

HKSAR Government's Green Bonds Offering

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

â€‹The Government of the Hong Kong Special Administrative Region of the People's Republic of China (the HKSAR Government) today announced the successful offering of US\$2.5 billion of green bonds (the Green Bonds) under the Government Green Bond Programme.

The offering comprises three tranches of US\$1 billion 5-year, US\$1 billion 10-year and US\$500 million 30-year green bonds, which will build a comprehensive benchmark curve for potential issuers in Hong Kong and the region. The 30-year tranche is also the first 30-year green bond to be issued by an Asian government, and the longest tenor to be issued by the HKSAR Government.

Following a virtual roadshow on January 25, 2021, the Rule 144A/Reg S USD Green Bonds were priced on January 26, 2021 at 0.635 per cent (22.5 basis points over 5-year US Treasuries) for the 5-year tranche; 1.414 per cent (37.5 basis points over 10-year US Treasuries) for the 10-year tranche; and 2.431 per cent (62.5 basis points over 30-year US Treasuries) for the 30-year tranche. The Green Bonds saw strong demand from global investors, with the 5-year and the 10-year tranche each attracting orders more than five times their respective issuance sizes, and the 30-year tranche attracting orders more than seven times its issuance size.

The deal attracted strong interest from a diverse group of conventional and green investors. There was overwhelming demand from Asian institutional investors, resulting in the overall allocation of 65 per cent of the total issuance size to this group. This reflects the strong pick-up in Asian investors' appetite for green financial products and demonstrates Hong Kong's leading role in championing green finance in the region. European and US investors received an allocation respectively, of 20 per cent and 15 per cent of the total issuance. Worth noting is the strong preference of European and US investors for longer-tenor green bonds, with a combined allocation of half of the 30-year tranche. By investor type, 34 per cent of the Green Bonds were distributed to banks, 46 per cent to fund managers, private banks and insurance companies, and 20 per cent to central banks, sovereign wealth funds and supranationals.

"The success of the offering demonstrates investor confidence in Hong Kong's credit strengths and economic fundamentals in the long term. The issuance will help catalyse further growth of the green and sustainable bond market, particularly leveraging on Hong Kong's strengths as a leading green finance hub in the region," the Financial Secretary, Mr Paul Chan, said.

Mr Chan added, "Building on the momentum from the successful issuance of

the inaugural green bond in 2019, we have set up the world's first government "Global Medium Term Note Programme" dedicated to green bond issuances to demonstrate the continued commitment of Hong Kong in promoting sustainable development and facilitate the Government's regular green bond issuance activities."

The Green Bonds are being issued under a newly-established "Global Medium Term Note Programme" dedicated to green bond issuances. The Green Bonds are expected to be settled on February 2, 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 Hong Kong Monetary Authority 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 public works 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.

Credit Agricole CIB and HSBC acted as Joint Global Coordinators, Joint Lead Managers, Joint Bookrunners and Joint Green Structuring Banks for the Green Bonds offering, and BNP PARIBAS, Citigroup, ICBC (Asia), J.P. Morgan and Standard Chartered Bank acted as Joint Bookrunners and Joint Lead Managers.

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