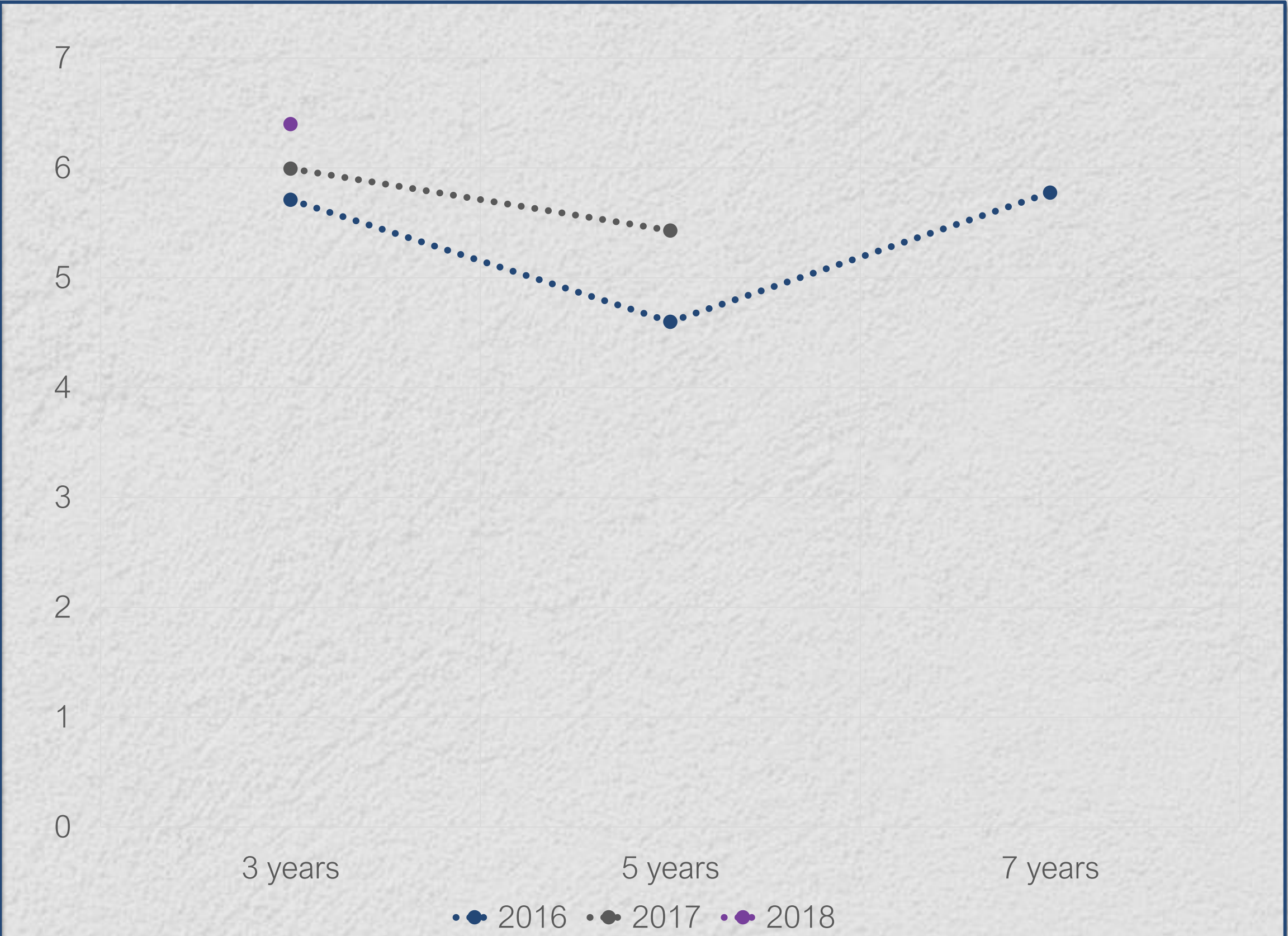


# COUPON PERFORMANCE

AAA Panda Bond Coupon Rates, %



AA+ Panda Bond Coupon Rates, %



Source: Wind, Golden Credit



# THE 2018 MEASURES ESTABLISHED UNIFORM AND NORMATIVE STANDARDS FOR PANDA BOND

## Highlights of the Interim Measures for the Administration of Bond Issuance of Foreign Institutions in China's Interbank Bond Market

### APPROVAL

Bond issuance of foreign financial institutions in China's interbank bond market should be approved by PBoC.

### REGISTRATION

For foreign governmental institutions, international development institutions, or foreign non-financial corporates issuing bonds in China's interbank bond market, the issuers shall apply for registration with NAFMII.

### CONDITIONS

For foreign financial institutions, the issuers should conform to the following conditions, e.g., the paid-in capital is no less than RMB 10 billion or other currencies equivalent, having a solid balance sheet, good credit standing, and a record of profitability over the latest three consecutive years, etc.

### FINANCIAL REPORT

As for bond issuance of foreign financial institutions and non-financial corporates, if the financial reports disclosed are not compiled according to ASBE or equivalent accounting standards, additional information which should be provided simultaneously are, major differences between the accounting standards applied in the financial reports and ASBE, information on the adjustment of the differences in accordance with ASBE, stating the amount of money that would be affected by the differences in accounting standards in all the major items of the issuer's financial report.

### LANGUAGE

Issuance documents disclosed publicly by foreign institutions should be in simplified Chinese or a simplified Chinese translation shall be provided.

#### Abbreviations:

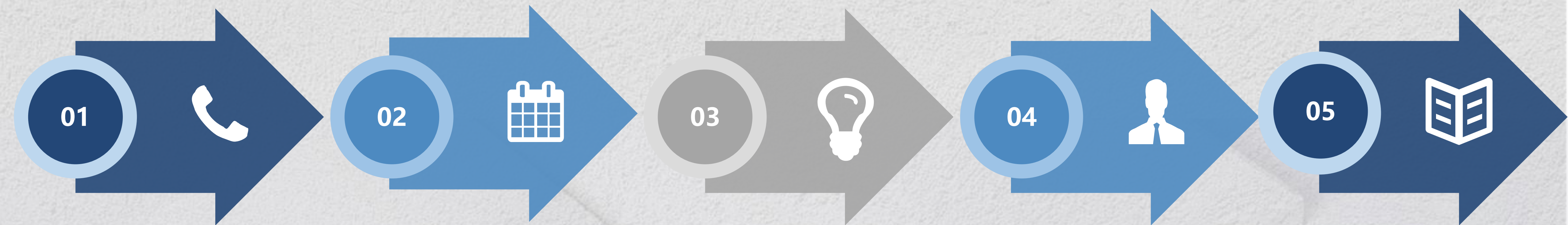
PBOC - People's Bank of China

NAFMII - China's National Association of Financial Market Institutional Investors

ASBE - Chinese Accounting Standards for Business Enterprises



# REGISTRATION PROCESS AND COMMUNICATION ARRANGEMENT



**Preliminary communication with regulators, prepare documents.**

**Delegate the application to Exchange/NAFMII.**

**Based on regulators' pre-appraisal and feedback, submit supplementary materials asap.**

**The issuer would communicate with investors in parallel with registration process, or after regulators sign the approval.**

**Wait for time windows to issue Panda Bond after receiving notification of acceptance of registration.**



# CASE STUDY

## UC RUSAL

	Non-public Issuance, March 2017	Non-public Issuance, September 2017
Issuer	United Company RUSAL Plc	United Company RUSAL Plc
Bond Type	Corporate bond (private placement to eligible investors only)	Corporate bond (private placement to eligible investors only)
Issuer Rating	AA+	AA+
Issuance Rating	AAA	AAA
Guarantee	This Tranche of Bond is fully secured by an unconditional and irrevocable joint and several liability guarantee provided by China United SME Guarantee Corporation	This Tranche of Bond is fully secured by an unconditional and irrevocable joint and several liability guarantee provided by China United SME Guarantee Corporation
Offering Size	RMB 1.0 Billion	RMB 0.5 Billion
Maturity	3 years, with put option at the end of the 2nd year	3 years, with put option at the end of the 2nd year
Coupon	5.50%	5.50%
Key Dates	Value Date: 20th March, 2017 Maturity Date: 20th March, 2020	Value Date: 4th September, 2017 Maturity Date: 4th September, 2020
Listing	The Shanghai Stock Exchange	The Shanghai Stock Exchange

### Institutions Related to the Bond Issuance



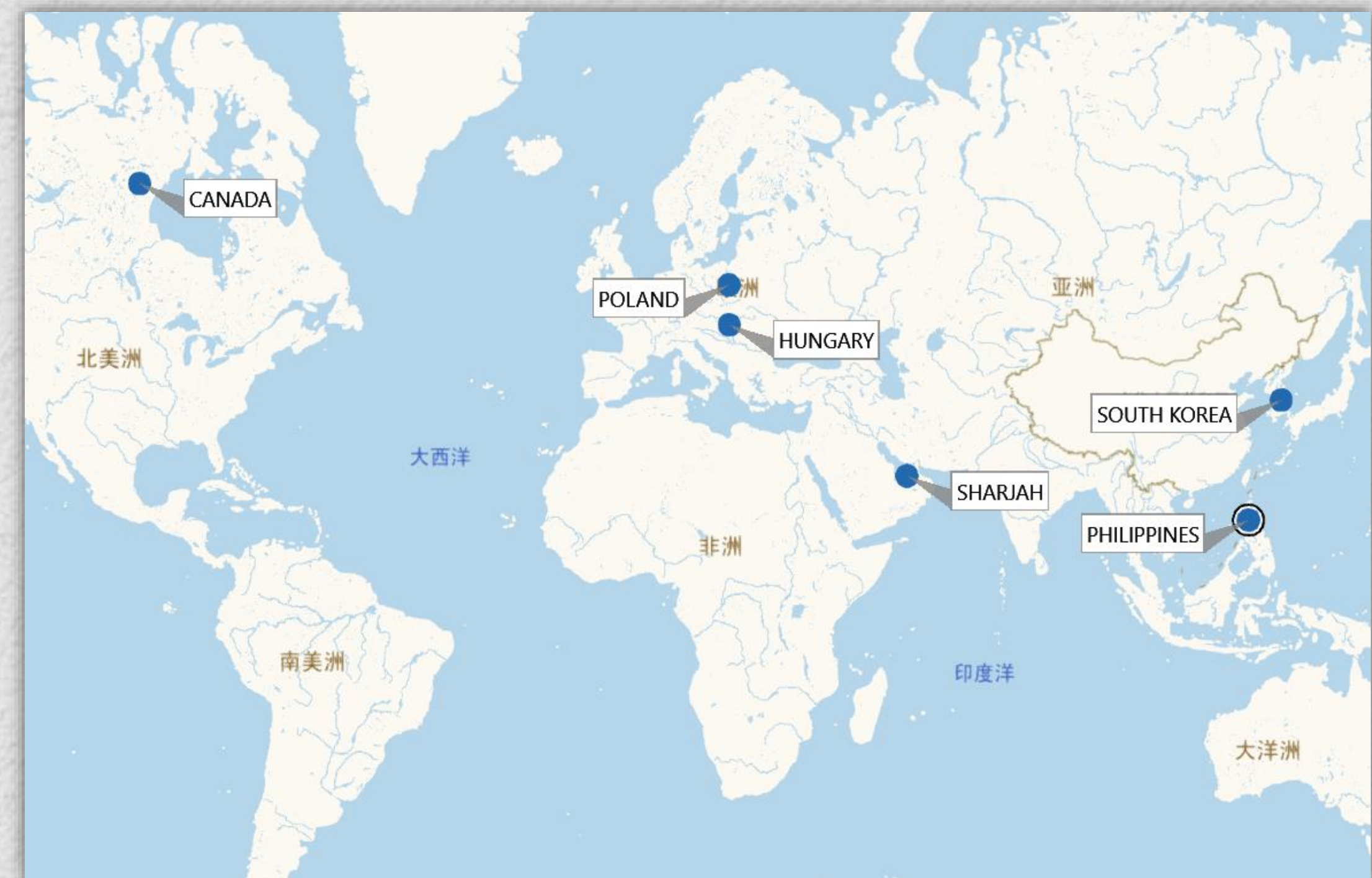


# CASE STUDY

## Hungary

	Public Issuance, July 2017	Public Issuance, December 2018
Issuer	Hungary	Hungary
Bond Type	Public offering to public investor subscription and transaction	Public offering to public investor subscription and transaction
Issuer Rating	AAA	AAA
Issuance Rating	AAA	AAA
Offering Size	RMB 1.0 Billion	RMB 2.0 Billion
Maturity	3 years	3 years
Coupon	4.85%	4.30%
Key Dates	Value Date: 27th July, 2017 Maturity Date: 27th July, 2020	Value Date: 19th December, 2018 Maturity Date: 19th December, 2021
Listing	The Inter-bank Market	The Inter-bank Market

Panda Bond Sovereign Issuers Map





# THANKS FOR YOUR ATTENTION!



Professional Conduct, Innovation,  
High Standard Service  
the Pursuer and Practitioner of China Rating Dream

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