



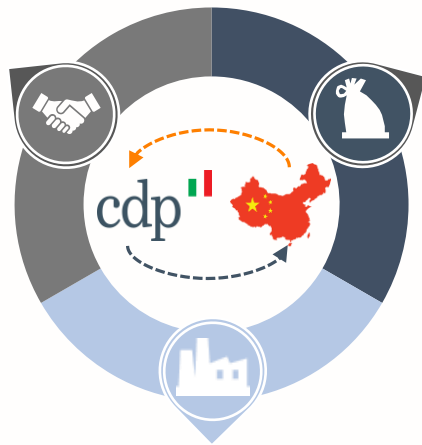
Finance your growth in China with the *proceeds* of the Panda Bond

CDP financing program for development projects in China

Mission Supporting Italian companies already operating in China or potentially interested in operating there

1 Agreements with local financial institutions

CDP has finalized several collaboration agreements and MoUs with leading financial institutions in China



2 Funds raising

CDP raised 1 billion Renminbi by issuing Panda Bonds for institutional investors operating in China and made them available through medium / long term credit lines

3 Structuring of financing program

The capital raised on the market will be used to support the growth and investment made or to be made by Chinese branches or subsidiaries of Italian companies in China, by granting Renminbi denominated medium-long term loans at fixed rate under the co-financing program with Bank of China

Funds raising: the Panda Bonds



Highlights of the tool

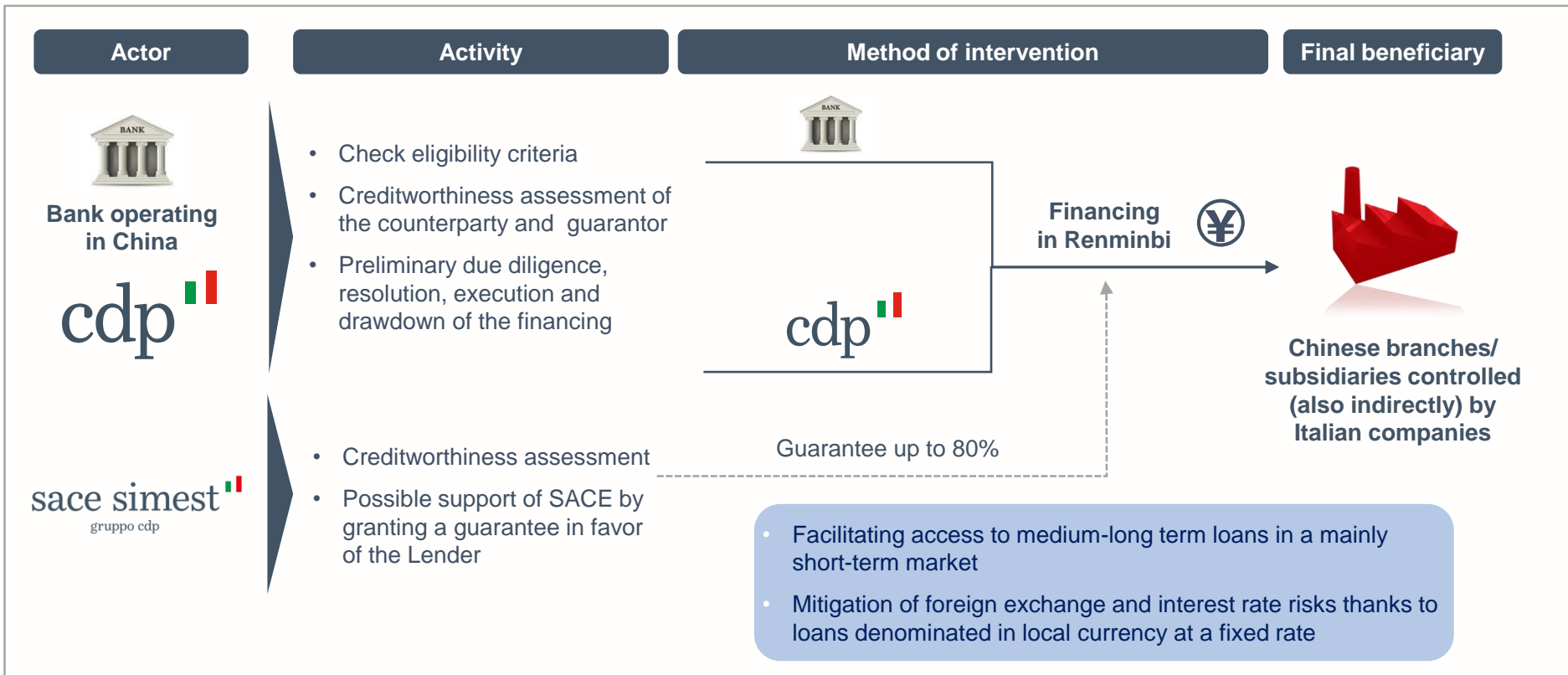


Rational of the transaction

- On 1 August 2019 CDP issued its first Panda Bonds, for a nominal value of **1 billion Renminbi**
- The bonds have a duration of 3 years with an **annual coupon of 4.50% p.a.**
- The rating agency China Chengxin International Credit Rating Co Ltd (CCXI) has assigned CDP an on-shore **rating of AAA**
- This first tranche is part of the wider CDP bonds issuance program approved by the **People's Bank of China (PBoC)** for a total amount of **5 billion Renminbi**
- **Providing financing in local currency** to support - either directly or through Chinese branches of Italian banks or through Chinese banks - branches or subsidiaries of **Italian companies established in China**
- **Diversification of CDP's investors base** through the opening of a new funding channel in a market with strong potential as the Chinese one
- CDP has been the **first European National Promotional Institution** to explore this market

Medium-long term CDP financing program in Renminbi at a fixed rate

Transaction scheme



Main features of CDP financing

Main indicative terms and conditions

¥ Currency → Renminbi (yuan)

📊 Interest Rate → Fixed: cost of funds (Panda Bond) + Guarantor credit spread

🏭 Beneficiary → Chinese* branch / subsidiary of Italian company (controlled also indirectly)

🏢 Guarantor → Italian Holding Company

🕒 Duration → Up to 2/3 years

⚙️ Repayment → Bullet at maturity

Financing purpose

i Target of the initiative: growth of Chinese branches or subsidiaries of Italian companies already operating or interested in operating in China

ii **Use of proceeds:**

- CAPEX and investments
- M&A
- Stock of working capital for growth in China

iii Opportunities for refinancing and reimbursement of the residual value of CAPEX already incurred with its own funds and not yet fully amortized

cdp 



Chinese regulatory framework

- Loans granted by CDP to Chinese companies with foreign shareholders (Foreign-Invested Enterprise or "FIE") are classified as cross-border loans (c.d. **Foreign Debt**)
- Foreign Debts are subject to the administration and regulation of People's Bank of China ("**PBOC**"), the State Administration of Foreign Exchange ("**SAFE**") and the National Development and Reform Commission ("**NDRC**"). The supervisory activity of the three aforementioned authorities provides that the Chinese borrower shall comply with certain conditions, among which the most significant are listed below:
 - Ⓐ **Limit on foreign debt** (so-called **Foreign Debt Quota**): each Chinese borrower may subscribe a loan with foreign national counterparties within certain "quotas" permitted by Chinese law (so-called foreign debt limits) based on the selected calculation model ("**Borrowing Gap**" and "**MPA Model**")
 - Ⓑ **registration of the loan agreement with the SAFE**: one-time registration of the Foreign Debt by the debtor with consequent obtaining of a certificate of approval necessary to open a current account at the local branch of Bank of China to use the loan proceeds (**Foreign Debt Account**). The obtainment of the registration certificate is a **condition precedent** for the first utilization of the loan.
 - Ⓒ **purpose of funding and use of funds**: CDP loans may be used for certain purposes including capital expenditures, working capital and refinancing. The consistency of the purpose of the loan is verified by the SAFE during the registration process of the loan agreement and by the agent bank during the life of the loan.

Analysis of Chinese tax treatment: CDP * foreign loans vs. domestic financing

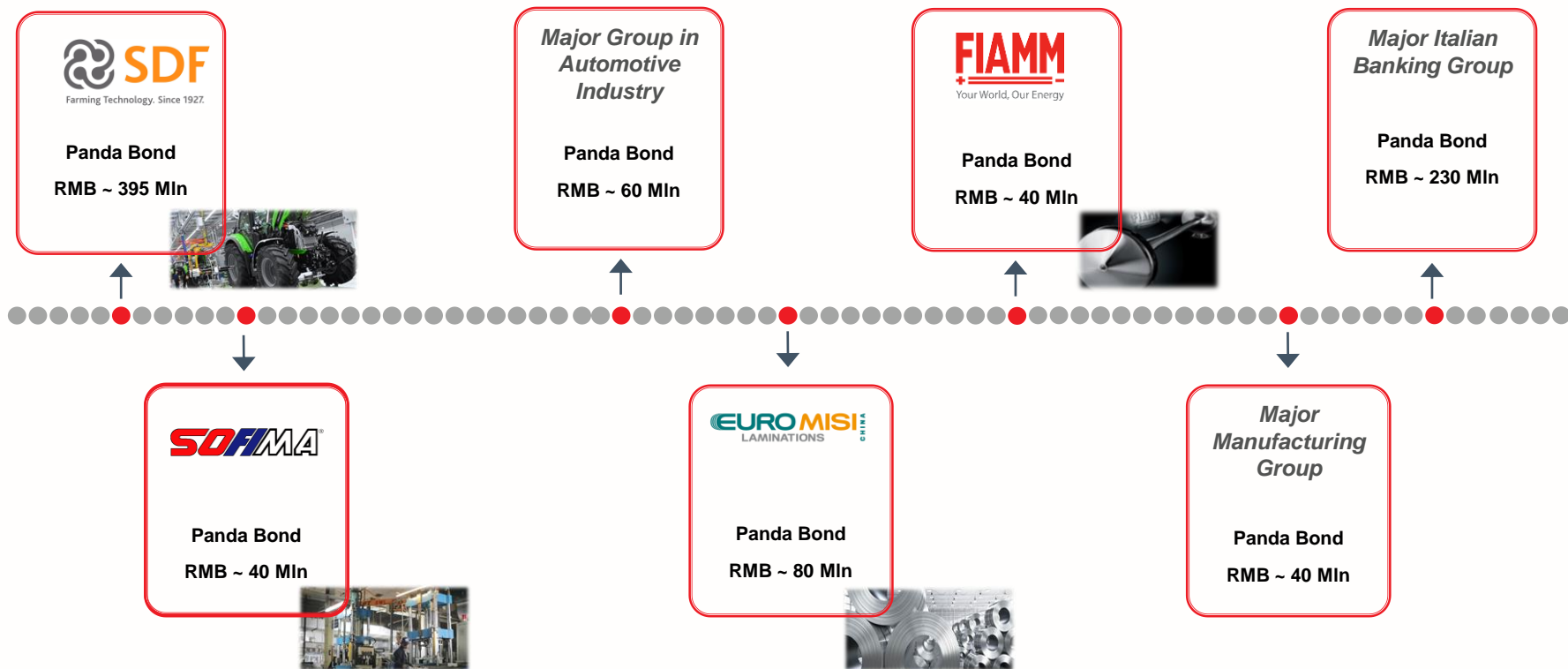
| Tax | Description | CDP Financing | Domestic Financing |
|--------------------------------|-------------------------------------------------------------------------------------------------------------|---------------|--------------------|
| Withholding tax (“WHT”) | Withholding amounting to approximately 10% of gross interest paid | ✓ | - |
| Value-added Tax (“VAT”) | Equal to 6% on interest paid | ✓ | ✓ |
| Local surtaxes | Calculated on VAT amount (indicative range between 0.66% and 0.75%, corresponding to 11% and 12.5% of VAT) | ✓ | ✓ |
| Stamp duty | Equal to 0.005% of the notional amount of the loan agreement for both Borrower and CDP (Borrower CDP share) | ✓ | ✓ |

Pending the ratification of the new double taxation treaty between Italy and China ** to bridge the current tax GAP with the domestic loans, **CDP will reimburse on a best effort basis the WHT already paid by the borrower when CDP will recover the tax credit from its tax return** (mismatch of about one year).

* CDP loan agreement will provide for appropriate provisions aimed at ensuring that the applicable taxes indicated above are contractually payable by the Borrower with the gross-up and tax indemnity mechanism.

** Agreement signed on March 23, 2019 between the Governments of Italy and China envisaging the deletion of the WHT on CDP Loans

Successful cases



Contacts

 **Enrico Semprebene**

 enrico.semprebene@cdp.it

 +39 337 1448317

 **Michele Lucio Ricci**

 michele.ricci@cdp.it

 +39 335 6328893

 **Matteo Primicerio**

 matteo.primicerio@cdp.it

 +39 331 6171792





Thank you