

press release

Government issues first Panda bonds

March 2018 - The Philippine government's inaugural issue of Panda bonds, or renminbi-denominated bonds, was warmly received by the Chinese and other offshore markets with oversubscription hitting about 6.32 times, the all-time largest coverage for any Panda sovereign issuer. Bids reached RMB 9.22 billion compared with the Philippine government's debt offering of RMB 1.46 billion.

The Philippines becomes the first ASEAN sovereign to issue Panda bonds, and was able to diversify its investor base with participation originating from both onshore and offshore investors. With the Bond Connect scheme, offshore investors comprised 87.7% of allocation, representing the highest offshore mix for any Panda issuer.

With a tight spread of 35 basis points (bps) above benchmark, the three-year Panda bonds fetched a coupon rate of 5.00%, a reflection of confidence in the robust growth prospects and creditworthiness of the Philippines. Price range was announced on March 19 at 5.00 – 5.60%. Overwhelming demand was able to push the coupon to its lower bound of 5.00%.

Relative to the government's usual global dollar issuance, the renminbi-denominated Panda bond's 5.00% coupon would have an indicative dollar swap equivalent rate of 2.93%, 23 bps below current three-year dollar yield of 3.16%.

The Panda bonds were rated "AAA" by China's Lianhe Credit Rating Co. Ltd.

"The Philippine government's successful inaugural issuance of Panda bonds highlights the investor confidence that the country enjoys on the back of its strong credit profile," Finance Secretary Carlos Dominguez III said.

"The Duterte administration is committed to sustaining the growth momentum and making the economy a more inclusive one by way of massive investments in infrastructure and human capital development. It intends to pursue this unprecedented level of public spending while maintaining sound economic policies and observing fiscal discipline," Dominguez said.

The bonds issuance followed a three-leg, international deal roadshow led by National Treasurer Rosalia de Leon and Bangko Sentral ng Pilipinas Deputy Governor Diwa Guinigundo. In the roadshow held last week, the delegation met potential investors in Singapore, Hong Kong, and China to expound on the terms of the bond issuance and to provide updates on the Philippine economy.

Bank of China served as lead underwriter and Standard Chartered Bank as joint lead underwriter of the bond issuance.

Lynette V. Ortiz, Standard Chartered Bank Chief Executive Officer said "This landmark transaction establishes the ROP as a high profile and sophisticated issuer with access to multiple funding sources. The government's successful issue now opens the door for the private sector to access the onshore

Chinese bond market for financing. Standard Chartered Bank is pleased to be part of this inaugural issuance and the government can look forward to our continued support.”

Standard Chartered Bank is among the few foreign banks who have received lead underwriting license for non-financial corporate Panda bonds from the National Association of Financial Market Institutional Investors (NAFMII) earlier this year. Before the upgrade, SCB can already underwrite panda bonds by supranationals, sovereigns and financial institutions.

The Philippines' maiden issue of Panda bonds affirms the country's improving bilateral relations with China and the increasing relevance of the Renminbi. In 2016, the International Monetary Fund (IMF) included the Renminbi in the Special Drawing Rights' (SDR) basket of currencies.

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Note to Editors

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