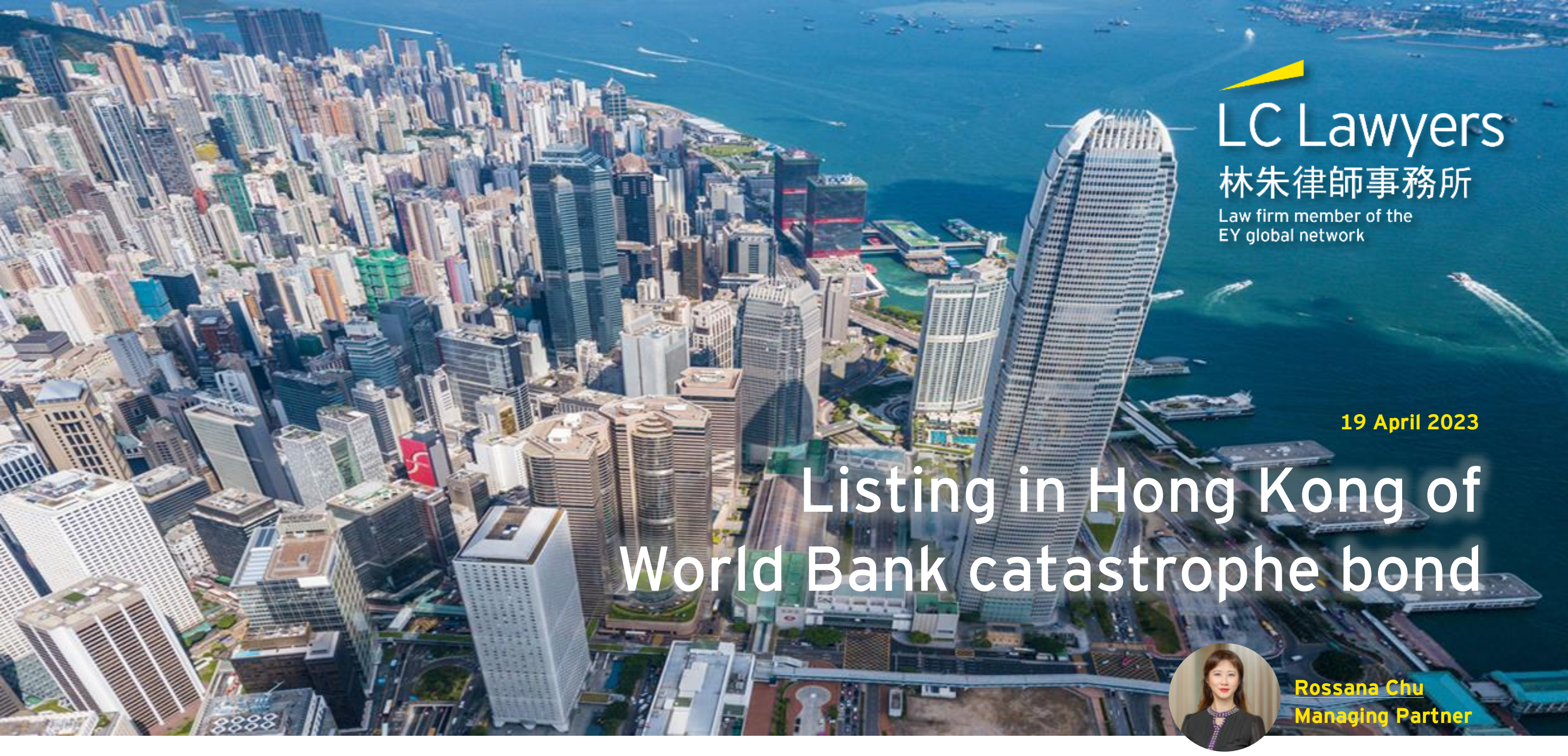

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Listing in Hong Kong of World Bank catastrophe bond

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This is the first World Bank bond and the first catastrophe bond ever listed in Hong Kong.

Hong Kong has taken another step in developing the city as a leading international risk management center. On 28 March 2023, a US$350 million World Bank catastrophe bond was listed on the Hong Kong Stock Exchange[1]. This is the first World Bank bond and the first catastrophe bond ever listed in Hong Kong. This catastrophe bond is also supported by the Hong Kong Insurance Authority which administers a grant scheme established in 2021 to encourage the development of the insurance-linked securities market in Hong Kong[2].

The issuer is International Bank for Reconstruction and Development (IBRD) which is part of the World Bank Group, and the bond was issued in form of floating rate notes (Notes). The Notes issue is a risk coverage transaction for Chile to manage the country's earthquake risks. On the date the Notes, the Republic of Chile and IBRD entered into an insurance agreement, under which IBRD will make payouts to Chile upon occurrence of an earthquake that fulfills certain conditions, and Chile will pay insurance premium which is linked with the interest payable under the Notes. The insurance arrangement allows Chile to mitigate the potentially disruptive economic effect of earthquakes (including resulting tsunamis) affecting Chile on its budget and to reduce any need for increases of debt or for transitory tax increases to address those economic effects. IBRD issued the Notes to support its obligation to make payouts to Chile under the insurance agreement upon occurrence of an earthquake.

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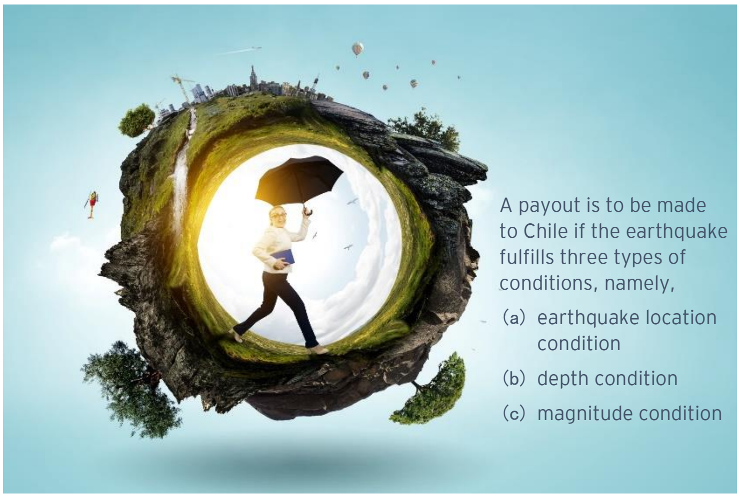
1 https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0328/2023032800239.pdf and https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0327/2023032700232.pdf

2 https://www.worldbank.org/en/news/press-release/2023/03/28/world-bank-and-hong-kong-partner-on-a-350-million-cat-bond-for-chile

Accordingly, one unusual feature of the Notes is that the outstanding principal amount may be reduced by the payout amounts if an earthquake occurs in Chile. The noteholders may lose all or a portion of the Notes principal.

The Notes were offered and sold only to professional investors including qualified institutional buyers as defined in Rule 144A under the United States Securities Act of 1933 and those professional investors who meet the requirement under the Insurance (Special Purpose Business) Rules (Cap. 41P of the Laws of Hong Kong). That essentially means that the Notes were not sold to the public or retail investors in Hong Kong due to the peculiar and risky nature of the Notes.

The interest of the Notes is payable on a monthly basis and the interest rate is linked to (a) index values published by the administrator of the secured overnight financing rate (SOFR) which currently is the Federal Reserve Bank of New York, (b) the funding margin which is of 0.04% per annum and (c) the applicable risk margin which is generally 4.75% per annum. The Alternative Reference Rates Committee convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York identified on 22 June 2017 the SOFR as the rate that represented best practice for use in certain new US dollar derivatives and other financial contracts. The SOFR is also a broad measure of the cost of borrowing cash overnight collateralised by US treasury securities.



The maturity date of the Notes is 31 March 2026 but may be extended to 30 June 2026 under certain circumstances. On the other hand, the Notes may be redeemed by IBRD in some situations such as if insurance agreement entered with Chile is terminated.

A payout is to be made to Chile if the earthquake fulfills three types of conditions, namely, (a) earthquake location condition, (b) depth condition and (c) magnitude condition. The payout rate depends on the magnitude measured in terms of the total seismic energy radiated from the earthquake rupture.

Mr. Jorge Familiar, Vice President and Treasurer of the World Bank, said that the World Bank is pleased to support the Government of Chile in their efforts to leverage capital markets to secure financial protection in case of earthquakes. This catastrophe bond is an example of how the World Bank can provide financial solutions to support the disaster risk management strategies of the member countries. The World Bank is proud to have partnered with the Hong Kong Insurance Authority and the Hong Kong Stock Exchange on this transaction that was very well-received by both the capital markets and the reinsurance market. To date, the World Bank has provided almost US$6 billion in insurance coverage for clients through risk transfer transactions[2].

Mr. Stephen Yiu, Chairman of the Hong Kong Insurance Authority, indicated that given that the frequency and intensity of natural disasters are on the rise, Hong Kong will continue to offer staunch support as a risk management center to bolster safety and resilience of the global community[2].

"The World Bank is proud to have partnered with the Hong Kong Insurance Authority and the Hong Kong Stock Exchange on this transaction that was very well-received by both the capital markets and the reinsurance market."

~ Mr. Jorge Familiar, Vice President and Treasurer of the World Bank

"Given that the frequency and intensity of natural disasters are on the rise, Hong Kong will continue to offer staunch support as a risk management center to bolster safety and resilience of the global community."

~ Mr. Stephen Yiu, Chairman of the Hong Kong Insurance Authority

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