

2021 Issue 46

From December 13 to December 17

Chinese Offshore bond issuance and return on Chinese USD bond decreased

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Date:

December 22, 2021

Headline: UK raised interest rate; the rate cut in Turkey caused market turmoil

December 16, the Bank of England surprisingly announced to raise the Bank Rate by 15bp from 0.1% to 0.25%, becoming the first central bank in major economies to raise interest rate since the Covid-19 pandemic. On the same date, the Central Bank of the Republic of Turkey decided to cut the one-week repo rate by 100bp to 14%, and it has cut the interest rate by 500bp in the year. The rate cut resulted in the market turmoil. In addition, December 17, Bank of Russia announced to raise the key rate by 100bp to 8.5%. It is the 7th rate hike this year. On the same date, the Bank of Japan decided to maintain the loose monetary policy and will taper its corporate debt purchases in March 2022.

Exchange Rate: RMB exchange rate fluctuated slightly

The RMB exchange rate continued to fluctuate slightly. As of December 17, the RMB mid-point rate closed at 6.3651.

Interest Rate: Chinese Government Bond yields diverged; US Treasury yields dropped

The Chinese Government Bond yields diverged. The Fed announced to double the taper of bond-buying to USD30 billion, and the dot plot showed that it will raise rates three times in 2022, causing the US Treasury yields to fall. As of December 17, the yield spread between China and US 10-year note was 144.9bp, widening by 9bp from last Friday and narrowing by 81.6bp from the beginning of the year.

Chinese Offshore Bond Market**Primary Market: Chinese offshore bond issuance decreased**

From December 13 to December 17, there were 15 new issues with a total issued volume of USD1.88 billion, dropping by 45.7% from last week.

Secondary Market: Return on Chinese USD bond decreased; Real estate bond had the biggest drop

As of December 17, the YTD return on Chinese USD corporate bond index decreased by 46bp from last Friday to -5.74%. The return on investment-grade bond dropped by 3bp to 0.49%, and the return on high-yield bond fell by 105bp to -21.27%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 282bp from last Friday to -27.53%.

Rating Action: More property developers were downgraded, the ratings on Chengtuo diverged**Risk Event: Kaisa Group defaulted on multiple USD bonds****Panda Bond Market: Trafigura and Hungary issued 2 bonds altogether this week**

On December 13, the first series of 2021 Trafigura Group Medium Term Note was issued in the China Interbank Market, raising RMB0.7 billion, with a tenor of 3 years at a coupon rate of 5.00%.

On December 16, the first series of 2021 Hungary RMB Green Bonds (Bond Connect) was issued in the China Interbank Market, raising RMB1 billion, with a tenor of 3 years at a coupon rate of 3.28%.

Issuer Analysis: Hungary

Headline: UK raised interest rate; the rate cut in Turkey caused market turmoil

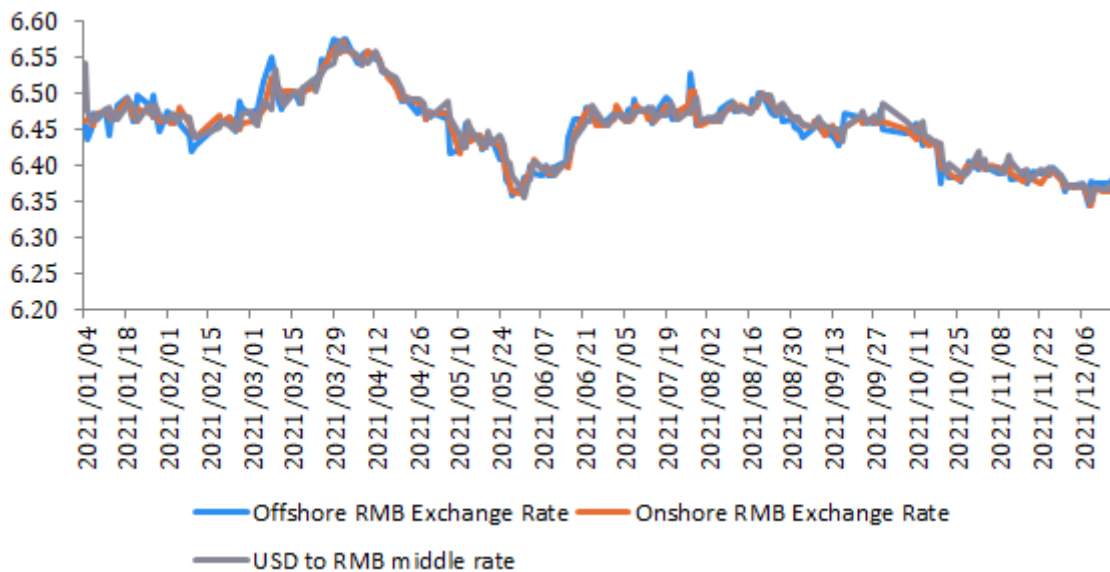
December 16, the Bank of England surprisingly announced to raise the Bank Rate by 15bp from 0.1% to 0.25% amid economic downturn and elevated inflation pressure, becoming the first central bank in major economies to raise interest rate since the Covid-19 pandemic. On the same date, the Central Bank of the Republic of Turkey decided to cut the one-week repo rate by 100bp to 14%, and it has cut the interest rate by 500bp in the year. The rate cut resulted in the market turmoil: the Turkish lira fell to a record low, which has depreciated by 50% since 2021; there were three consecutive circuit breakers on the Istanbul Stock Exchange, which became the world’s worst-performing stock market; Turkish 10-year government bond yields rose to the highest level since 2010.

In addition, December 17, Bank of Russia announced to raise the key rate by 100bp to 8.5%. It is the 7th rate hike this year, with accumulated rate hike of 425bp in the year amid inflation pressure. On the same date, the Bank of Japan decided to maintain the loose monetary policy and will taper its corporate debt purchases in March 2022.

Exchange Rate: RMB exchange rate fluctuated slightly

This week, the RMB exchange rate continued to fluctuate slightly. As of December 17, the RMB mid-point rate closed at 6.3651, decreased by 51bp from last Friday; the onshore RMB exchange rate rose by 38bp to 6.3742; the offshore RMB exchange rate rose by 121bp to 6.3886.

Figure 1 : RMB exchange rate

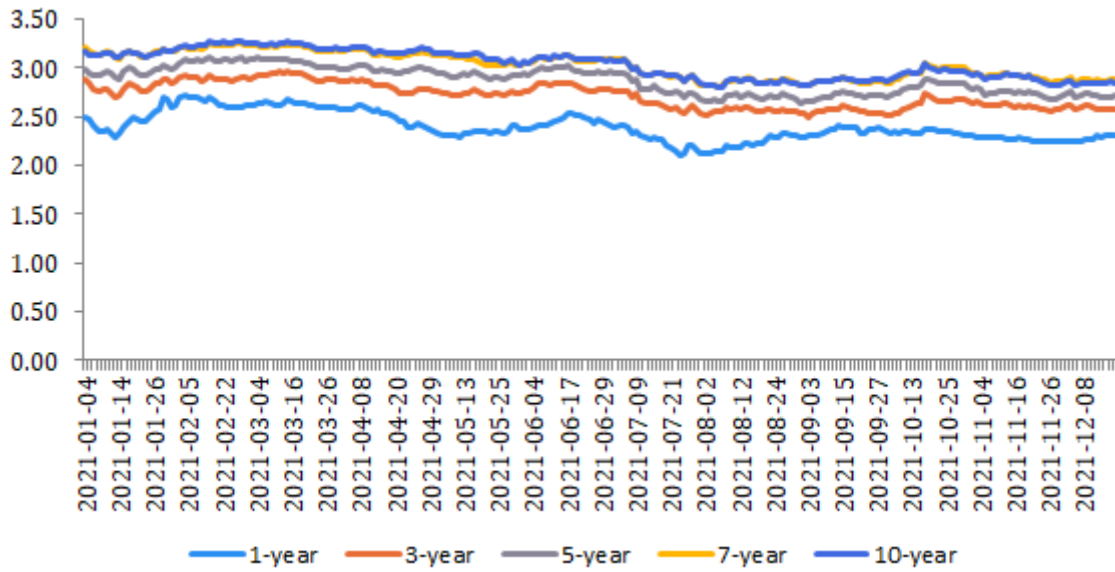


Sources: Wind, CCX research

Interest Rate: Chinese Government Bond yields diverged; US Treasury yields dropped

The Chinese Government Bond yields diverged during the week. As of December 17, the 1-year, 7-year, and 10-year Chinese Government Bond yields fluctuated upward comparing to last Friday, closed at 2.3209%, 2.8822%, and 2.8512%, respectively, while the 3-year and 5-year fluctuated downward, closed at 2.5726%, and 2.7163%.

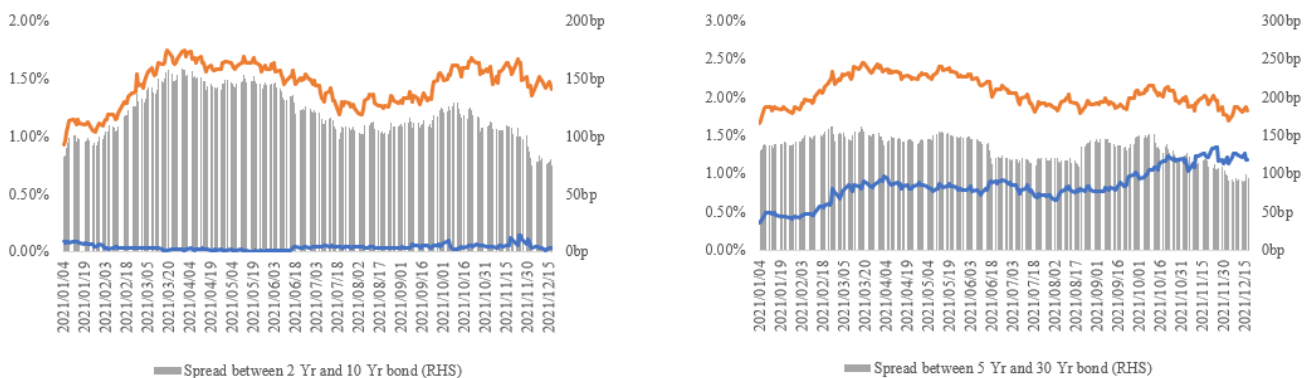
Figure 2 : China Government Bond yields



Sources: ChinaBond.com.cn, CCX research

The Fed announced to double the taper of bond-buying to USD30 billion, and the dot plot showed that it will raise rates three times in 2022, causing the US Treasury yields to fall. 2-year, 5-year, 10-year, and 30-year Treasury yields closed at 0.66%, 1.18%, 1.41%, and 1.82%, decreasing by 1bp, 7bp, 7bp and 6bp from last Friday, respectively. In terms of Treasury yield spreads, the spread between the 2-year and 10-year narrowed by 6bp to 75bp, while the spread between the 5-year and 30-year widening by 1bp to 94bp.

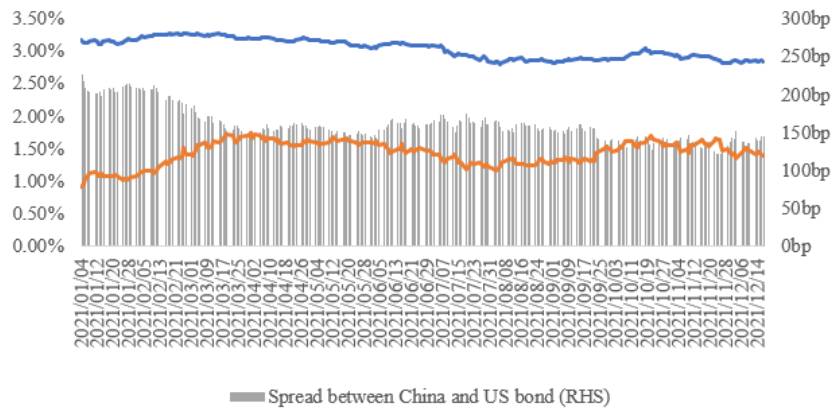
Figure 3 : US Treasury yields and yield spreads



Sources: US Department of the Treasury, CCX research

As of December 17, the yield spread between China and US 10-year note was 144.9bp, widening by 9bp from last Friday and narrowing by 90.6bp from the beginning of the year.

Figure 4 : Yield spread between China and US 10-year note



Sources: Bloomberg, ChinaBond.com.cn, CCX research

Chinese Offshore Bond Market

Primary Market: Chinese offshore bond issuance decreased

From December 13 to December 17, there were 15 new issues with a total issued volume of USD1.88 billion, dropping by 45.7% from last week.

Table 1 : New issuance of Chinese offshore bonds (20211213-20211217)

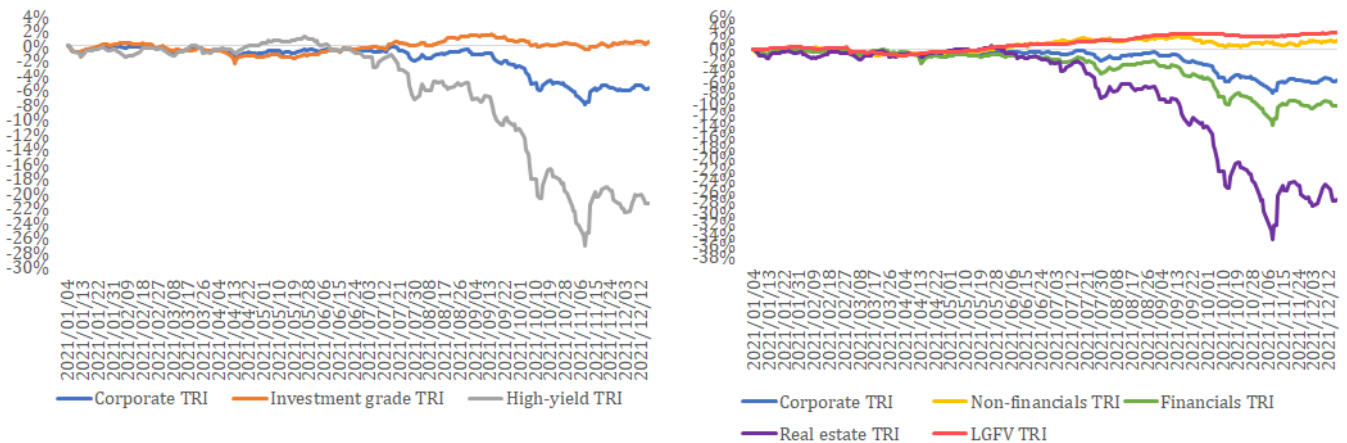
Pricing Date	Obligor	Currency	Amount (million)	Coupon (%)	Maturity	Tenor	Industry	Issuer Rating (Moody's/S&P/Fitch)	Issue Rating (Moody's/S&P/Fitch)
2021/12/13	China Construction Bank Corp/Macau	USD	500	SOFR+50	12/21/2024	3	Banks	A1/-/A	A1/-/
2021/12/13	Wenzhou Lucheng District State-Owned Holding Group Co Ltd	CNY	972	4.1	12/16/2024	3	Chengtou	-/-/	-/-/
2021/12/14	Huzhou New City Investment Development Group Co Ltd/China	CNY	200	4.5	12/21/2024	3	Chengtou	-/-/	-/-/
2021/12/14	Huzhou New City Investment Development Group Co Ltd/China	CNY	470	4.5	12/21/2024	3	Chengtou	-/-/	-/-/
2021/12/15	Bank of China Ltd/Macau	USD	300	0.95	12/23/2023	2	Banks	A1/A/A	A1/A/A
2021/12/15	Bank of Communications Co Ltd/Macau	MOP	1,200	0.85	12/22/2023	2	Banks	A2/A-/A	-/-/
2021/12/15	Greentown China Holdings Ltd	USD	150	5.95	12/22/2024	3	Real Estate	Ba3/BB-/	-/-/
2021/12/16	Beijing Gas Blue Sky Holdings Ltd	USD	40	3.88	07/17/2022	212D	Utilities	-/-/	-/-/
2021/12/16	China Aircraft Leasing Group Holdings Ltd	USD	100	4.85	12/23/2024	3	Financials	Ba1-/BB+	Ba2-/BB+
2021/12/16	Wuxi Guangyi Construction Development Group Co Ltd	USD	150	1.95	12/21/2024	3	Chengtou	-/-/	-/-/
2021/12/17	CMB Financial Leasing Co Ltd	EUR	30	0.5	12/22/2023	2	Financials	A3/BBB+/-	Baa1/-/
2021/12/17	CITIC Securities International Co Ltd	CNY	3	10	05/05/2022	128D	Financials	-/BBB+/-	-/-/
2021/12/17	Jiangsu Jiangyan Economic Development Group Co Ltd	USD	30	5.17	2024/12/20	3	Chengtou	-/-/	-/-/
2021/12/17	Taizhou East New City Development Group Co Ltd	USD	65	1.9	12/21/2022	364D	Chengtou	-/-/	-/-/
2021/12/17	Zhejiang Qiantang River Investment & Development Co Ltd	USD	100	1.95	12/23/2024	3	Chengtou	-/-/	-/-/

Sources: Bloomberg, CCX research

Secondary Market: Return on Chinese USD bond decreased; Real estate bond had the biggest drop

As of December 17, the YTD return¹ on Chinese USD corporate bond index decreased by 46bp from last Friday to -5.74%. The return on investment-grade bond dropped by 3bp to 0.49%, and the return on high-yield bond fell by 105bp to -21.27%. In terms of sector indices, real estate bonds had the biggest drop, which decreased by 282bp from last Friday to -27.53%; the return on financial bonds fell by 96bp from last Friday to -10.28%; while the returns on non-financial and Chengtou bonds were 1.63% and 3.00%, increasing by 33bp and 6bp from last Friday.

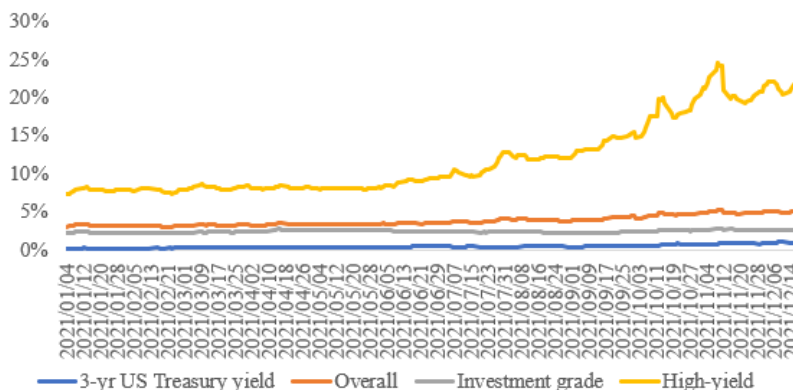
Figure 5 : YTD return on Markit IBoxx Chinese USD bond index



Sources: Bloomberg, CCX research

As of December 17, the yield-to-worst of Chinese dollar bonds increased by 17bp to 5.05% from last Friday, of which investment grade bond index dropped by 11bp to 2.50%, and high-yield bond index increased by 151bp to 21.83%.

Figure 6 : Yield-to-worst of Bloomberg Barclays Chinese USD bond index



Sources: Bloomberg, CCX research

¹ Year-to-date return measures the return since January 4, 2021

Rating Action: More property developers were downgraded, the ratings on Chengtou diverged

From December 13 to December 17, rating agencies took positive rating actions on 2 Chinese issuers, took negative rating actions on 7 Chinese issuers.

Table 4 : Credit rating changes of cross-border bond market (20211003-20211210)

	Entity	Sector	Current Rating			Entity Rating	Previous Rating			Reason of Change
			Entity Rating	Outlook	Date		Outlook	Date	Rating Agency	
International Rating:										
Upgrade	Jiangxi Provincial Water Conservancy Investment Group Corp	Industrials	Baa1	Stable	2021/12/14	Baa2	Rating Watch Positive	2021/11/25	Moody's	very high likelihood of receiving government support
	Jiangxi Railway & Aviation Investment Group Co Ltd	Financial	A3	Stable	2021/12/15	Baa1	Stable	2020/10/27	Moody's	very high likelihood of receiving government support
Downgrade	R&F Properties HK Co Ltd	Real Estate	CC	NEG	2021/12/15	B-	NEG	2021/10/08	S&P	Distressed debt restructuring
	Guangzhou R&F Properties Co Ltd	Real Estate	CC	NEG	2021/12/15	B-	NEG	2021/10/08	S&P	Distressed debt restructuring
	China South City Holdings Limited	Real Estate	B-	NEG	2021/12/15	B	NEG	2021/09/21	S&P	Weak cashflow and difficult to perform refinancing
	Lanzhou Construction Investment Holding Group Co Ltd	Real Estate	BB	NEG	2021/12/15	BB+	NEG	2021/09/17	Fitch	Lower liquidity
	Greenland Hong Kong Holdings Ltd	Real Estate	B1	NEG	2021/12/16	Ba3	Rating Watch Negative	2021/10/18	Moody's	Poor performance expectation due to the poor funding market
	Greenland Holding Group Co Ltd	Real Estate	Ba3	NEG	2021/12/16	Ba2	Rating Watch Negative	2021/10/18	Moody's	Poor performance expectation due to the poor funding market
	Shimao Group Holdings Limited	Real Estate	Ba3	Rating Watch Negative	2021/12/17	Ba1	Rating Watch Negative	2021/11/22	Moody's	Lower liquidity
	R&F Properties HK Co Ltd	Real Estate	C	-	2021/12/17	B-	Rating Watch Negative	2021/10/29	Fitch	Distressed debt exchange
	Guangzhou R&F Properties Co Ltd	Real Estate	C	-	2021/12/17	B-	Rating Watch Negative	2021/10/29	Fitch	Distressed debt exchange
	Shimao Group Holdings Limited	Real Estate	BB	Rating Watch Negative	2021/12/17	BBB-	Stable	2021/09/14	Fitch	Poor sales performance and liquidity

Sources: Bloomberg, Wind, CCX research

Risk Event: Kaisa Group defaulted on multiple USD bonds

December 20, Kaisa Group Holdings Ltd. (“Kaisa Group” or the “Company”) announced that it did not make the principal and interest payment of USD412.9 million on the 6.5% senior notes due on December 7, 2021. Also, it did not make the interest payments on both the 11.95% senior notes and the 11.7% senior notes payable on 12 November 2021 and 11 November 2021 respectively after the 30-day grace period, with total amount of USD88.3763 million, constituting a material default. Moreover, the Company did not make the interest payment on the 11.65% senior notes payable on 1 December 2021. The Company has a grace period of 30 days to pay the interest. As of December 20, excluding the USD400 million matured notes mentioned above, the outstanding principal amount of Kaisa Group’s senior notes was approximately USD11.78 billion.

Panda Bond Market: Trafigura and Hungary issued 2 bonds altogether this week

On December 13, the first series of 2021 Trafigura Group Medium Term Note was issued in the China Interbank Market, raising RMB0.7 billion, with a tenor of 3 years at a coupon rate of 5.00%.

On December 16, the first series of 2021 Hungary RMB Green Bonds (Bond Connect) was issued in the China Interbank Market, raising RMB1 billion, with a tenor of 3 years at a coupon rate of 3.28%.

Table 3 : New issuance of Panda Bond in 2021 (20210101-20211217)

Issuer	Amount (RMB billion)	Coupon (%)	Issue date	Maturity	Tenor	Bond Type	Issue Market	Local Rating Agency
Hungary	1	3.28	2021/12/16	2024/12/16	3	International Institution Bond	China Interbank Market	Lianhe Credit
Trafigura Group	0.7	5.00	2021/12/13	2024/12/13	3	PPN	China Interbank Market	Lianhe Credit
Bank of China Group Investment Limited	2	3.19	2021/12/8	2024/12/8	3	MTN	China Interbank Market	China Chengxin
BMW Finance N.V.	1	2.9	2021/11/25	2022/11/25	1	CP	China Interbank Market	China Chengxin
BMW Finance N.V.	1.5	3.28	2021/11/25	2024/11/25	3	MTN	China Interbank Market	China Chengxin
Asian Development Bank	1	2.78	2021/11/25	2026/11/25	5	International Institution Bond	China Interbank Market	--
Far East Horizon Limited	0.15	4.04	2021/11/18	2023/11/18	2	MTN	China Interbank Market	China Chengxin
SIIC Environment Holdings Ltd.	1.5	3.40	2021/11/15	2026/11/15	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
China Power International Development Limited	1	2.88	2021/11/2	2022/7/29	0.74	SCP	China Interbank Market	Golden Credit Rating
Shenzhen International Holdings Limited	4	3.29	2021/10/29	2027/10/29	6	Corporate Bond	Shenzhen Exchange	Lianhe Credit

								Market	
Far East Horizon Limited	0.3	4.06	2021/10/27	2023/10/27	2	MTN		China Interbank Market	China Chengxin
China Power International Development Limited	1	3.39	2021/10/22	2024/10/22	3	MTN		China Interbank Market	Golden Credit Rating
GLP China Holdings Limited	0.7	4.3	2021/10/17	2026/10/17	5	Corporate Bond		Shanghai Exchange Market	Shanghai Brilliance Rating
Republic of Poland	3	3.20	2021/10/15	2024/10/15	3	International Institution Bond		China Interbank Market	China Chengxin
China Power International Development Limited	2	3.47	2021/10/13	2024/10/13	3	MTN		China Interbank Market	Golden Credit Rating
China Mengniu Dairy Company Limited	1.5	2.55	2021/9/28	2021/12/22	0.23	SCP		China Interbank Market	China Chengxin
Daimler International Finance BV	2	3.1	2021/9/27	2023/9/27	2	MTN		China Interbank Market	--
Daimler International Finance BV	2	3.1	2021/9/27	2024/9/27	3	MTN		China Interbank Market	--
New Development Bank	2	3.02	2021/9/17	2026/9/17	5	International Institution Bond		China Interbank Market	China Chengxin
Crédit Agricole S.A.	1	3.14	2021/9/17	2024/9/17	3	Financial Bond		China Interbank Market	S&P China
BMW Finance N.V	2	3.15	2021/9/16	2024/9/16	3	MTN		China Interbank Market	China Chengxin
BMW Finance N.V	1.5	3.1	2021/9/16	2023/9/16	2	MTN		China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.55	2021/8/30	2021/11/19	0.22	SCP		China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	2.5	2.55	2021/8/30	2021/11/26	0.24	SCP		China Interbank Market	China Chengxin
Far East Horizon Limited	0.7	3.78	2021/8/30	2023/8/30	2	MTN		China Interbank Market	China Chengxin
GLP China Holdings Limited	1.2	4.30	2021/8/23	2026/8/23	5	Corporate Bond		Shanghai Exchange Market	Shanghai Brilliance Rating
China Everbright Water Limited	0.8	2.40	2021/8/10	2021/12/8	0.33	SCP		China Interbank Market	Shanghai Brilliance Rating
China Mengniu Dairy Company Limited	0.5	2.50	2021/8/4	2021/10/29	0.24	SCP		China Interbank Market	China Chengxin
China Power International Development Limited	0.5	2.63	2021/8/3	2022/3/1	0.58	SCP		China Interbank Market	China Chengxin
China Everbright Greentech Limited	1	3.50	2021/7/28	2026/7/28	5	MTN		China Interbank Market	Lianhe Credit
Luso International Banking Limited	1.5	3.28	2021/7/27	2024/7/27	3	Financial Bond		China Interbank Market	Lianhe Credit
China Mengniu Dairy Company Limited	2	2.60	2021/7/27	2021/12/9	0.37	SCP		China Interbank Market	China Chengxin
Beijing Enterprises Water Group Limited	1	3.27	2021/7/14	2026/7/14	5	Corporate Bond		Shanghai Exchange Market	Shanghai Brilliance Rating

Beijing Enterprises Water Group Limited	1	3.64	2021/7/14	2026/7/14	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Far East Horizon Limited	0.5	3.98	2021/7/12	2023/7/12	2	MTN	China Interbank Market	China Chengxin
Bank of China Group Investment Limited	2.5	3.64	2021/6/24	2024/6/24	3	MTN	China Interbank Market	China Chengxin / Lianhe Credit
China Mengniu Dairy Company Limited	1.2	2.50	2021/6/24	2021/9/17	0.23	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	0.8	2.65	2021/6/22	2021/12/16	0.48	SCP	China Interbank Market	China Chengxin
China Everbright Limited	4	3.70	2021/6/18	2024/6/18	3	MTN	China Interbank Market	China Chengxin
China Everbright Environment Group Limited	2	3.60	2021/6/15	2024/6/15	3	MTN	China Interbank Market	Lianhe Credit Rating
BMW Finance N.V.	1.5	3.03	2021/6/15	2022/6/15	1	CP	China Interbank Market	China Chengxin
BMW Finance N.V.	2	3.44	2021/6/15	2024/6/15	3	MTN	China Interbank Market	China Chengxin
GLP China Holdings Limited	2	4.30	2021/6/11	2026/6/11	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Traditional Chinese Medicine Holdings Co. Limited	1	2.65	2021/5/31	2022/2/25	0.74	SCP	China Interbank Market	--
Hengan International Group Company Limited	1	2.90	2021/5/25	2021/11/23	0.5	CP	China Interbank Market	China Chengxin
Daimler International Finance BV	2	3.77	2021/5/21	2024/5/21	3	PPN	China Interbank Market	--
Daimler International Finance BV	2	3.60	2021/5/21	2023/5/21	2	PPN	China Interbank Market	--
Yuexiu Transport Infrastructure Limited	0.5	3.84	2021/5/13	2028/5/13	7	Corporate Bond	Shanghai Exchange Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.48	2021/5/13	2026/5/13	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
Hengan International Group Company Limited	1	2.90	2021/4/26	2021/10/23	0.5	SCP	China Interbank Market	China Chengxin
Beijing Enterprises Water Group Limited	1.5	3.98	2021/4/23	2029/4/23	8	MTN	China Interbank Market	Shanghai Brilliance Rating
China Power International Development Limited	2	3.54	2021/4/23	2024/4/23	3	MTN	China Interbank Market	China Chengxin
GLP China Holdings Limited	1.5	4.40	2021/4/22	2026/4/22	5	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Mengniu Dairy Company Limited	1	2.50	2021/4/19	2021/6/25	0.18	SCP	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	3.00	2021/4/15	2021/10/12	0.5	SCP	China Interbank Market	China Chengxin
China Mengniu Dairy Company Limited	1	2.50	2021/4/8	2021/6/25	0.21	SCP	China Interbank Market	China Chengxin
Hengan International Group Company Limited	1	3.08	2021/3/26	2021/9/23	0.5	SCP	China Interbank Market	China Chengxin

China Mengniu Dairy Company Limited	2	2.50	2021/3/26	2021/6/24	0.25	SCP	China Interbank Market	China Chengxin
New Development Bank	5	3.22	2021/3/25	2024/3/25	3	International Institution Bond	China Interbank Market	Lianhe Credit Rating
GLP China Holdings Limited	1.5	4.40	2021/3/25	2024/3/25	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
Daimler International Finance BV	2	3.80	2021/3/19	2024/3/19	3	PPN	China Interbank Market	--
Daimler International Finance BV	2	3.70	2021/3/19	2023/3/19	2	PPN	China Interbank Market	--
Crédit Agricole S.A.	1	3.50	2021/3/18	2024/3/18	3	Financial Bond	China Interbank Market	S&P China
GLP China Holdings Limited	1.5	4.40	2021/3/18	2024/3/18	3	MTN	China Interbank Market	Shanghai Brilliance Rating
SHC Environment Holdings Ltd.	1.5	3.89	2021/3/15	2026/3/15	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
Asian Development Bank	2	3.20	2021/3/11	2026/3/11	5	International Institution Bond	China Interbank Market	--
GLP China Holdings Limited	1.7	4.37	2021/3/8	2024/3/8	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Power International Development Limited	0.5	3.20	2021/2/8	2021/8/6	0.5	SCP	China Interbank Market	Golden Credit Rating
Yuexiu Transport Infrastructure Limited	1	3.78	2021/1/28	2026/1/28	5	MTN	China Interbank Market	China Chengxin
Yuexiu Transport Infrastructure Limited	1	3.63	2021/1/25	2026/1/25	5	Corporate Bond	Shanghai Exchange Market	China Chengxin
GLP China Holdings Limited	0.7	3.98	2021/1/25	2024/1/25	3	Corporate Bond	Shanghai Exchange Market	Shanghai Brilliance Rating
China Everbright Water Ltd	1	3.75	2021/1/15	2024/1/15	3	MTN	China Interbank Market	Shanghai Brilliance Rating

Sources: Bloomberg, CCX research

Issuer Analysis: Hungary

Issuer profile: Hungary is located in central Europe, with a land area of approximately 93,000 square kilometers. The capital is Budapest. The Danube runs through Hungary, connecting it to the Black Sea port. In history, Hungary serves as a link connecting the social, cultural life and trade of Eastern and Western Europe. Hungary was also the first European country to sign the “Belt and Road” cooperation document with China. With manufacturing at the core, The Hungarian economy enjoys a high degree of diversification, strong growth prospects and good export potential. Hungary joined the European Union in 2004. The economic and financial integration of European provided positive support for bilateral trade. Hungary continued to achieve a trade surplus, current account is basically balanced, the solvency of foreign debts is maintained at a very strong level; the government's governance capabilities are relatively

strong; the banking industry is operating steadily. Due to the Covid-19 impact, Hungary's real GDP shrunk by 5% in 2020, yet it is expected that the economy will rebound to 7% in 2021, and it will still maintain a high growth rate of nearly 5% in 2022. Hungary's country risk includes rapid expansion of its debt burden during the epidemic, more confrontational relations with EU in recent years, relatively high dependence on foreign trade and structural issues that cubes medium-term economic growth, such as aging population; challenges to move up industrial value chains; and promotion of innovation and productivity.

Issuance history: On December 14, Hungary successfully issued RMB1 billion of RMB Green Bond in China's Interbank Market through Bond Connect, marking the first issuance of green sovereign Panda Bonds in China, also an important milestone of Hungary-China economic and financial cooperation. The bond has a tenor of 3 years and a coupon rate of 3.28%, with the spread at 71bp. The bond enjoys a 1.78 times subscription, and the proportion of foreign investors reaches 40%. The usage of proceeds is to remit abroad and converted into euros on Eligible green expenditures under Hungary's "Green Bond Framework".

Table 4: Historical Issuance of Hungary in the Panda Bond Market

No.	Issuer	Issue date	Maturity	Tenor	Amount (RMB billion)	Coup on (%)	Spread (BP)	Use of Proceeds	Bond Type	Issue Market
1	Hungary	2021/12/16	2024/12/16	3	1	3.28	71	Remitted abroad and converted into euros for eligible green expenditures under Hungary's Green Bond Framework	International Institution Bond	China Interbank Market

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