

## **Press Release**

### **HKMC's Pilot Infrastructure Loan-backed Securities Issuance**

The Hong Kong Mortgage Corporation Limited (HKMC) announced today (30 May) the successful completion of its first issuance of infrastructure loan-backed securities under its pilot scheme on infrastructure financing securitisation. This is executed through a special purpose vehicle (SPV), Bauhinia ILBS 1 Limited (Bauhinia 1). As a policy measure in the 2022-23 Budget, the successful issuance of Bauhinia 1 marks an important step taken by the HKMC towards developing an infrastructure financing securitisation platform in Hong Kong.

Mr Paul Chan, the Financial Secretary, said, “The issuance of Bauhinia 1 will enable the local infrastructure financing market to become more vibrant and diversified, and also facilitate the inflow of market capital to high-quality infrastructure projects. This will enable the development of the infrastructure financing hub in Hong Kong, and propel Hong Kong to become the premier overseas financing platform under the national Belt and Road Initiative.”

Bauhinia 1 has a portfolio of 35 project and infrastructure loans in 25 individual projects spreading across 12 countries and 9 sectors, with a total value of approximately US\$404.8 million. Bauhinia 1 offers institutional investors exposure to a diversified portfolio of project finance, infrastructure and corporate loans across multiple geographies and sectors.

Following a two-week roadshow, Bauhinia 1 has garnered strong interests from investors with diversified background including multilateral, local and international financial institutions, insurance companies, asset managers and

others. In total, five classes of notes are issued (Class A1-SU, Class A1, Class B, Class C and Class D), all of which are investment grade rated, with aggregate principal of US\$ 364.4 million. The issued notes are listed on The Hong Kong Stock Exchange. The HKMC acts as the sponsor, collateral manager and risk retention holder of the transaction.

Within the capital structure of Bauhinia 1, there is an US\$100 million sustainability tranche (Class A1-SU) backed by sustainable, green and social assets. Class A1-SU is issued in accordance with the HKMC's Social, Green and Sustainability Financing Framework, which aligns with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association. It demonstrates the HKMC's commitment to green and sustainable development.

Asian Infrastructure Investment Bank (AIIB) participated in this issuance as an anchor investor, as a way to fulfil its strategic priority to mobilise private capital into the infrastructure sector.

“The debut issuance of Bauhinia 1 is an important milestone that will contribute to the deepening of the infrastructure securitisation market in Asia. It continues our aim to support our clients by delivering innovative solutions to attract private capital into emerging market infrastructure,” said Konstantin Limitovsky, AIIB's Vice President for Investment Operations (Region 2), “AIIB looks forward to continuing our cooperation with the HKMC to support the further issuances under the infrastructure securitisation platform along Paris-aligned and net zero development pathway.”

ING Bank, MUFG Securities Asia Limited and Standard Chartered Bank are the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners of the offering. Fubon Bank (Hong Kong) Limited is the Co-Manager of the offering.

The Hong Kong Mortgage Corporation Limited

30 May 2023

**Major Terms of Bauhinia 1**

<b>Issuer</b>	Bauhinia ILBS 1 Limited, an SPV incorporated in Hong Kong, China		
<b>Sponsor, Collateral Manager, Risk Retention Holder</b>	The Hong Kong Mortgage Corporation Limited		
<b>Issue Date</b>	30 May 2023		
<b>Issuance Size</b>	US\$ 404.8 million		
<b>Classes of Note</b>	<b>Class</b>	<b>Principal Amount (US\$ Mn)</b>	<b>Credit Ratings (Moody's)</b>
	A1-SU	100	Aaa (sf)
	A1	199.6	Aaa (sf)
	B	36.5	Aa1 (sf)
	C	18.3	A2 (sf)
	D	10	Baa3 (sf)
	Sub. Notes	40.4	N/A
	<b>Total</b>	<b>404.8</b>	
<b>Asset Pool</b>	35 senior secured project finance and corporate infrastructure loans across 25 projects		
<b>A1-SU Notes</b>	The A1-SU Notes is issued in accordance with the Sponsor's Social, Green and Sustainability Financing Framework		
<b>Listing</b>	The Hong Kong Stock Exchange		
<b>Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners</b>	ING Bank, MUFG Securities Asia Limited, Standard Chartered Bank		
<b>Co-Manager</b>	Fubon Bank (Hong Kong) Limited		
<b>Legal Counsels</b>	Clifford Chance, Linklaters		
<b>Trustee</b>	DB Trustees (Hong Kong) Limited		
<b>Transaction Administrator, Payment and Administrative Agent</b>	Deutsche Bank AG, Hong Kong Branch		