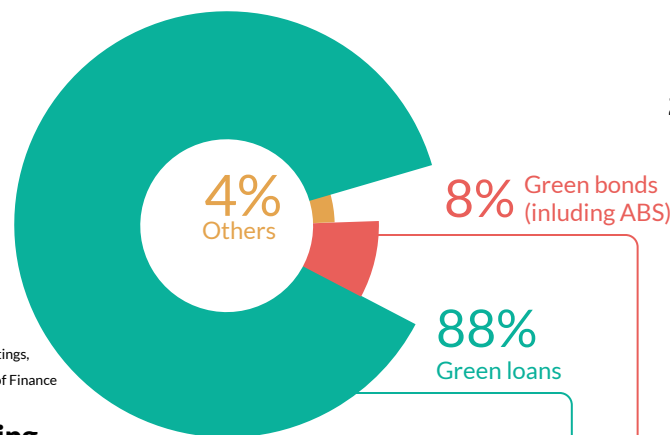


GREEN FINANCING IN CHINA

Green Financing Composition (End-1H23)



Source: Fitch Ratings, PBOC, Ministry of Finance

Bank Loans Dominate Green Financing

Total outstanding green loans reached **CNY27 trillion** by end-1H2023.



Main Borrowers

Large SOEs and **local government-owned enterprises**.



Low Near-term Credit Risks

Green loans are perceived by investors as **low-risk** assets due to regulatory support, and are expected to **yield less** than non-green assets.

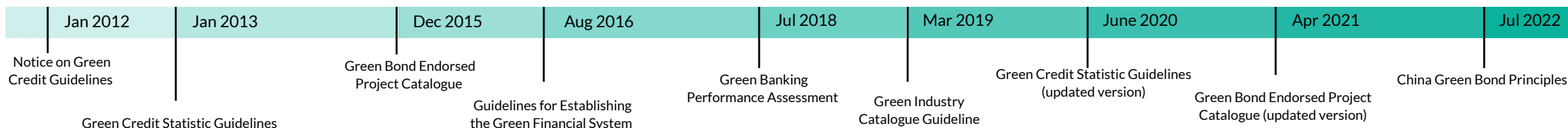


Risk-reward Profile

High levels of green lending may expose banks to **concentration risks** if not adequately compensated by sound **underwriting standards and pricing**.

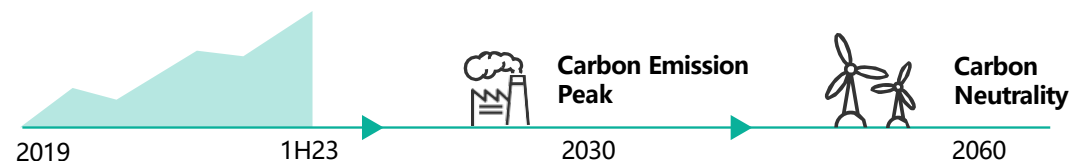
Source: Fitch Ratings, companies

Major Regulatory Guidelines for Green Financing in China



Source: Fitch Ratings, regulatory websites

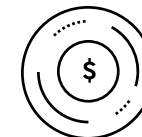
30%+CAGR



Rapid Growth under China's Climate Pledges

Green financing grew at a CAGR of around 30% in 2019-1H23.

Source: Fitch Ratings



Asset Performance Still to Be Tested

Uncertainties remain about the asset performance of underlying projects through the cycle.



Regulatory Regime Lags Global Standards

Regulatory development is accelerating, but there is a material gap between the regime and global standards.

Green Bond Issuance Continues to Grow



Onshore labelled green bond issuance **increased 5x** from 2018 to 2022.

Source: Fitch Ratings, Wind



China has become the world's **2nd largest green bond market** after the US.

Green ABSs' Market Share Grows



Green ABS issuance grew to **CNY244 billion** in 2023. Its market share rose to **15%** of the total green bond issuance in November 2023.

Source: Fitch Ratings, CN-ABS

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