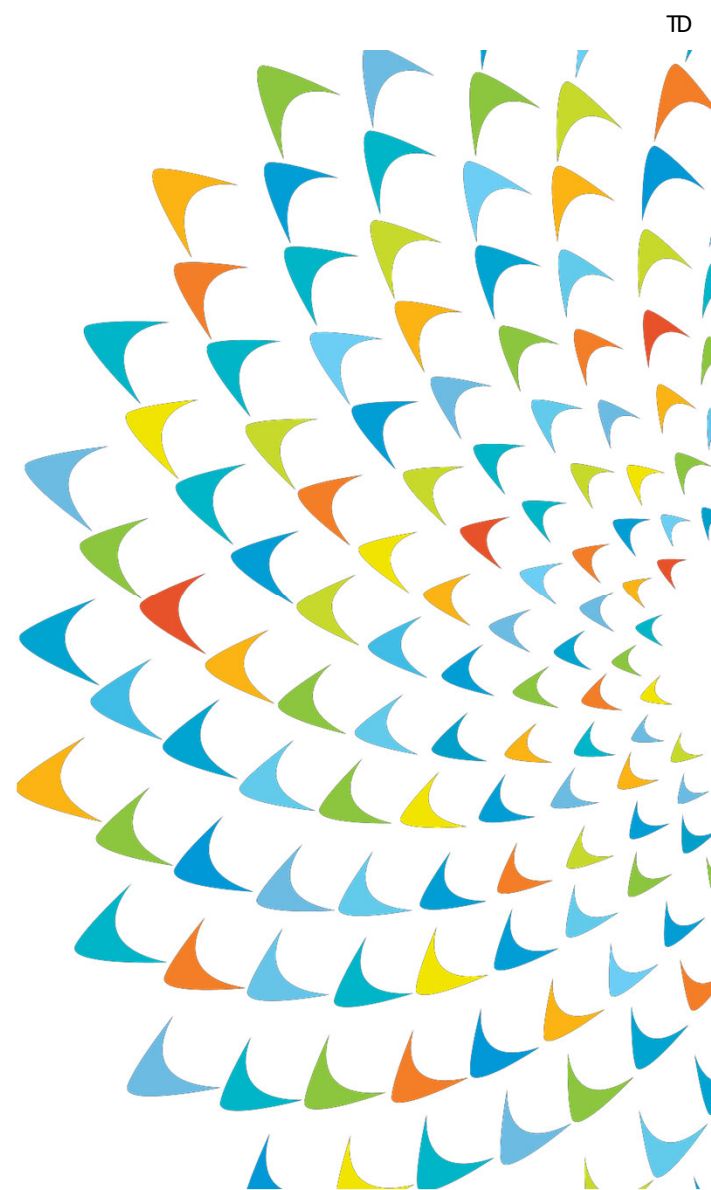


ADB Local Currency Bond Issues

27th April 2022

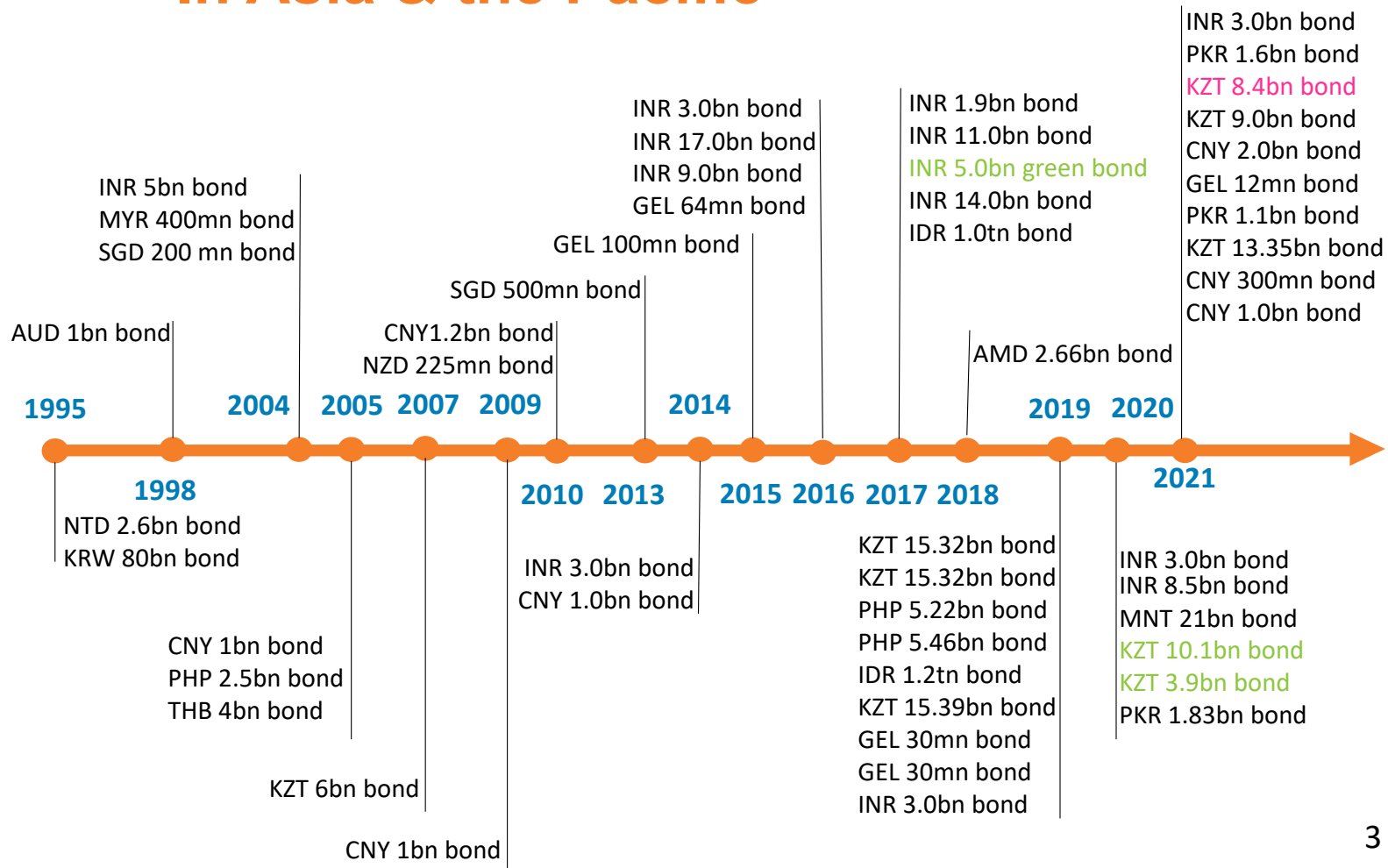
ADB/IMF LCBM Virtual Roundtable



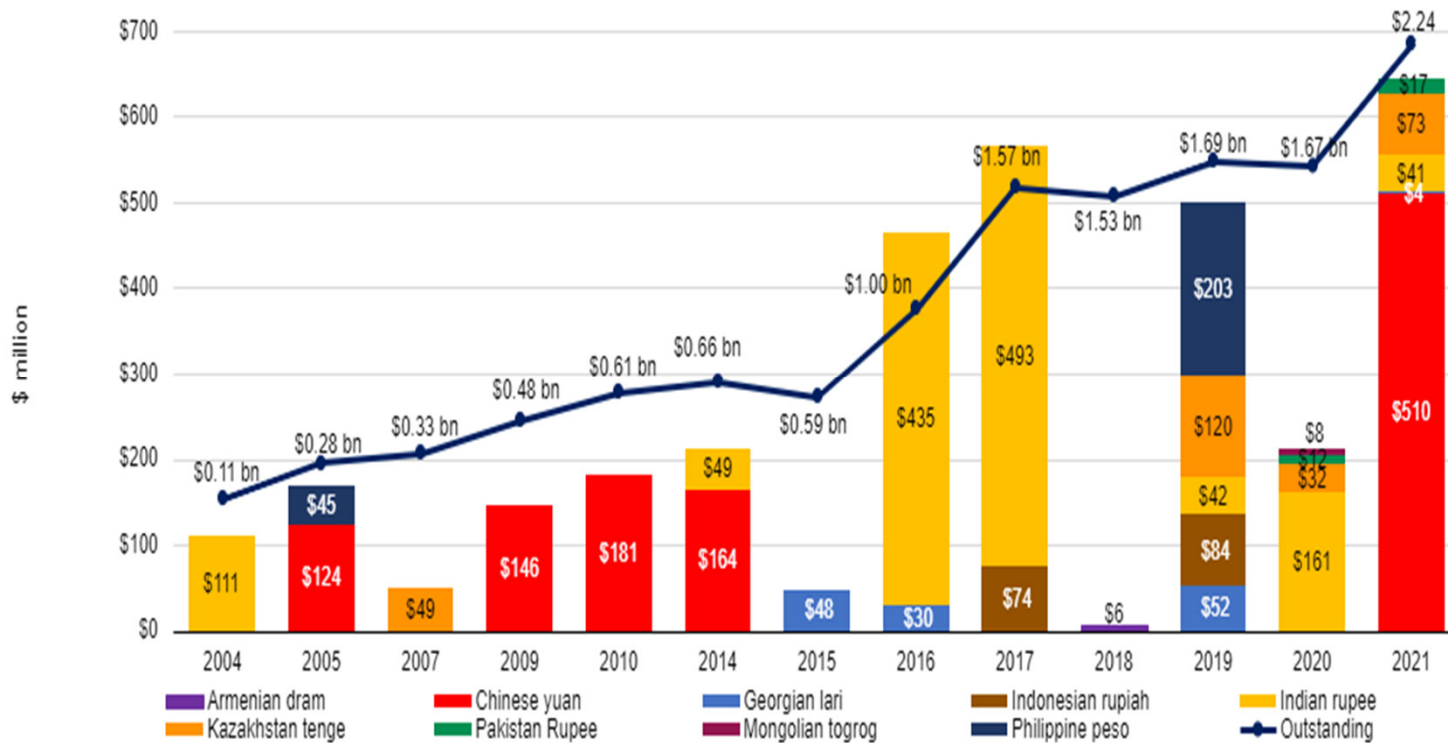
LCBM evolution

- Development Finance Institutions have long focused on developing local currency bond markets (LCBM), partly as a component of economic development, but also to protect borrowers from currency risk;
- The Asian Crisis of 1997 proved an important catalyst for financial market reform in the region. PRC, India and South Korea currently represent the largest emerging market bond markets, while significant progress has also been recorded in Indonesia, Malaysia, Philippines and Thailand; Central Asia is now evolving rapidly;
- Asian Development Bank has been at the forefront of this drive within the region for many years and has issued bonds in multiple regional currencies.

Chronology of ADB Bond Issues In Asia & the Pacific



ADB Local Currency Bond Issues YE 2021



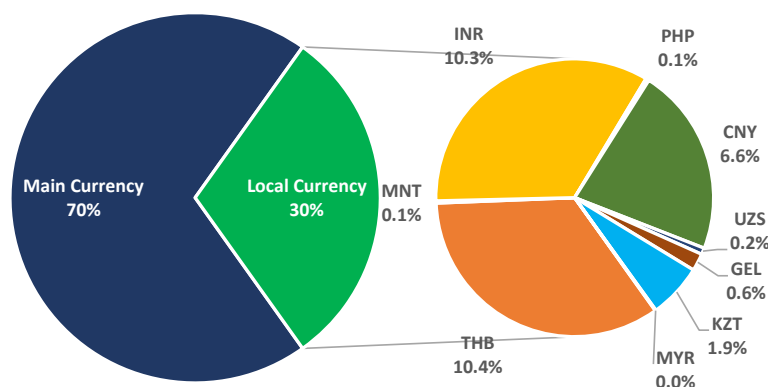
ADB's

Local Currency Operations

- ADB has loan operations in 41 developing member countries across Asia & the Pacific;
- ADB has approvals to issue local currency bonds in 16 currencies, with derivative solutions in a broader universe;
- Due to constraints on liquidity and tenor in LCBM, a majority of ADB's local currency funding has been disbursed to private sector borrowers;
- However central Asian members are beginning to disburse sovereign loans in their respective local currencies;
- ADB is actively working with developing member countries to broaden the currency mix of local currency operations;
- The pipeline for new local currency loans is developing rapidly.

Outstanding Local Currency Loans

ADB Non-Sovereign Loan Portfolio Currency Composition
as of 31 December 2021



ADB Local Currency Loan Portfolio
as of 31 December 2021

Currency	No.	Amount in US\$ mln	%
THB	34	\$ 836.04	33.5%
INR	24	\$ 827.55	33.2%
CNY	27	\$ 535.70	21.5%
KZT	8	\$ 226.21	9.1%
GEL	4	\$ 31.56	1.3%
UZS	1	\$ 18.89	0.8%
PHP	2	\$ 9.42	0.4%
MNT	1	\$ 6.55	0.3%
MYR	2	\$ 1.91	0.1%
TOTAL	103	\$ 2,493.83	100.0%

- ADB's local currency loan operations are developing rapidly, amounting to 30% of ADB's disbursed non-sovereign loan portfolio at YE 2021;
- For 2021, local currency financing amounted to \$464 million, including new disbursements and refinancing transactions;
- Including sovereign operations (\$70.9 million), the outstanding local currency loan portfolio has reached approx. **\$2.49 billion equivalent at Q4 2021.**

Onshore vs Offshore LCBM

- Onshore bond markets may offer more liquidity but are subject to the domestic regulatory environment. This extends time-to-market;
- Offshore bond issues are highly approachable for international investors due to English law, GMTN documentation, USD settlement in iCSD with international exchange listing;
- When converting \$ proceeds of offshore linker-bonds, care is needed to not impact the value of the currency (FX rate);
- Offshore bond issues crowd in foreign portfolio investment; onshore AAA-rated bonds risk crowding out the sovereign.
- Many IFI local currency bonds are issued as arbitrage trades, i.e. swapped to USD.

Capacity building impact of ADB bond issues

- Open new markets;
- Promote the local currency as investable;
- Set a benchmark;
- Introducing international best practice;
- Compliment government initiatives to develop a yield curve;
- Support the development of local financial market infrastructure;
- Promote ESG & SDG.

Case Study 1:

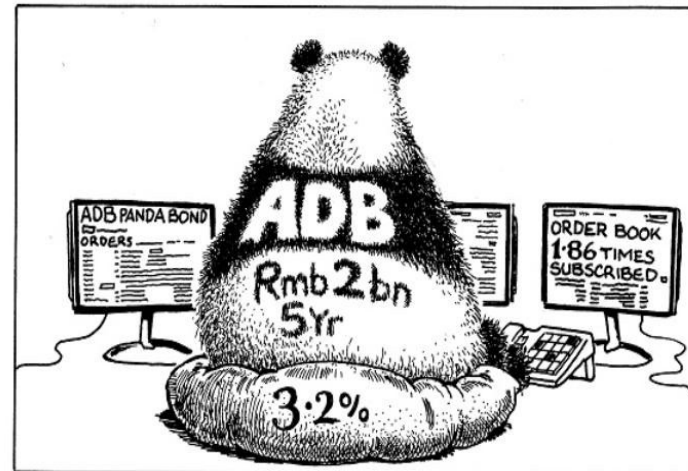
ADB returned to the Panda Bond market in 2021

- **Asia 3.20% due 03/2026 for CNY 2bn**
- **Asia 2.78% due 11/2026 for CNY 1bn**

Bonds were priced at CDB-21/20bps and distributed 45% / 55% onshore/offshore.

Proceeds were swapped to floating rate CNY based on 3-month SHIBOR.

Proceeds deployed to finance 7 ADB private sector projects in agriculture (x2), energy, leasing, micro-finance, pharma & water sectors.



Welcome back
The ADB Panda makes a very comfortable market return.

Case Study 2: **ADB offshore bonds in IDR, MNT and PKR.**



Indonesia: ADB issued 11 and 15-year *komodo* bonds in 2017/2019. Proceeds were converted to IDR and warehoused in INDOGB.

Mongolia: ADB issued the first *nomad* bond in 2020. Proceeds were converted to MNT and onlent back-to-back to an agriculture (dairy) project;

Pakistan: ADB issued three *karakoram* bonds in 2020/2021 with tenors of 3-5 years. Proceeds were converted to PKR and warehoused in PAKGB.

Case Study 3: **KZT onshore gender bond issue.**

ADB issued the first local currency **gender bond** in Kazakhstan in 2021.

ASIA 10.15% s/a 10-year bonds for KZT 8.4bn (\$ 20m);
Auctioned & listed on KASE.

Proceeds deployed to fund ADB sovereign *“Promoting Gender Equality in Housing Finance”* project in Kazakhstan.

Project and financing was structured as ten-year bullet solution at fixed interest rate.



The ADB bonds were subscribed exclusively by domestic institutional investors.