

Dec 2016

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Panda Bond Issuance

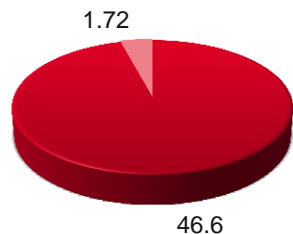


China Onshore Bond Market Overview

- Bonds are issued and traded in two different markets in China - interbank market and exchange market.
- Interbank market is an OTC market with institutions as major participants.
- Exchange market involves both individual and institutional investors.
- The interbank market has been playing the main role for the recent years with >95% share .
- The large selection of China's Interbank market products mainly include:
 - Government bond
 - Central bank note
 - Local government bond
 - Financial bond
 - Corporate bond
 - International institution bond
 - Government-backed institutional bond
 - Medium-term note
 - Commercial paper
 - Asset-backed notes

Outstanding volume at 2015 Year End

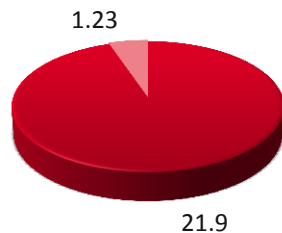
In RMB Trillions



■ Interbank market
■ Exchange market

Issuance in 2015

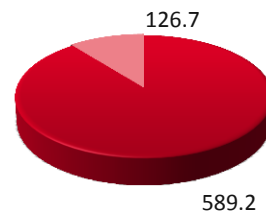
In RMB Trillions



■ Interbank market
■ Exchange market

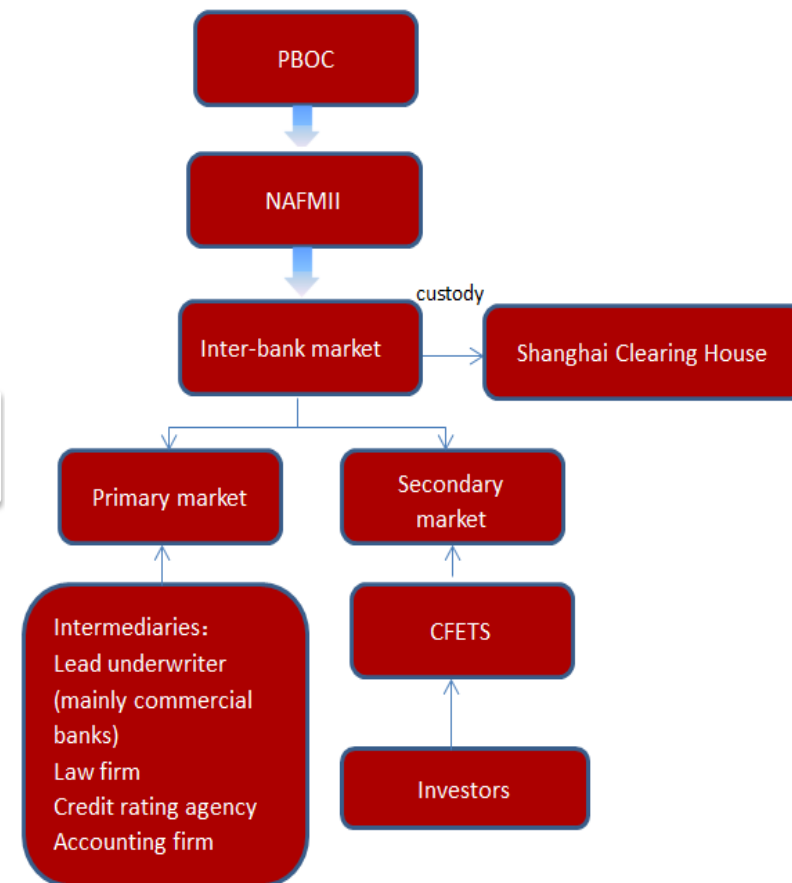
Trading volume in 2015

In RMB Trillions



■ Interbank market
■ Exchange market

Interbank Market Structure



Onshore RMB Market

- PBOC has undertaken a series of easing measures to stimulate economic recovery.
- One-year benchmark lending rate was cut to 4.35% in last October.
- Reserve Requirement Ratio (RRR) has been cut several times since last year.
- Recently, PBOC has taken measures to control liquidity in the market with the aim to ease leverage. Therefore, the yield on short tenor bonds is expected to rise in the recent weeks.

Multiple Interest Rate Cuts by PBOC

DATE	Deposit Rate	Lending Rate
2015-10-24	↓0.25%	↓0.25%
2015-8-26	↓0.25%	↓0.25%
2015-6-28	↓0.25%	↓0.25%
2015-5-10	↓0.25%	↓0.25%
2015-2-28	↓0.25%	↓0.25%
2014-11-22	↓0.25%	↓0.40%

RMB Benchmark Lending Rate (As of 2016-9-29)

	Rate
Short-term	
1 Year	4.35%
Mid to long-term	
1-5 Year	4.75%
Over 5 Year	4.90%

Primary Market Performance(3 Year)

Type	YTM
Treasury bond	2.43% (November 23)
Local government bond	2.68% (December 1)
Policy bank	3.15% (December 1)
Credit AAA Corp	4.83% (November 29)

Secondary Market Performance (3 Year) On December 1

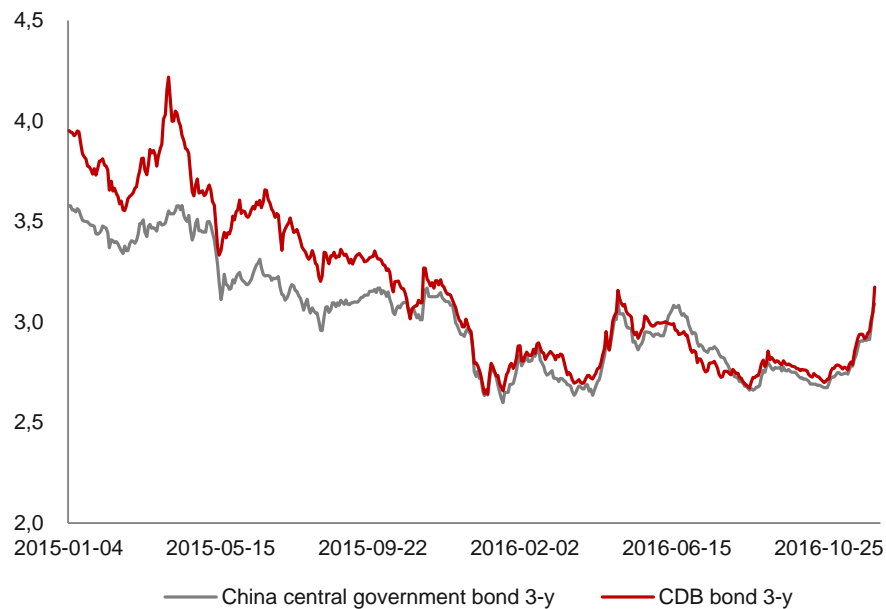
Type	YTM
Treasury bond	2.6437%
Local government bond	2.7937%
Policy bank	3.1729%
Credit AAA Corp	3.5931%

Source: Wind

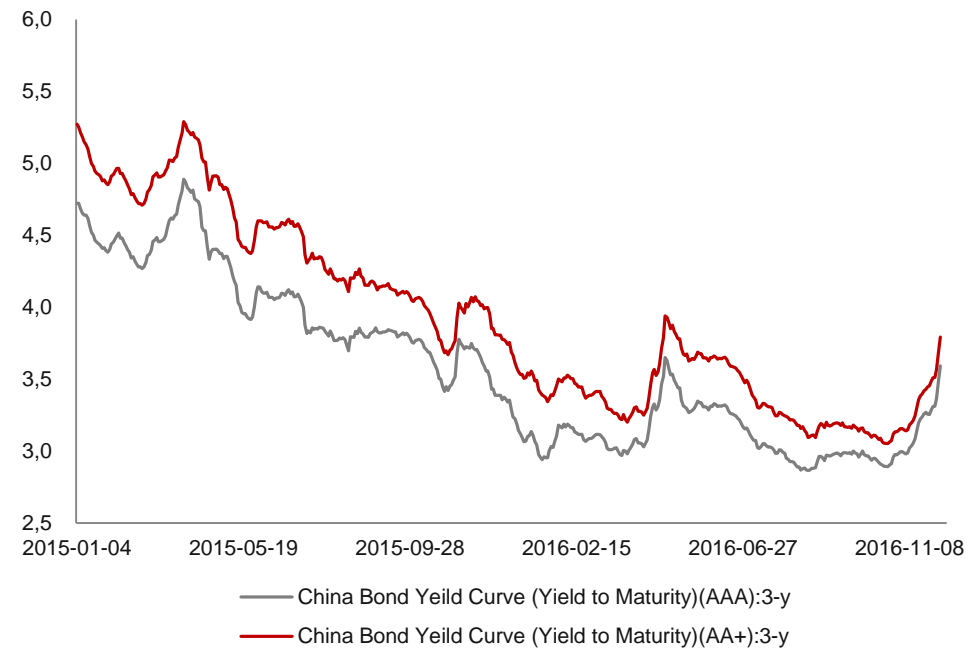
Onshore RMB Market

- The onshore bond yield has been continuously declining since 2014.
- Since the end of 2015, the fallen onshore yields from China's rate cuts have made funding costs in China's domestic bond market more attractive to international issuers.

**Interest rate curve of domestic market
China central government bond & CDB bond**

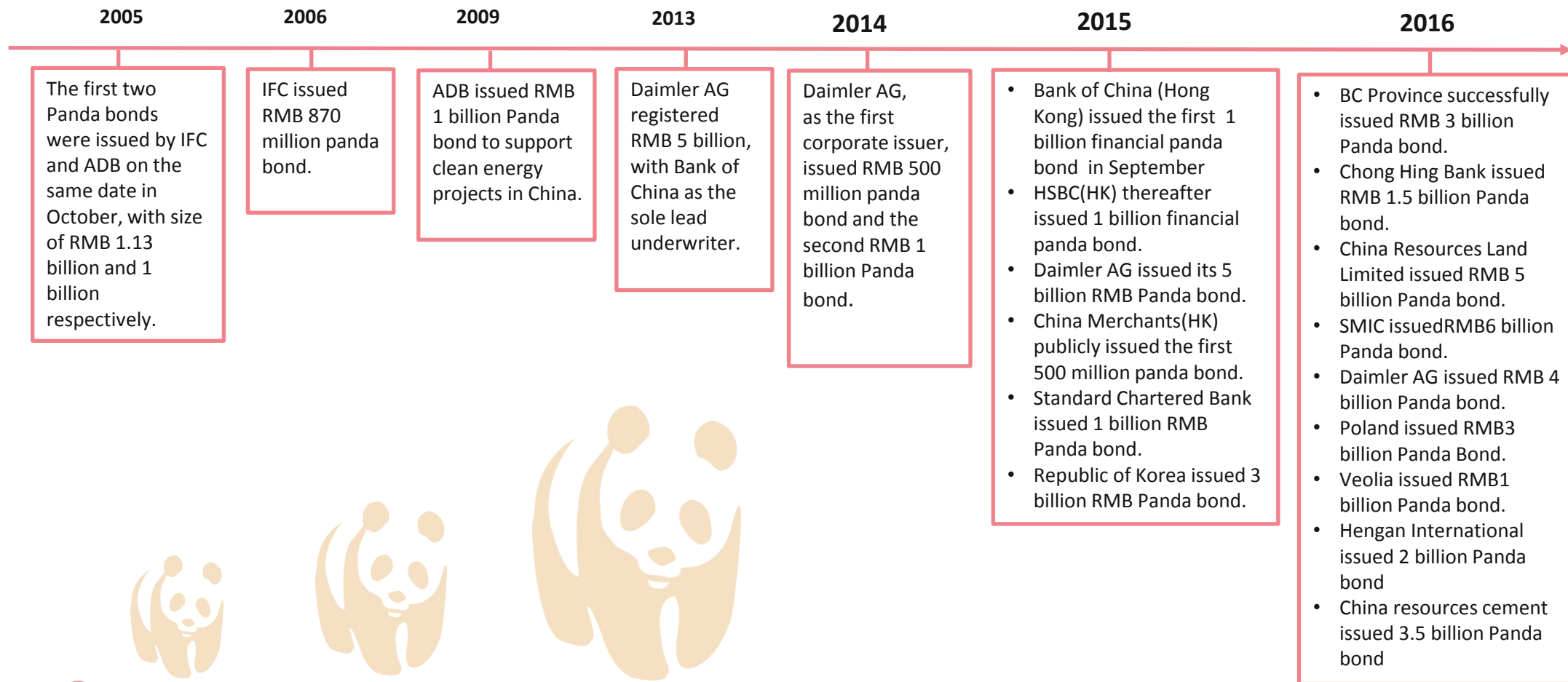


**Interest rate curve of domestic market
Corporate bond AAA & AA+**



History of Panda Bond

- Panda Bond is a RMB-denominated bond issued by foreign institutions in China's Bond Market.
- Different type of Issuer, the authorities and issuance requirements are different.
 - Panda Bond issued by Sovereign Institutions need to be approved by PBOC and registered with NAFMII.
 - Panda Bond issued by financial institutions is supervised by PBOC.
 - Panda Bond issued by corporate is supervised by NAFMII.



Primary Issue of Sovereign

Sovereign Issuer (in billion RMB)			
Items	Poland	Prov. Of British Columbia (Canada)	South Korea
Issue Amount	3	3	3
Tenor	3Y	3Y	3Y
Issue Date	Aug,2016	Jan,2016	Dec,2015
Coupon	3.4%	2.95%	3.00%
Issuer Ratings	A2/BBB+/A-	Aa3/AAA (Stable)	Aa3/AA-(Stable)
	(Moody's/S&P/Fitch)	(Moody's/S&P)	(Moody's/S&P)
China's Rating	AAA	-	AAA
	CCXI	-	CCXI
Lead Manager	BOC, HSBC(CHINA)	BOC, HSBC(CHINA)	BOCOM, HSBC(CHINA), CITI(CHINA), GOLDMAN(CHINA), STAN(CHINA)
Bookrunner	BOC-Lead bookrunner HSBC- joint bookrunner	BOC	BOCOM
Law Firm	A&O/Zhonglun	King & Wood Mallesons	Global Law Office/BKL
Account Firm	-	-	-
Issuance Type	Public Offering	Public Offering	Public Offering
Use of Proceed	Offshore	Offshore	Onshore/Offshore
Trading Market	Interbank bond market	Interbank bond market	Interbank bond market

Thank You!



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