

HKSAR Government's Green Bonds Offering

The following is issued on behalf of the Hong Kong Monetary Authority:

The Government of the Hong Kong Special Administrative Region of the People's Republic of China (the HKSAR Government) today (November 18) announced the successful offering of US\$3 billion worth of green bonds (the Green Bonds), denominated in US dollars (USD) and euro (EUR), under the Government Green Bond Programme.

The offering comprises three tranches of US\$1 billion 10-year, EUR1.25 billion 5-year, and EUR500 million 20-year. The 20-year tranche is the longest euro-denominated green bond issued by an Asian government to date, as well as the HKSAR Government's inaugural offering of euro-denominated bonds, setting an important new benchmark for potential issuers in Hong Kong and the region.

Following a virtual roadshow on November 15 and 16, 2021, the Reg S Green Bonds were priced on November 17 at 1.855 per cent (23 basis points over 10-year US Treasuries) for the 10-year USD tranche; 0.019 per cent (10 basis points over 5-year EUR mid-swap rate) for the 5-year EUR tranche; and 1.059 per cent (65 basis points over 20-year EUR mid-swap rate) for the 20-year EUR tranche. The Green Bonds were well received by global investors, with the 10-year USD tranche attracting US\$2.9 billion in orders and the 5-year and 20-year EUR tranches attracting over EUR2.2 billion in orders, achieving very low levels of funding cost in absolute terms, despite recent market volatility.

The offering attracted strong interest from a diverse group of conventional and green investors. For the USD tranche, 72 per cent was distributed to Asia and 28 per cent to Europe. By investor type, 63 per cent was distributed to banks, 16 per cent to fund managers, private banks and insurance companies, and 21 per cent to central banks, sovereign wealth funds and supranationals. For the EUR tranches, 27 per cent was distributed to Asia and 73 per cent to Europe. By investor type, 25 per cent was distributed to banks, 56 per cent to fund managers, private banks and insurance companies, and 19 per cent to central banks, sovereign wealth funds and supranationals.

"We are pleased to see the strong demand for the HKSAR Government's green bonds, underscoring investor confidence in our economic fundamentals as well as their support of our efforts in combating climate change and achieving carbon neutrality. The inaugural euro-denominated offering has also allowed us to reach out to a new group of investors, drawing their attention to the sustainability journey of and financial opportunities in Hong Kong, providing momentum for further growth of our financial market," the Financial Secretary, Mr Paul Chan, said.

The Green Bonds are being issued under the Global Medium Term Note

Programme dedicated to green bond issuances established earlier this year. The Green Bonds will be cleared through the Central Moneymarkets Unit of the Hong Kong Monetary Authority (HKMA), and are expected to be settled on November 24, 2021 and listed on the Hong Kong Stock Exchange and the London Stock Exchange. The Green Bonds have been assigned credit ratings of AA+ by S&P Global Ratings and AA- by Fitch.

The HKMA acts as the HKSAR Government's representative in the green bond offerings under the Government Green Bond Programme. Proceeds raised under the Programme will be credited to the Capital Works Reserve Fund to finance or refinance government projects that provide environmental benefits and support the sustainable development of Hong Kong.

The HKSAR Government published its Green Bond Framework in 2019, which sets out how green bond proceeds will be used to fund projects that will improve the environment and facilitate the transition to a low carbon economy. Vigeo Eiris has provided a Second Party Opinion for the Green Bond Framework. The Green Bonds have also received the Green Finance Certificate (Pre-issuance Stage) from the Hong Kong Quality Assurance Agency. The HKSAR Government has since published two annual reports on the allocation of the proceeds from previous green bond issuances and the expected environmental benefits.

Crédit Agricole CIB and HSBC acted as Joint Global Coordinators, Joint Lead Managers, Joint Bookrunners and Joint Green Structuring Banks for all tranches. Citigroup and J.P. Morgan also acted as Joint Global Coordinators for, respectively, the USD tranche and the EUR tranches. Citigroup, J.P. Morgan, together with BNP Paribas, Société Générale Corporate & Investment Banking and UBS acted as Joint Lead Managers and Joint Bookrunners for all tranches.

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