



Panda Bond Markets Opportunities for Foreign Issuers

► China domestic bond markets are becoming an attractive alternative to the traditional US and European markets for EM issuers and provide the following opportunities:



LIQUIDITY

- Most liquid market in Asia
- #3 bond market in the world



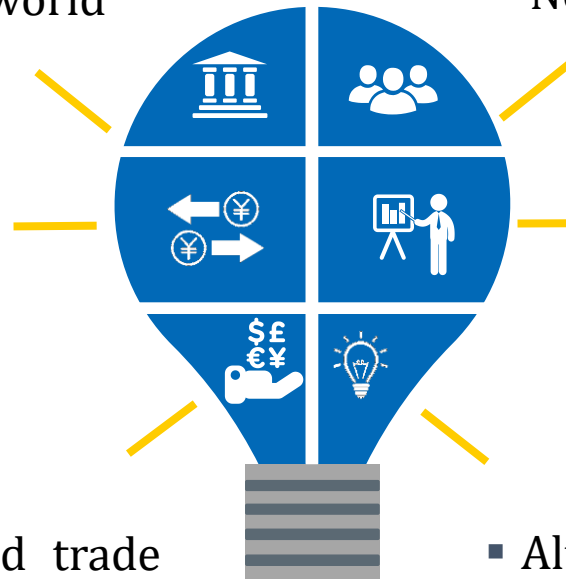
ATTRACTIVE RATES

- Downtrend in Chinese RMB interest rates
- Easing policies



FUNDING IN CHINA

- Funding operations and trade in China



DIVERSIFICATION



- New investor base for the Issuer
- New products for Chinese investors

CHINA ACCESS



- Way into China for further business development

MARKET INNOVATIONS



- Alternative funding venue



Panda Bond Markets

Two Venues and Requirements

	China Interbank Bond Market (CIBM)	Exchange Bond Markets
Regulatory Body	<ul style="list-style-type: none"> National Association of Financial Market Institutional Investors (NAFMII) Under People's Bank of China 	<ul style="list-style-type: none"> Shanghai Stock Exchange and Shenzhen Stock Exchange Under China Securities Regulatory Commission (CSRC)
Format	<ul style="list-style-type: none"> Public or private issuance MTN, CP, PPN 	<ul style="list-style-type: none"> Public or private issuance Corporate bonds
Issuers	<ul style="list-style-type: none"> Top credit quality issuers 	<ul style="list-style-type: none"> Companies registered overseas – CSRC and exchanges are welcoming the issuers from the BRI countries
Financial Reports	<ul style="list-style-type: none"> Public placement: accept HKFRS reports/IFRS reports issued by Hong Kong auditor Private placement: may accept other accounting standards reconcilable to PRC GAAP IFRS statement currently is acceptable, however, it is required to submit the Summary of Material Differences between the Accounting Policies 	
Credit Ratings	<ul style="list-style-type: none"> Public issuance: mandatory domestic credit rating Private issuance: no mandatory rating requirements but highly recommended 	
Expected Time for Approval	<ul style="list-style-type: none"> 3-4 Months 	<ul style="list-style-type: none"> 3 Months



OFZs are attractive for RMB-based investors

- Diversification – muted correlation with yuan assets.
- **OFZ market is highly liquid**, while Russia debt market infrastructure is now in line with world's best practices.
- **Fundamental attractiveness of the Russia economy:**
 - ▷ **low debt/GDP – 15.3%***
 - ▷ high level of **international currency reserves – \$487 bln** (as of April 2019)**
 - ▷ accelerating **economic growth – +2.3% in 2018** vs. +1.5% in 2017E and -0.2% in 2016

RUB VS. CNY DOMESTIC BOND INDICES YIELDS

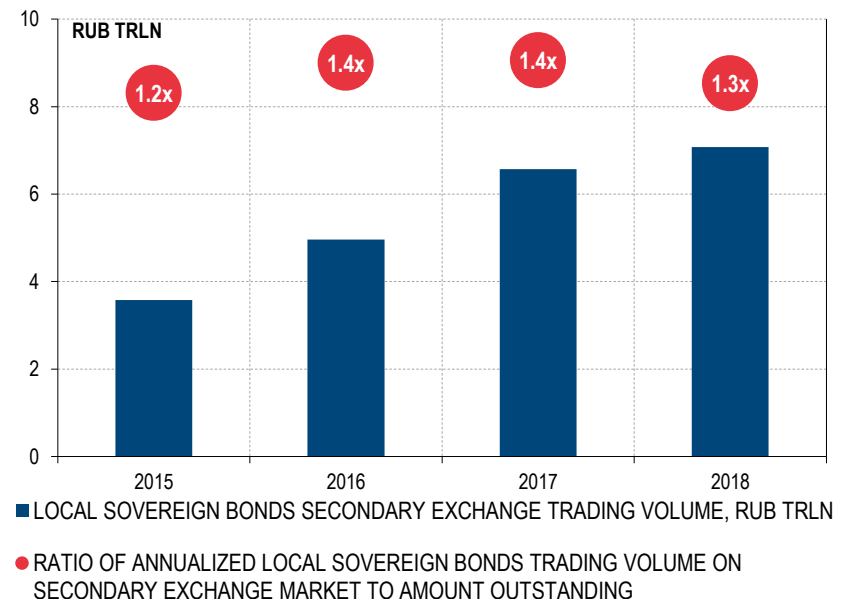


* according to IMF, 2018E

** according to CBR

Source: Bloomberg, MOEX, Gazprombank

OFZ ARE HIGHLY LIQUID



Source: Bloomberg, Gazprombank