



Impact Bond Report

Q1 2022

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Executive Summary

Global issuance of impact bonds in Q1 2022 remained stagnant quarter on quarter and fell 20% year on year to US\$200 billion. Meanwhile, the total return index value of the ICE Green, Social & Sustainable Bond Index (SSAG) dropped 6% to 103 over the first three months of the year.

In this report, we define impact bonds as green bonds, social bonds and sustainability bonds that are either declared as such by the issuer or certified by a third party. All data and charts used in this report are based on data obtained by ICE Data Services and available via its product offerings.

Issuance was on an upward trend early in the year but turned south in February as appetite diminished among EMEA and supranational entities amid heightened volatility driven by geopolitical tensions and inflation fears.

After a record-breaking Q1 last year, issuance in EMEA was down 31% to US\$81 billion in Q1 2022 while that by supranational agencies was down 64% to US\$23 billion over the same period. Notably, issuance by the European Union went down from US\$35 billion in Q1 2021 to US\$2 billion in Q1 2022, as it had concentrated its issuance activities towards social bonds between February and March of 2021.

The lower participation from EMEA governments and supranational entities had caused the issuance of government/agency bonds in dollar amount to fall below that of corporate bonds in Q1 2022 for the first time in eight years. While the dollar amount of corporate impact bonds issued dropped by 5% year on year, that of government and agencies fell by 32%. We believe the drop in impact bond values is mostly due to broader fixed income market trends from economic and geopolitical issues as opposed to specific factors surrounding impact bonds.

Nonetheless, EMEA remained to be the top issuing region of Q1 2022 by dollar amount, with the largest issuance of the quarter being a €6 billion (US\$6.6 billion) social bond issued by French government entity Caisse d'Amortissement de la Dette Sociale (CADES).

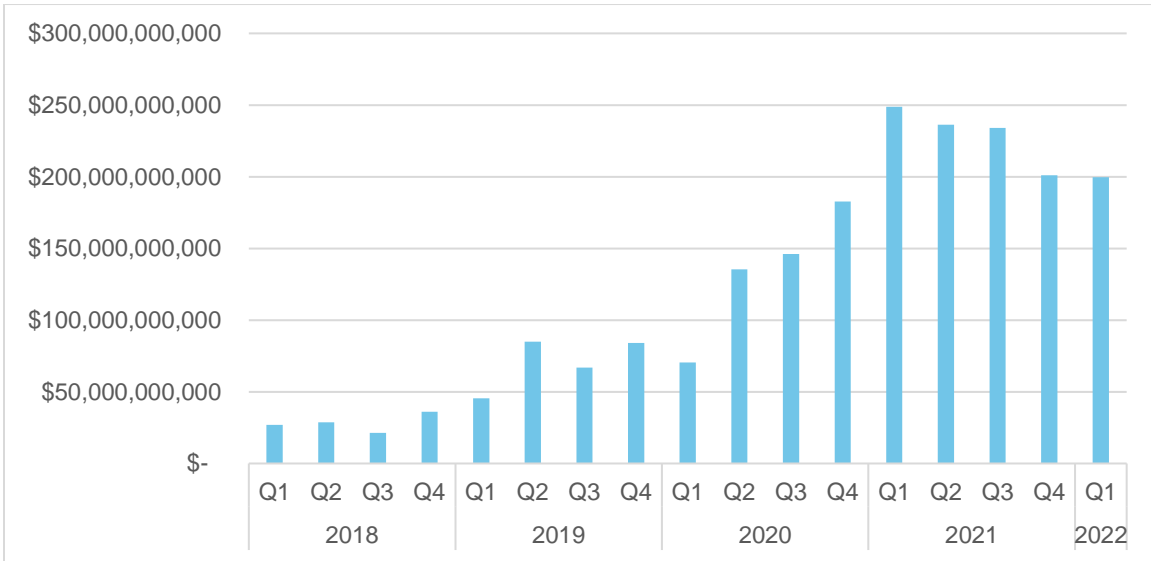
Greenium was evident in Germany's green sovereign bond issuances, although it had narrowed towards the end of the quarter as yields rose. For example, the yield spread between a 10-year green bond versus its non-green twin narrowed from 5.8 bps to 2.4 bps over the three months.

Outside EMEA, issuance had been rising in APAC and the Americas. APAC launched US\$63 billion of impact bonds in Q1 2022, up 39% year on year. Within the region, China had doubled its issuance to US\$34 billion in the first quarter and became the largest issuing country of the quarter. However, the percentage of certified bonds remained low at 77% comparing to its peers. The largest issuance in China was a CNY30-billion (US\$4.7 billion) certified green bond launched by the Bank of China. The bank also launched a few other impact bonds in offshore markets such as Hong Kong, Hungary, Johannesburg and Sydney via its overseas branches or entities. The Hungarian issuance was also the first green bond issued by a Chinese financial institution in Central and Eastern Europe, a month before Chinese regulators issued policy regarding the green development of the Belt and Road Initiative which includes Hungary.

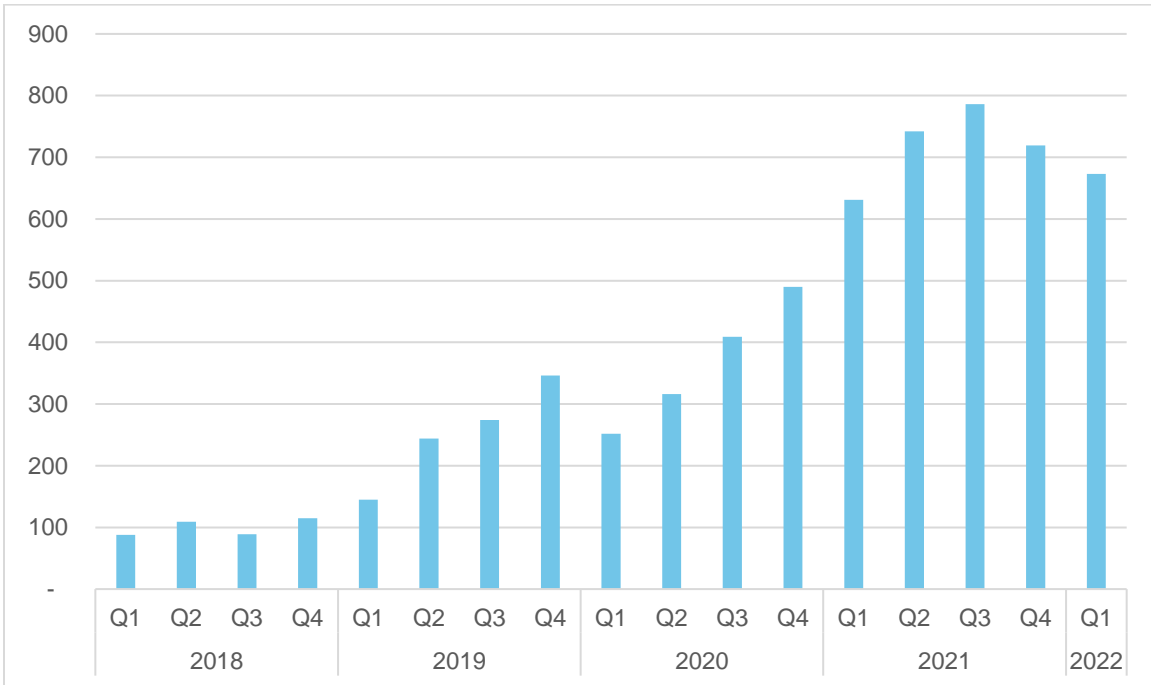
Issuance in the Americas also rose 51% year on year to US\$32 billion in Q1. Green bond issuance in Canada increased by almost 5 times to US\$5 billion during the quarter. The country also debuted its first sovereign green bond amounting to CAD 5 billion (US\$ 4 billion) in the end of March 2022 after it released its Green Bond Framework earlier in the month.

1. Issuance

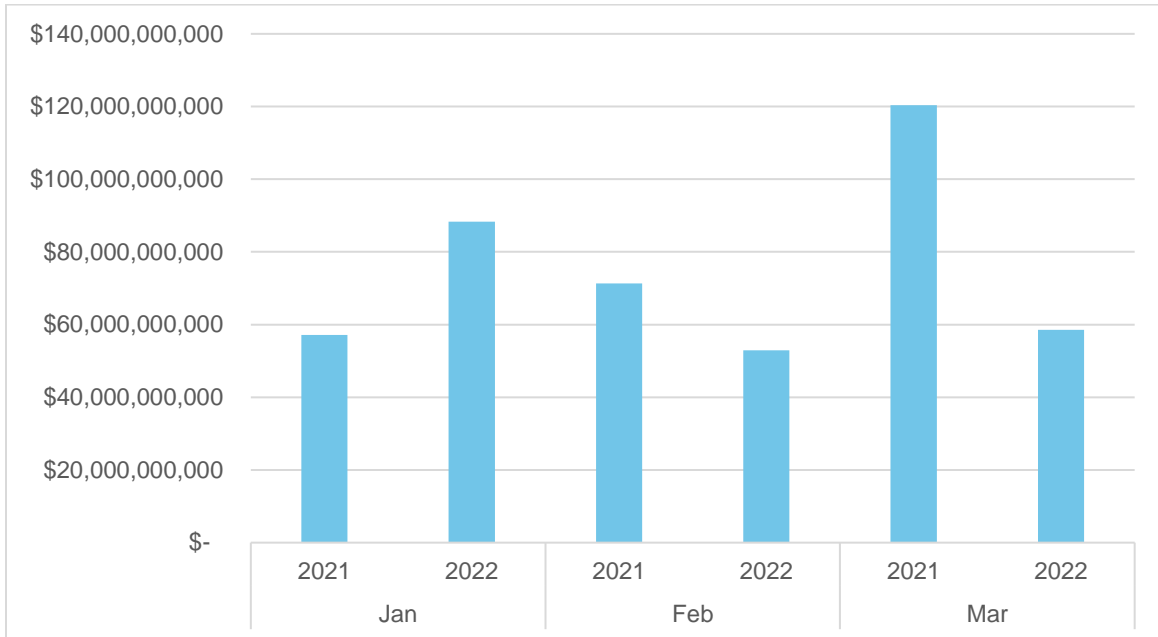
[Chart 1.1] Dollar amount of impact bonds issued globally by quarter



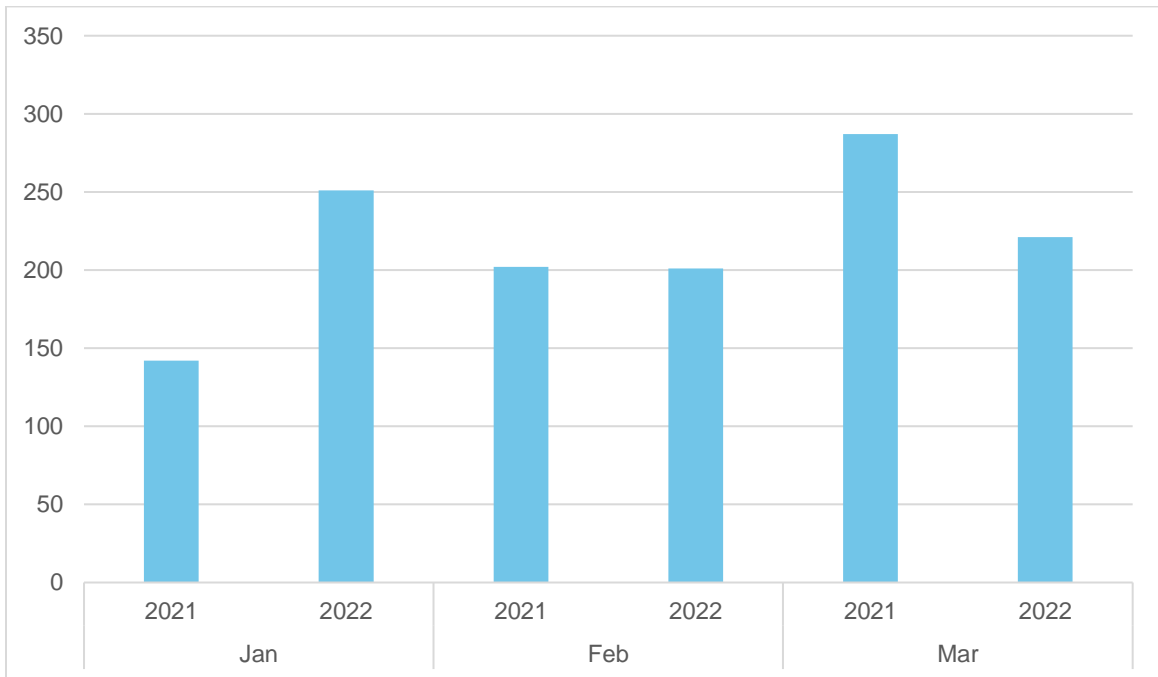
[Chart 1.2] Number of impact bonds issued globally by quarter



[Chart 2.1] Dollar amount of impact bonds issued globally by month



[Chart 2.2] Number of impact bonds issued globally by month



Global issuance of impact bonds was stagnant in the first quarter of 2022 compared to the last quarter of 2021. A total of US\$200 billion of impact bonds were launched in Q1 2022, which was also 20% lower than Q1 of the previous year.

Global issuance was on a rising trend until geopolitical conflict hit the market in February. In January, global issuance was 54% higher year on year, but turned 26% and 51% lower in February and March respectively compared to same period last year.

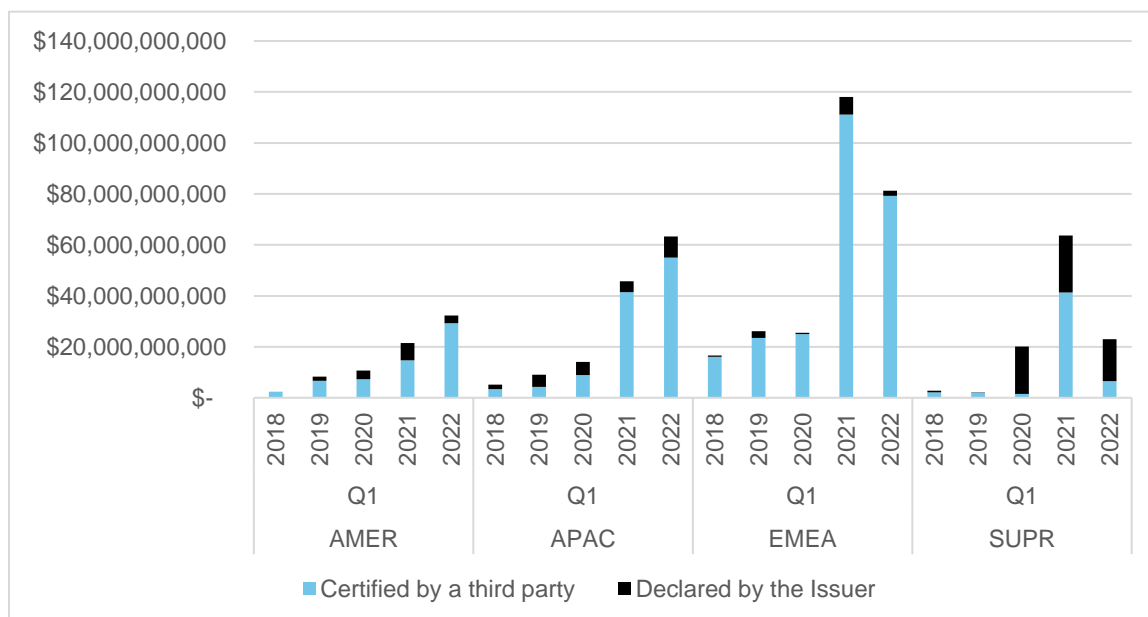
By contrast, the number of securities issued in Q1 2022 increased by 7% year on year to 673 bonds, driven by the surge of issuance in January. The number of impact bonds rose by 77% year on year to 251 securities in January and stayed stagnant in February, before dropping by 23% in March compared to last year.

Nonetheless, global issuance in Q1 2022 was up 184% in terms of dollar amount and 6% in terms of count of securities compared to the same period two years ago.

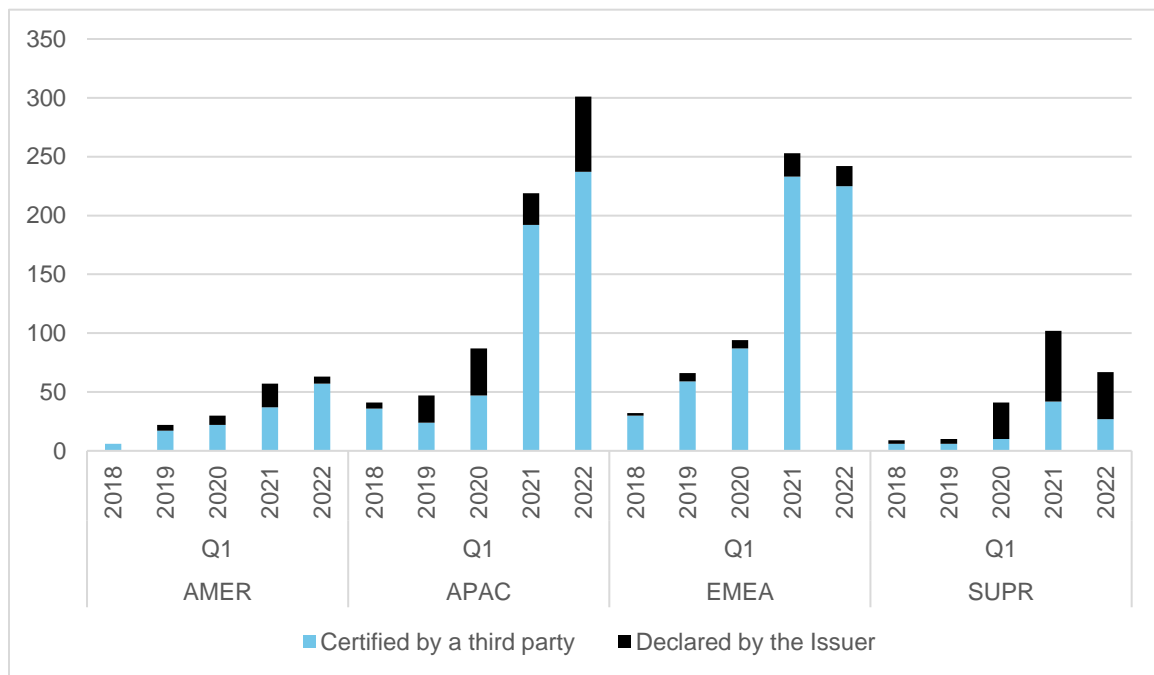
1.1. Issuance by Location

By Region*

[Chart 3.1] Dollar amount of impact bonds issued by region



[Chart 3.2] Number of impact bonds issued by region



The fall in global issuance in Q1 2022 was mainly attributed to the fall in activity in the EMEA region. EMEA entities, excluding supranational agencies, dropped by 31% in Q1 year on year, while that from supranational entities also dropped by 64% over the same period. The European Union, which contributed to more than half of the supranational issuances in Q1 last year, notably decreased their issuances from US\$35 billion in Q1 last year to US\$2 billion in Q1 this year.

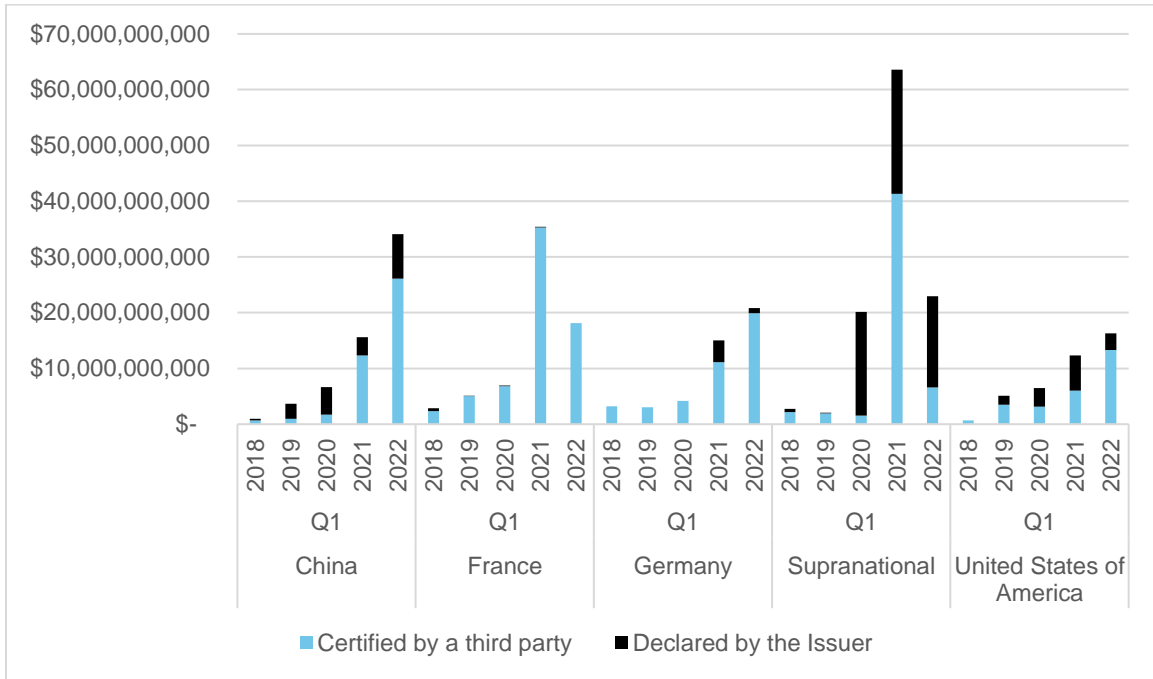
Meanwhile, issuance in the Americas and APAC rose 51% and 39% respectively in Q1 2022 compared to same period last year.

Nonetheless, EMEA remains to be the largest issuing region by dollar amount, launching US\$81 billion during the first quarter of 2022, followed by APAC and the Americas which launched US\$63 billion and US\$32 billion respectively. Supranational entities, which used to issue more than the APAC region alone in Q1 last year, issued the least amount of impact bonds this year amounting to only US\$23 billion.

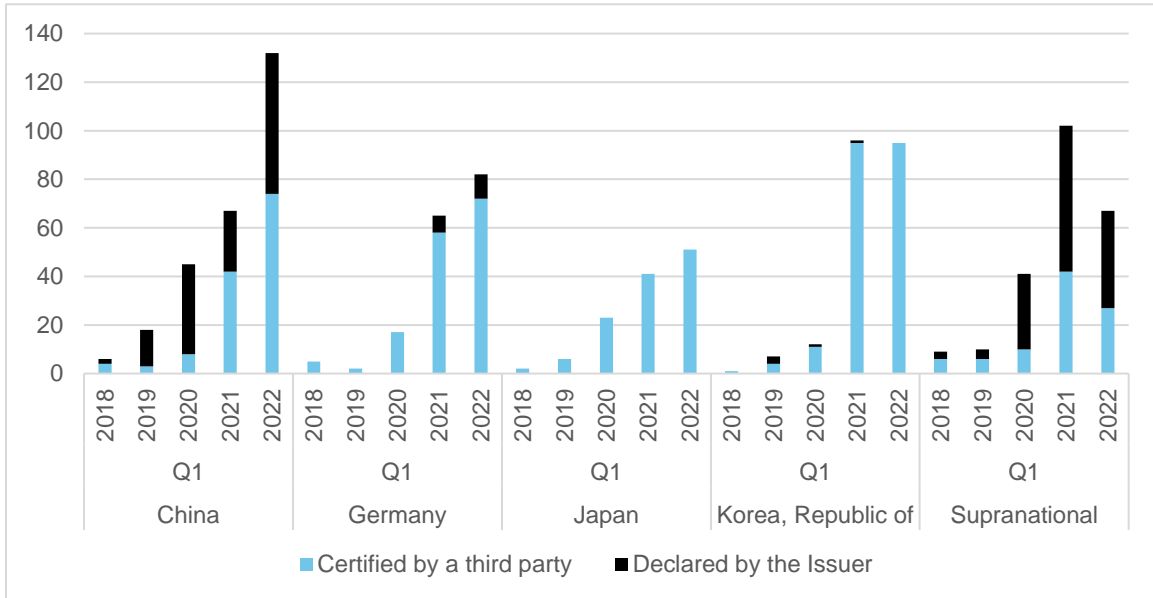
Globally, the percentage of issuance verified by a third party edged up slightly from 84% to 85% in Q1 2022, driven by a drop in verified issuances from supranational and APAC entities and balanced out by an increased amount of verified issuance in EMEA and the Americas.

By Jurisdiction

[Chart 4.1] Dollar amount of impact bonds issued by top issuing jurisdictions in Q1



[Chart 4.2] Number of impact bonds issued by top issuing jurisdictions in Q1



In Q1 2022, the largest issuing jurisdiction of impact bonds in terms of dollar amount was China, which launched US\$34 billion, followed by supranational entities and Germany that launched US\$23 billion and US\$21 billion respectively.

The largest Chinese issuance was a CNY 30 billion (US\$4.7 billion) green bond launched by the Bank of China in February 2022. The bank also issued a few impact bonds in offshore markets, including two US\$300-million green bonds by the Hungarian and the Johannesburg branch, a US\$400-million sustainability bond by the Sydney branch and a HK\$2-billion (US\$255 million) sustainability bond by the Hong Kong entity. The Hungarian issuance was also the first green bond issued by a Chinese financial institution in Central and Eastern Europe, according to the Chinese government¹.

In March, Chinese regulators also released a new guidance on the green development of the Belt and Road Initiative², of which Hungary is part of.

The securities were issued in accordance with the impact bond frameworks published by the International Capital Market Association, according to the bank, and certified by Ernst and Young Hua Ming LLP or Ernst and Young Global Limited.

Nonetheless, over 20% of the green bonds issued by Chinese entities remain uncertified by a third party.

Notably, the percentage of certified issuance launched by supranational entities also dropped from 65% to 29% in Q1, attributed to a lower participation from the European Union this year which used to launch mostly certified impact bonds. In contrast, percentage of verified issuance in the USA rose year on year from 49% to 82% in Q1.

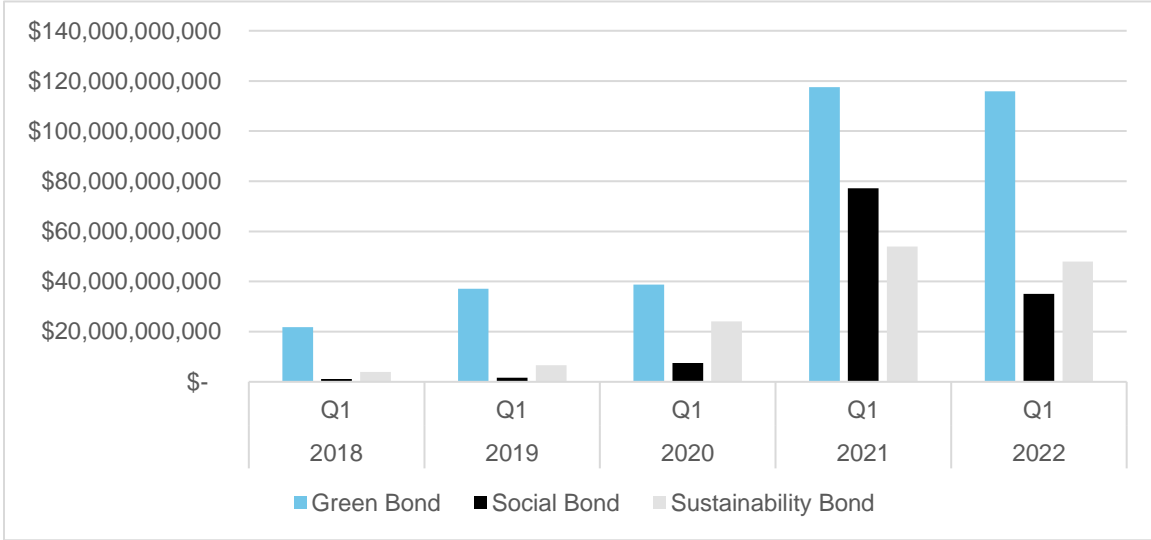
In terms of number of securities issued, the largest issuing jurisdictions were China, Korea, and Germany.

¹ China National Development and Reform Commission:
https://en.ndrc.gov.cn/news/pressreleases/202203/t20220329_1321533.html

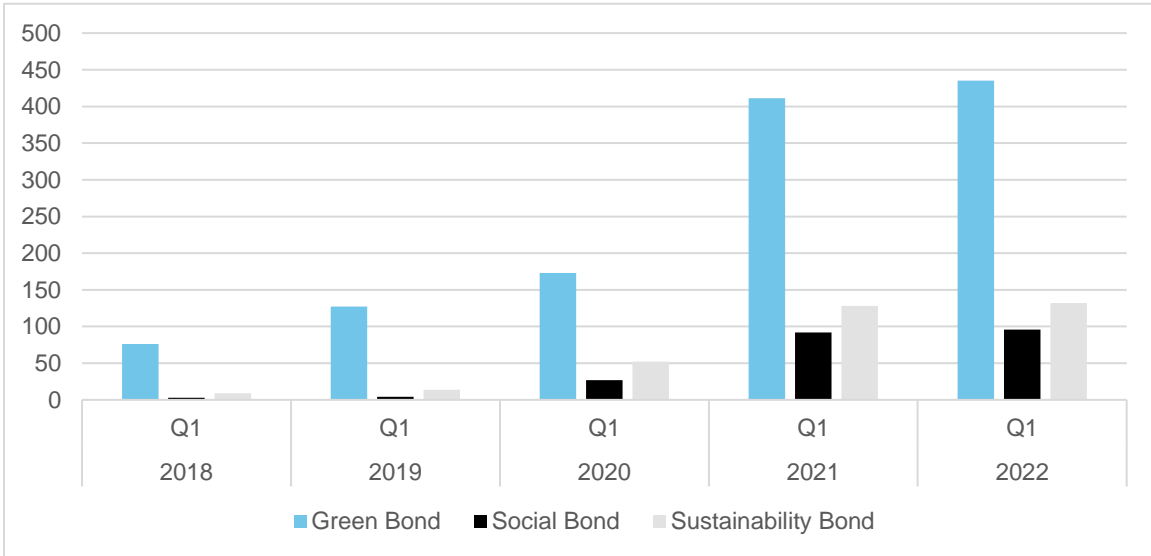
² China National Development and Reform Commission:
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220328_1320629.html?code=&state=123

Issuance by Bond Type

[Chart 5.1] Dollar amount of impact bonds issued by type of bond



[Chart 5.2] Number of impact bonds issued by type of bond



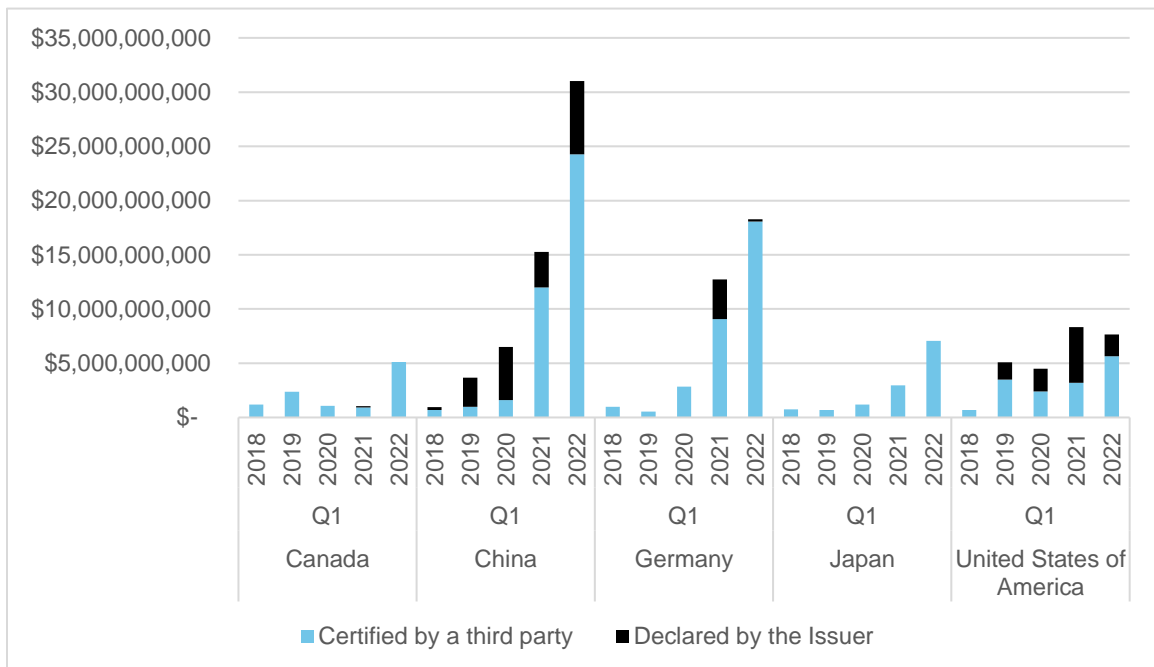
Among green, social and sustainability bonds, green bonds remain the most popular among issuers globally, with a total of US\$116 billion issued in Q1 2022.

Sustainability bonds replaced social bonds to be the second largest type of bond by dollar amount issued this year. A total of US\$48 billion of sustainability bonds were issued during the first quarter this year while US\$35 billion of social bonds were launched in the same period.

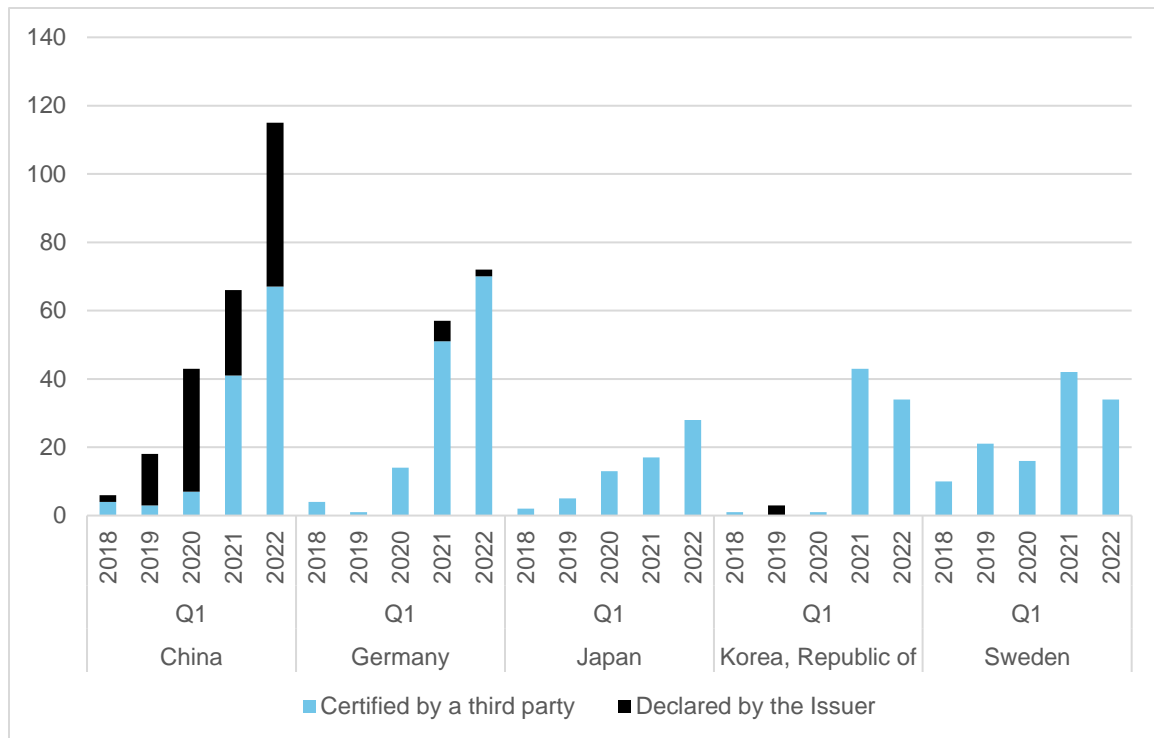
The issuance of social bonds appeared to be larger in Q1 last year as the European Union concentrated its social bond issuance between February and March 2021, launching two of the largest impact bonds of the year.

Green Bonds

[Chart 6.1] Dollar amount of green bonds issued by top issuing jurisdictions



[Chart 6.2] Number of green bonds issued by top issuing jurisdictions



China was the largest issuing country of green bonds in Q1 2022 by both dollar amount and number of securities issued, with US\$31 billion or 115 securities launched during the quarter, doubling the dollar amount issued in Q1 last year.

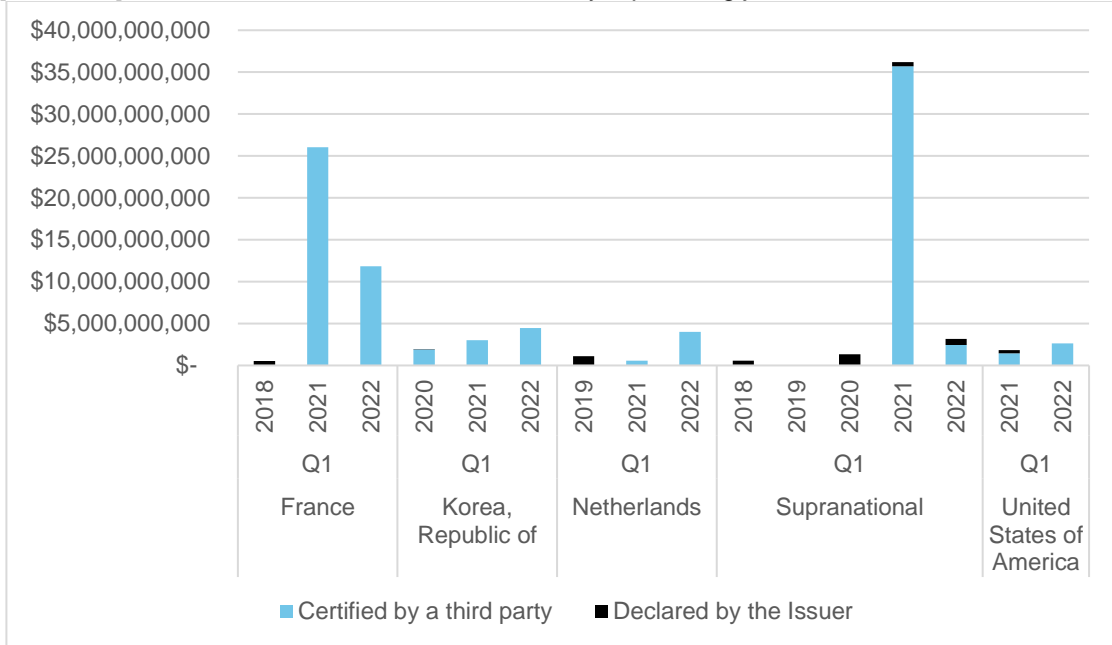
Germany and US followed, launching US\$18 billion and US\$8 billion of debts in the first three months.

Green bond issuance in Canada has grown almost five times to US\$5 billion or 6 securities in Q1 this year, debuting its first sovereign green bond amounting to CAD 5 billion (US\$4 billion) in the end of March, after the country released its Green Bond Framework earlier in the month, according to the government³.

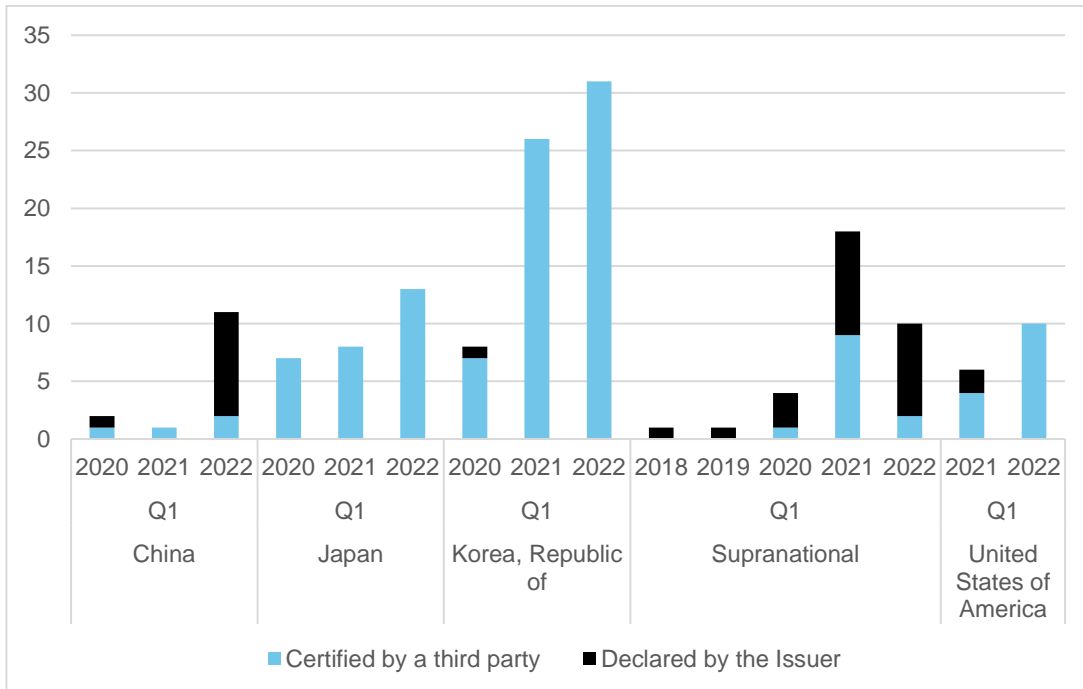
³ Government of Canada: <https://www.canada.ca/en/department-finance/news/2022/03/canada-to-issue-inaugural-green-bond.html>

Social Bonds

[Chart 7.1] Dollar amount of social bonds issued by top issuing jurisdictions



[Chart 7.2] Number of social bonds issued by top issuing jurisdictions



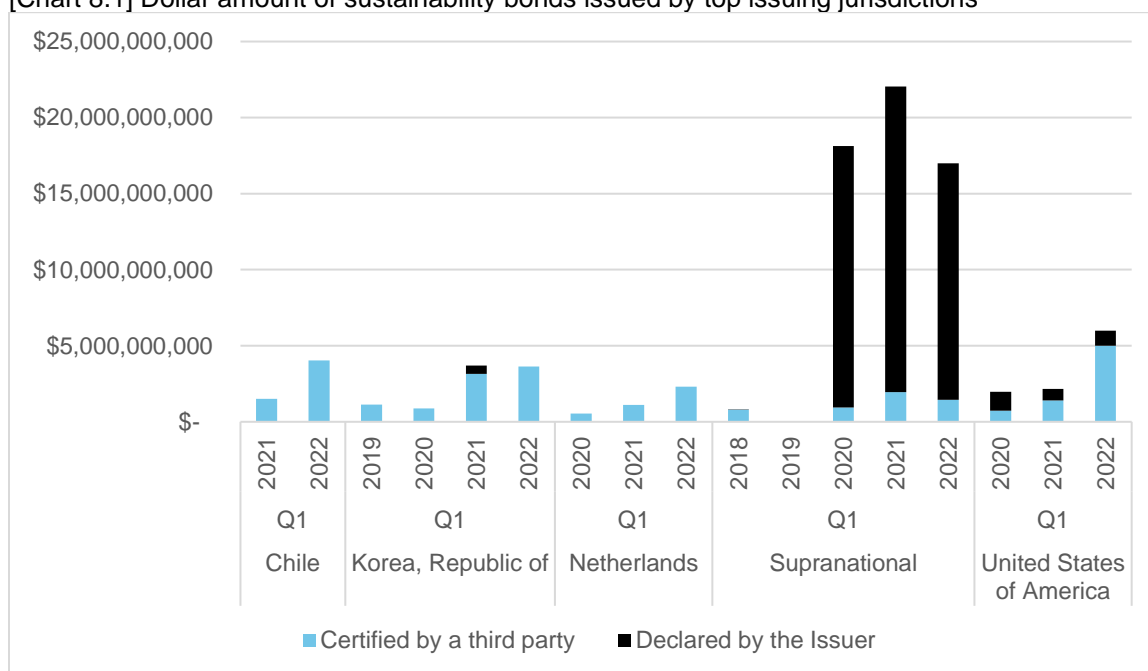
After a record-breaking Q1 of social bond issuance in 2021, France remained the largest issuing country of social bonds in terms of dollar amount in Q1 2022, despite having a 55% drop in issuance comparing to Q1 last year. The country launched a total of US\$12 billion of social bonds during the three months. Caisse d'Amortissement de la Dette Sociale (CADES) alone has issued three bonds totaling US\$11.8 billion, including the largest issuance of the quarter globally across all impact bond types.

Korea was the second largest issuing country in dollar amount, launching US\$4 billion of social bonds in the first quarter, rising almost 50% compared to same period last year. Korea was also the top issuing country by number of securities issued, launching 31 social bonds during the quarter. The largest issuance was a €600 million (US\$662 million) social bond launched by state-run enterprise Korea Housing Finance Corporation.

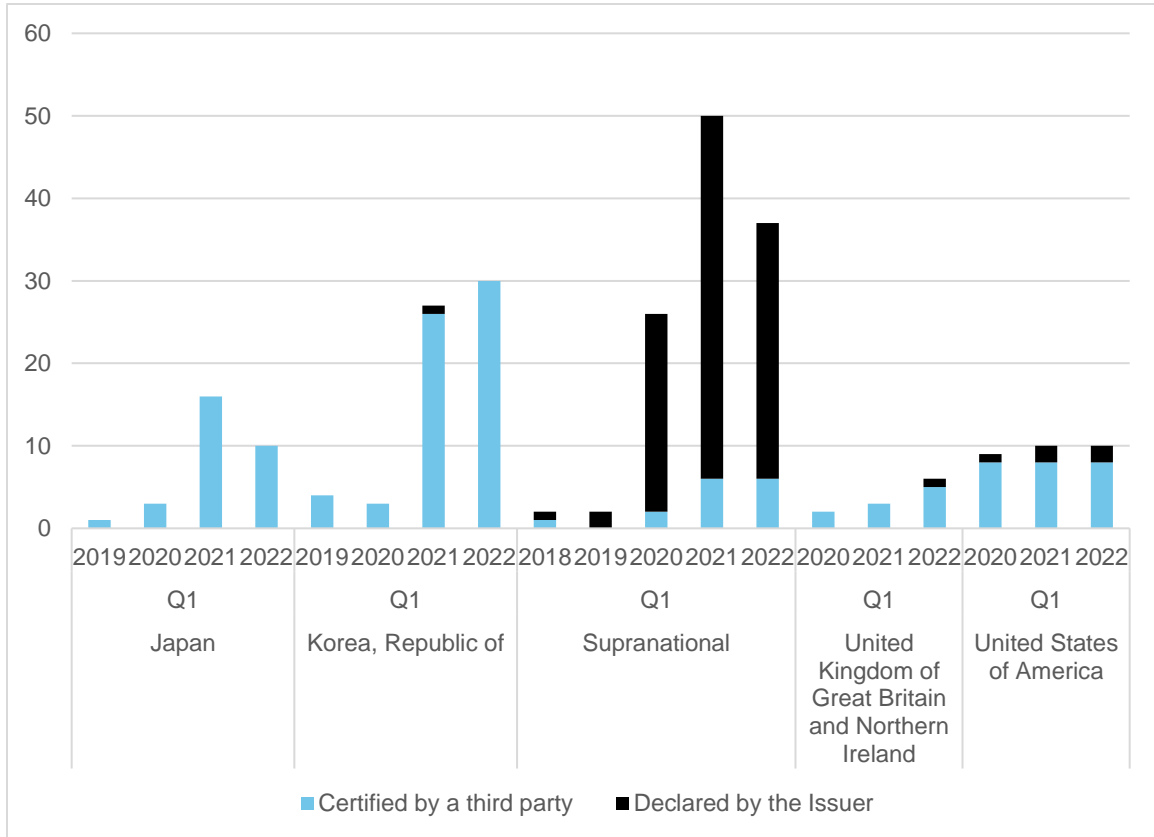
Supranational entities, which previously played a significant role in the social bond market, shrank issuance by 91% compared to Q1 last year.

Sustainability Bonds

[Chart 8.1] Dollar amount of sustainability bonds issued by top issuing jurisdictions



[Chart 8.2] Number of sustainability bonds issued by top issuing jurisdictions



Supranational entities remained the major issuer of sustainability bonds globally, despite reducing its issuance by 23% year on year to US\$17 billion in Q1 2022.

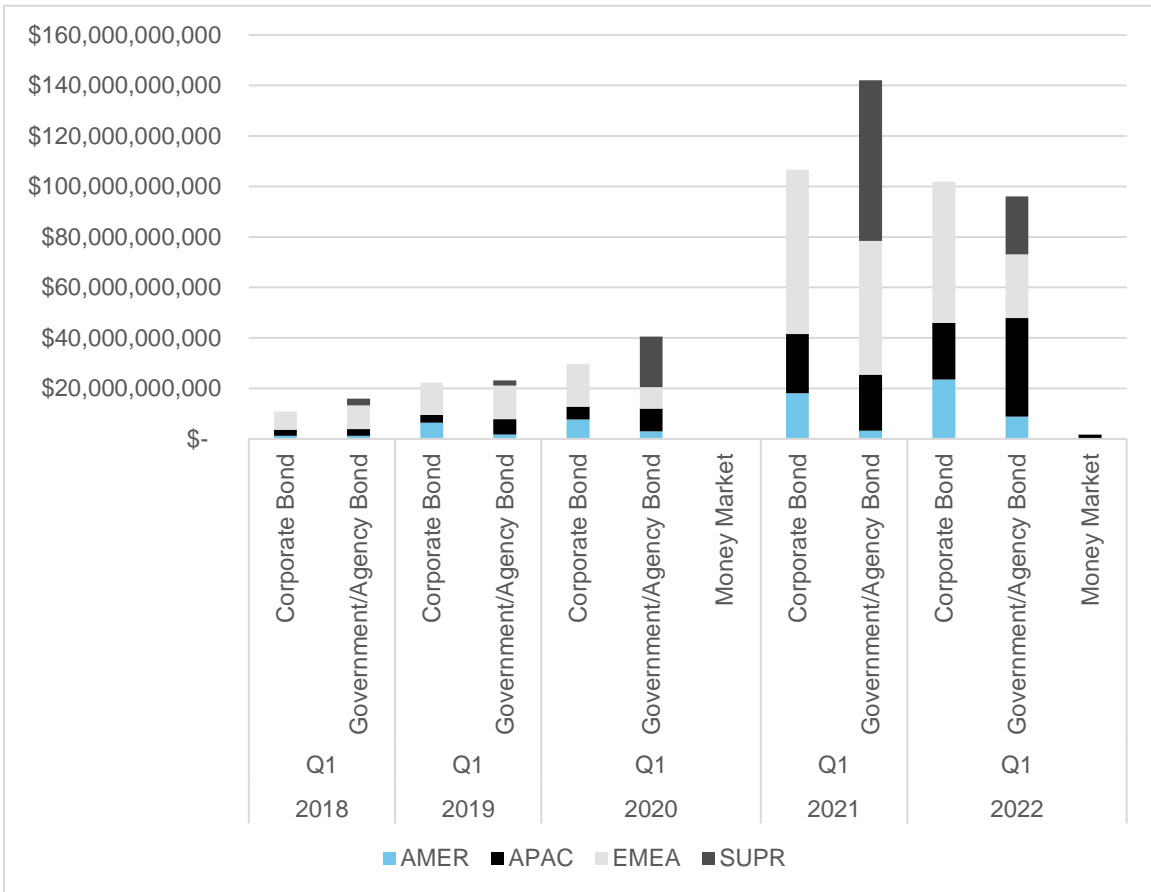
91% of the issuances were self-declared by the issuer. The largest supranational issuance was a US\$3-billion self-declared sustainability bond launched by the International Bank for Reconstruction and Development.

Supranational agencies aside, the largest issuing country of sustainability bonds by dollar amount was the US, launching \$6 billion or 10 securities in Q1 this year. The largest sustainability bond issuance was a US\$997-million security issued by technology firm HP Inc. in January.

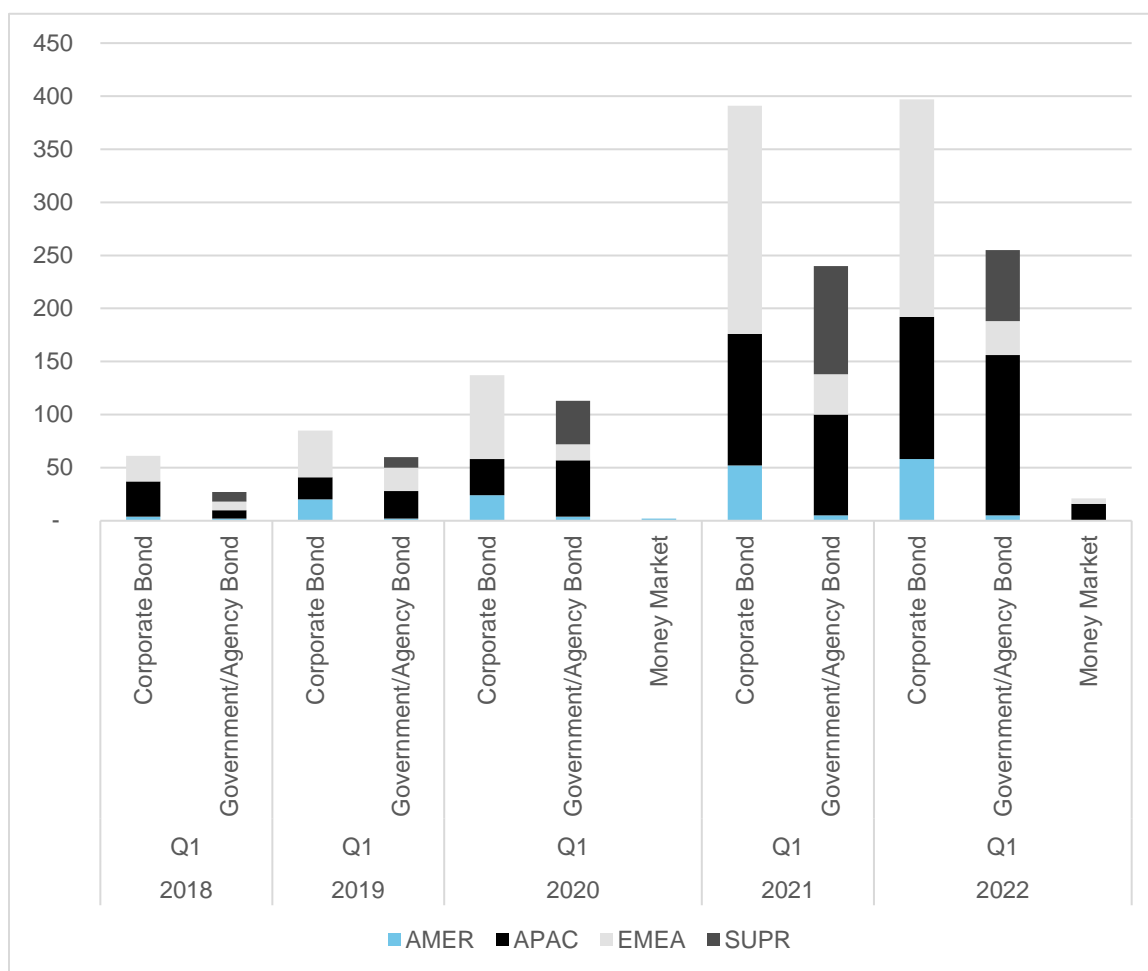
Issuance by Issuer Type

Issuer and Region*

[Chart 9.1] Dollar amount of impact bonds issued by type of issuer



[Chart 9.2] Number of impact bonds issued by type of issuer

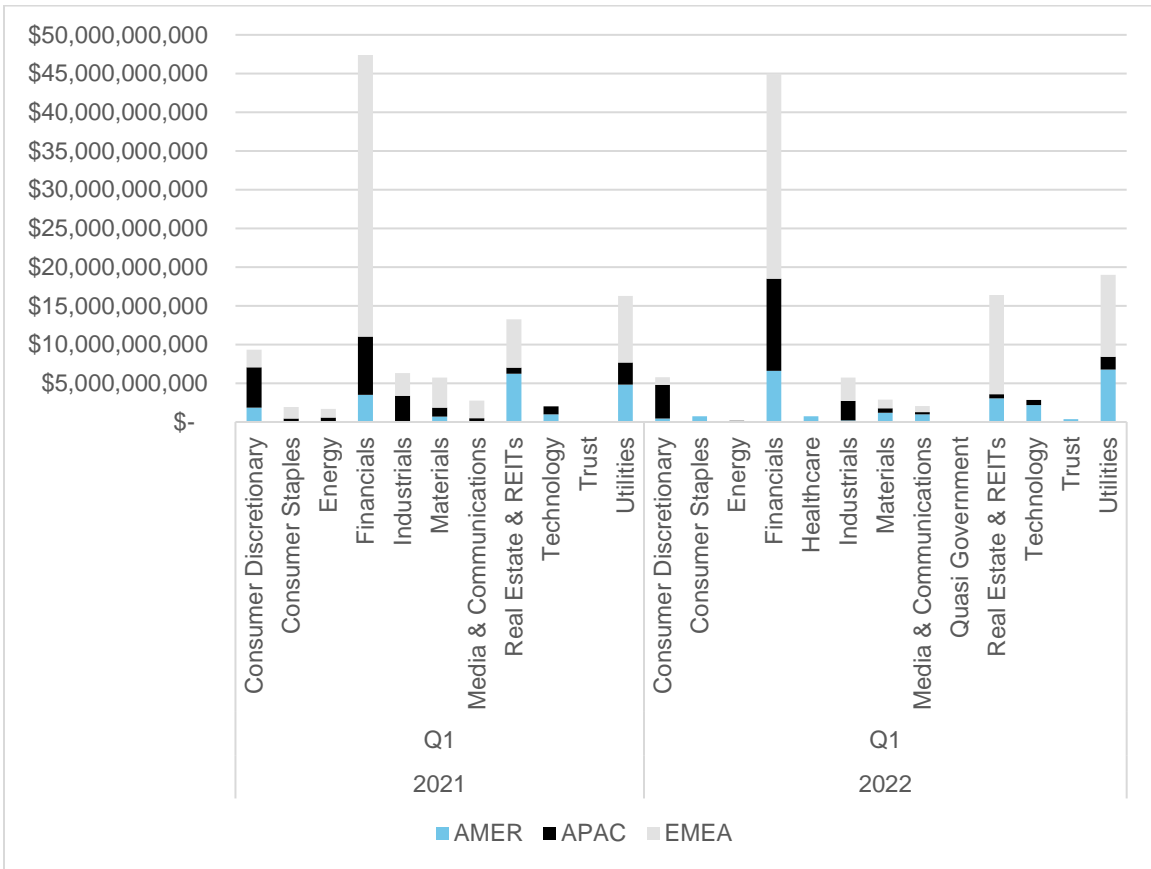


The dollar amount of corporate impact bonds issued in Q1 2022 exceeded that of government/agency impact bonds for the first time in eight years. During the quarter, US\$102 billion of impact bonds were issued by corporates and US\$96 billion were issued by governments or agencies.

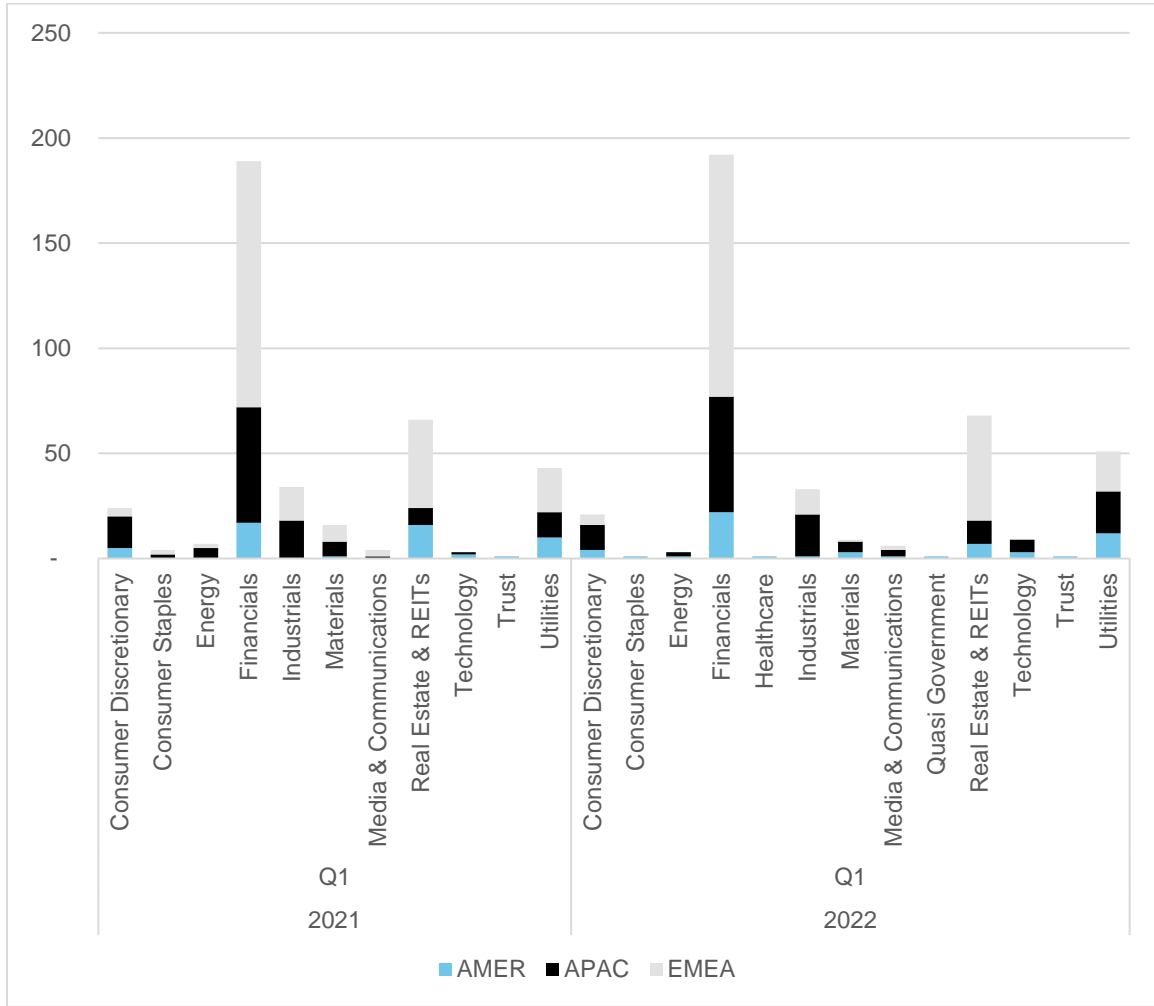
While issuance of corporate bonds dropped by 5% year on year, that of government/agency bonds dropped by larger extent - 32%, driven by falling issuance by EMEA and supranational agencies.

By contrast, in terms of the number of securities issued, issuances of corporate bonds rose by 6 securities to 397 bonds in Q1 2022 while that of government/agency bonds went up by 15 securities to 255 bonds during the same period.

[Chart 10.1] Dollar amount of corporate bonds issued by sector



[Chart 10.2] Number of corporate bonds issued by sector



The largest impact bond-issuing sectors in terms of dollar amount remained the financial sector, followed by utilities and real estate & REITs in Q1 2022.

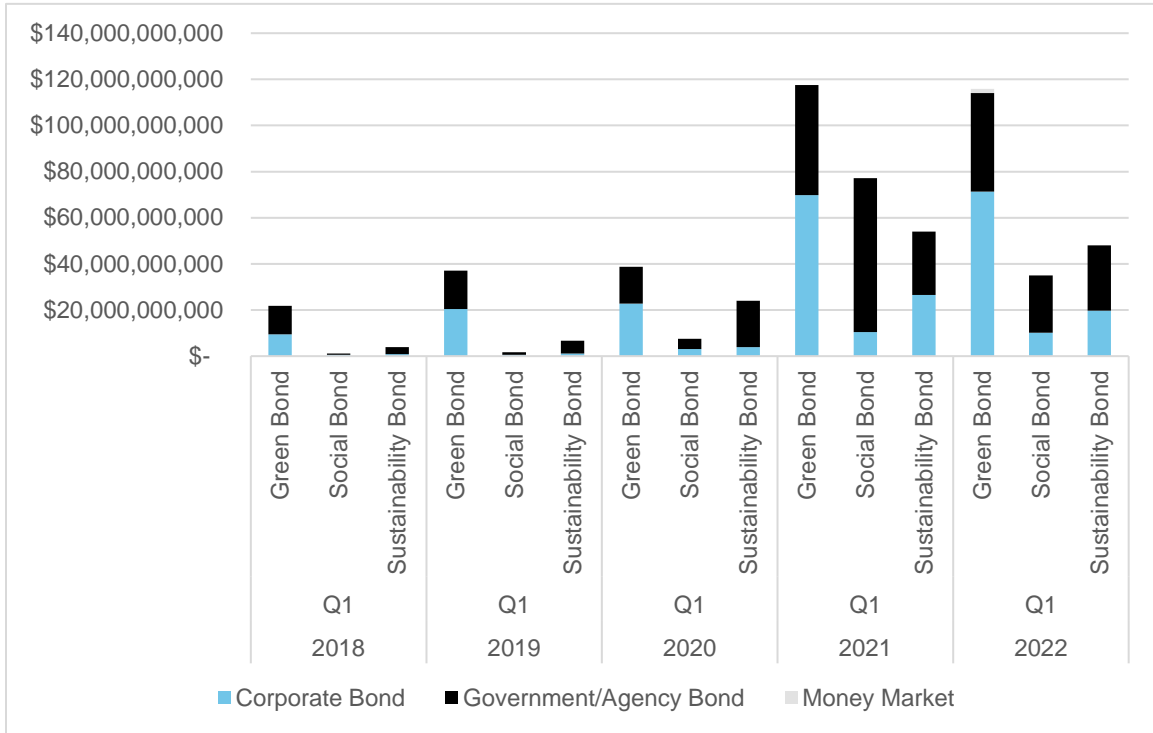
A total of US\$45 billion of impact bonds were launched by financial institutions in Q1, reflecting a 5% drop comparing to same period last year. The fall was driven by lower issuance from financial institutions in the EMEA region.

The utilities sector launched a total of US\$19 billion in Q1, showing a 17% increase year on year. The rise was driven by an increase in issuance from utility companies in the Americas and EMEA, while APAC saw a 42% fall.

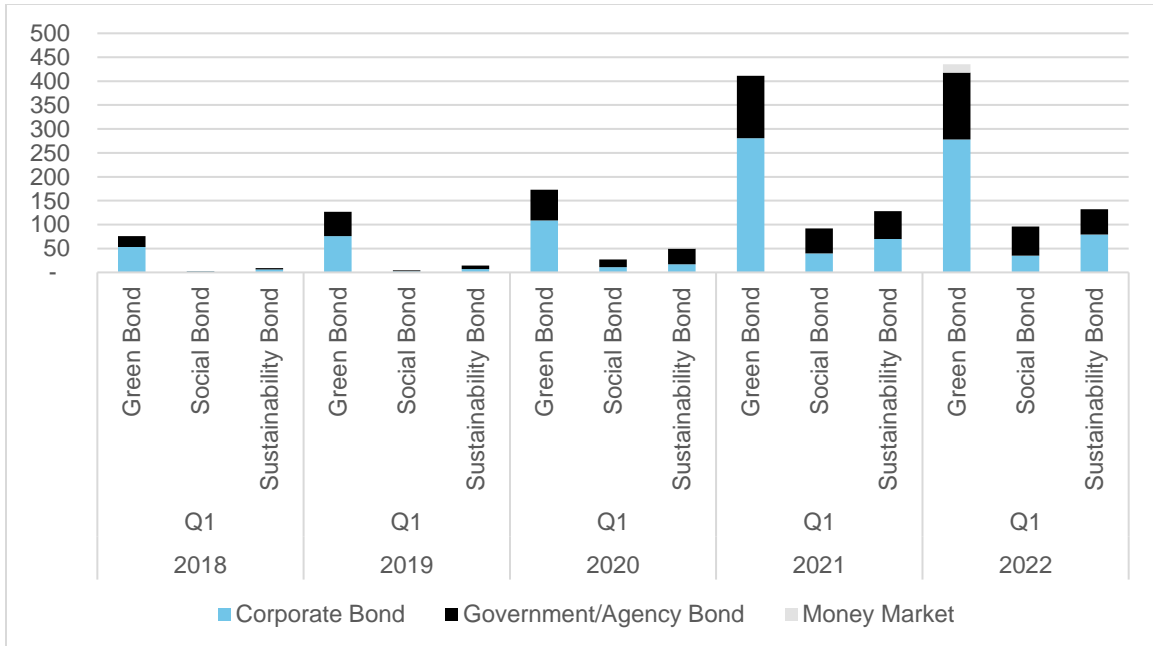
The real estate & REITs sector has increased its issuance by 24% to US\$16 billion, with issuances from EMEA doubling and those from the Americas and APAC falling.

Issuer and Bond Type

[Chart 11.1] Dollar amount of impact bonds by issuer and bond type



[Chart 11.2] Number of impact bonds by issuer and bond type

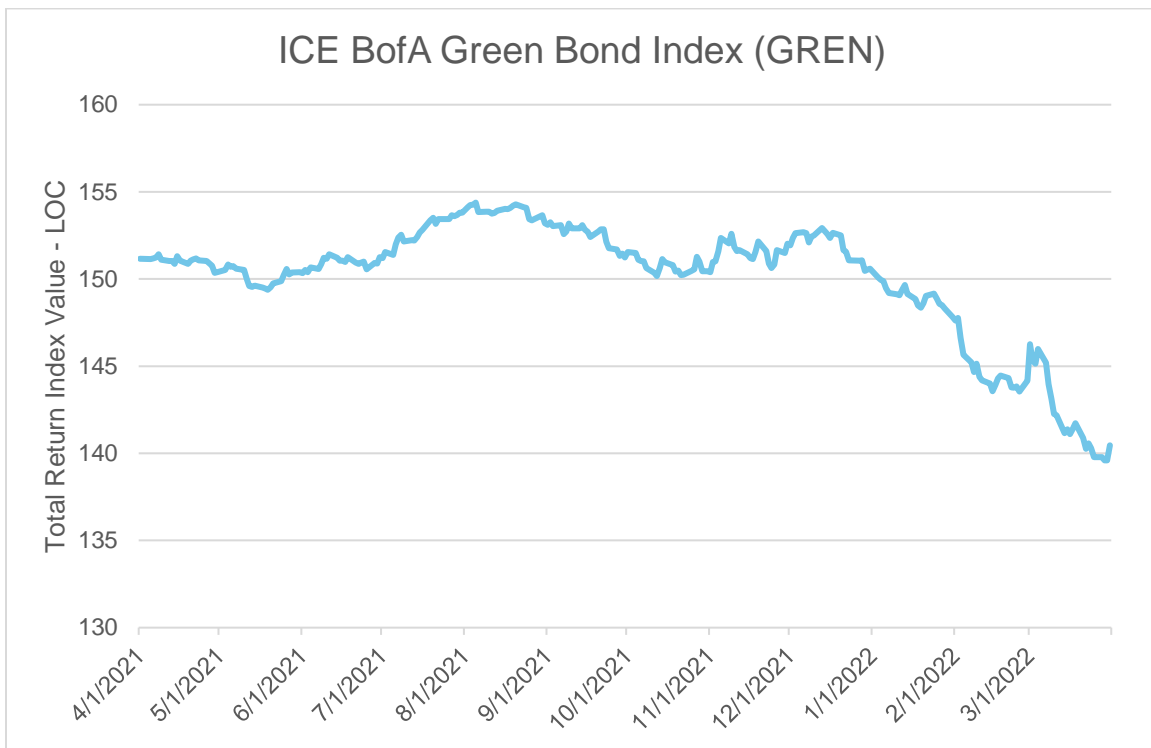


Corporates remained the major issuers of green bonds in Q1 while government and agencies remain the dominant issuer type of social bonds and sustainability bonds.

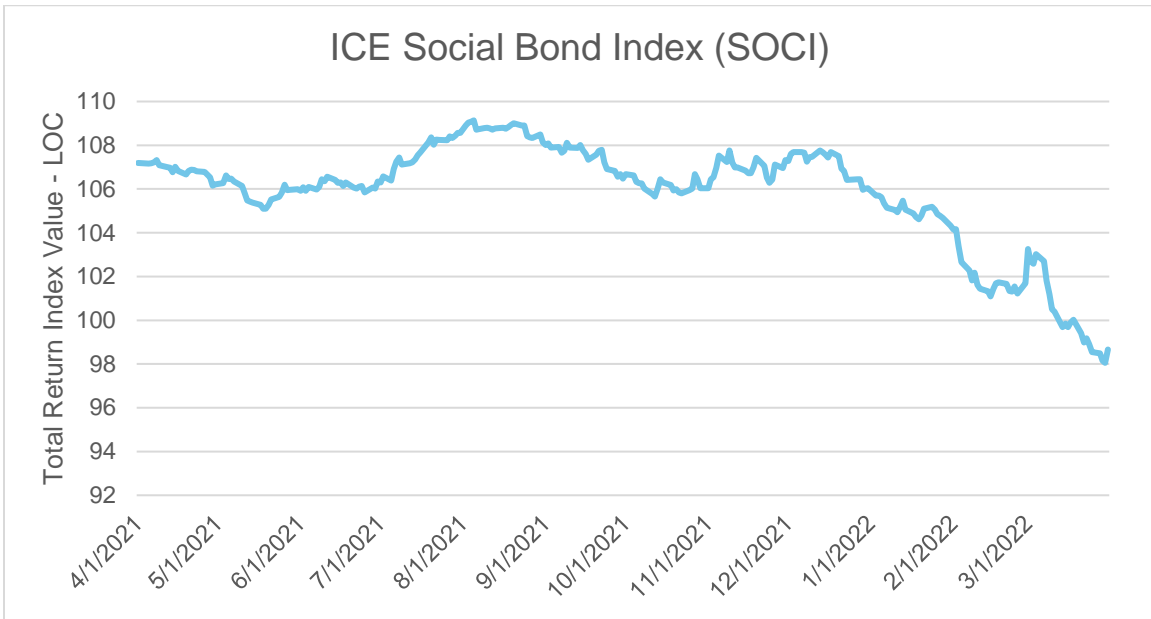
Notably, the percentage of government/agency bonds within social bonds has decreased from 86% in Q1 last year to 71% in Q1 this year.

Index

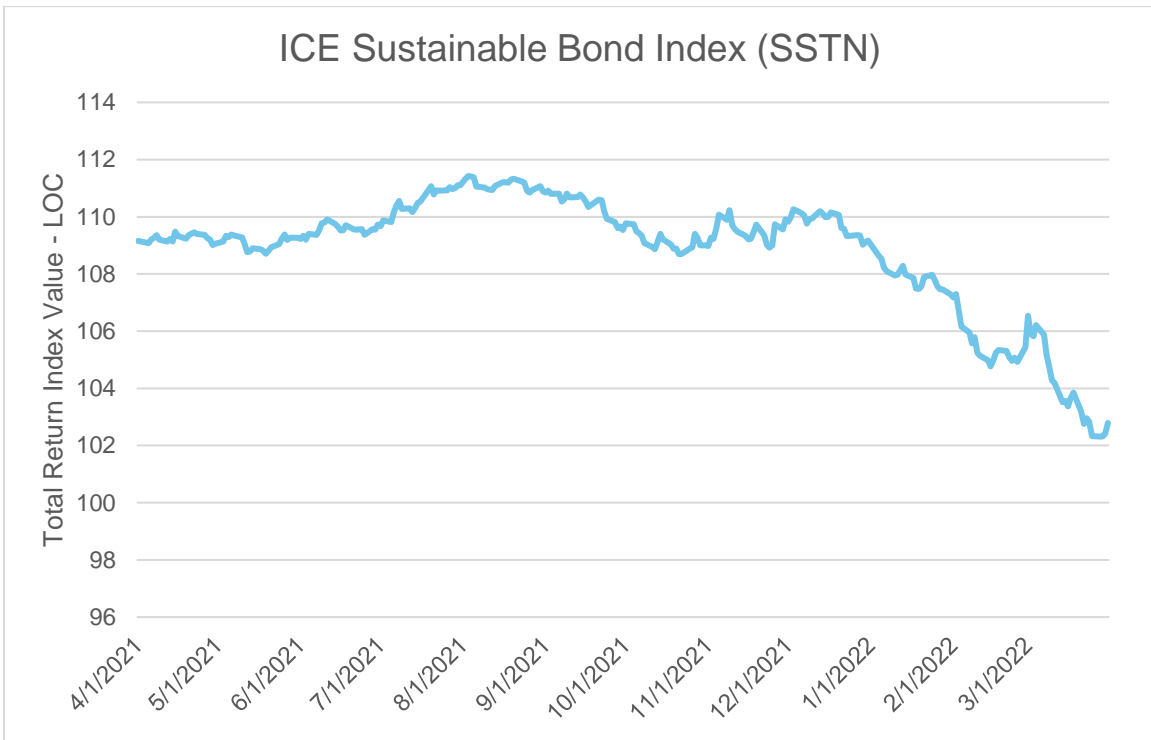
[Chart 12.1] ICE BofA Green Bond Index (GREN)



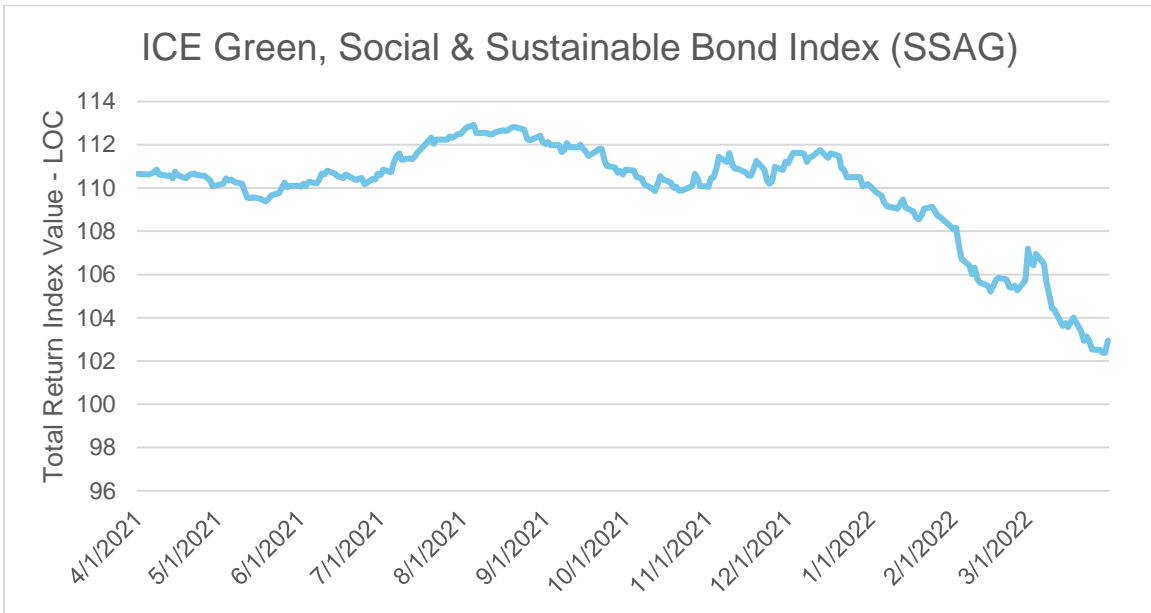
[Chart 12.2] ICE Social Bond Index (SOBI)



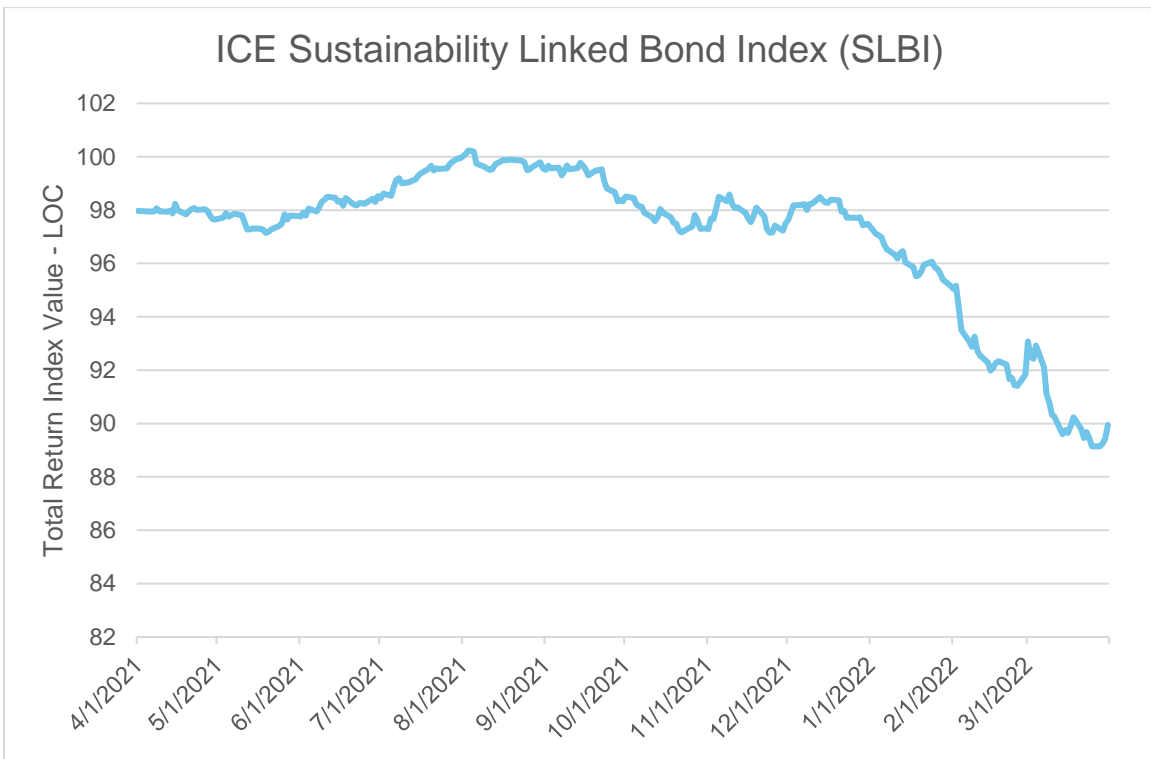
[Chart 12.3] ICE Sustainability Bond Index (SSTN)



[Chart 12.4] ICE Green, Social & Sustainable Bond Index (SSAG)



[Chart 13] ICE Sustainability Linked Bond Index (SLBI)



The ICE Green, Social & Sustainable Bond Index (SSAG), which tracks 1,822 impact bonds has been on a decreasing trend since the start of the year. Its total return index value dropped 6% to 103 over the first three months of 2022.

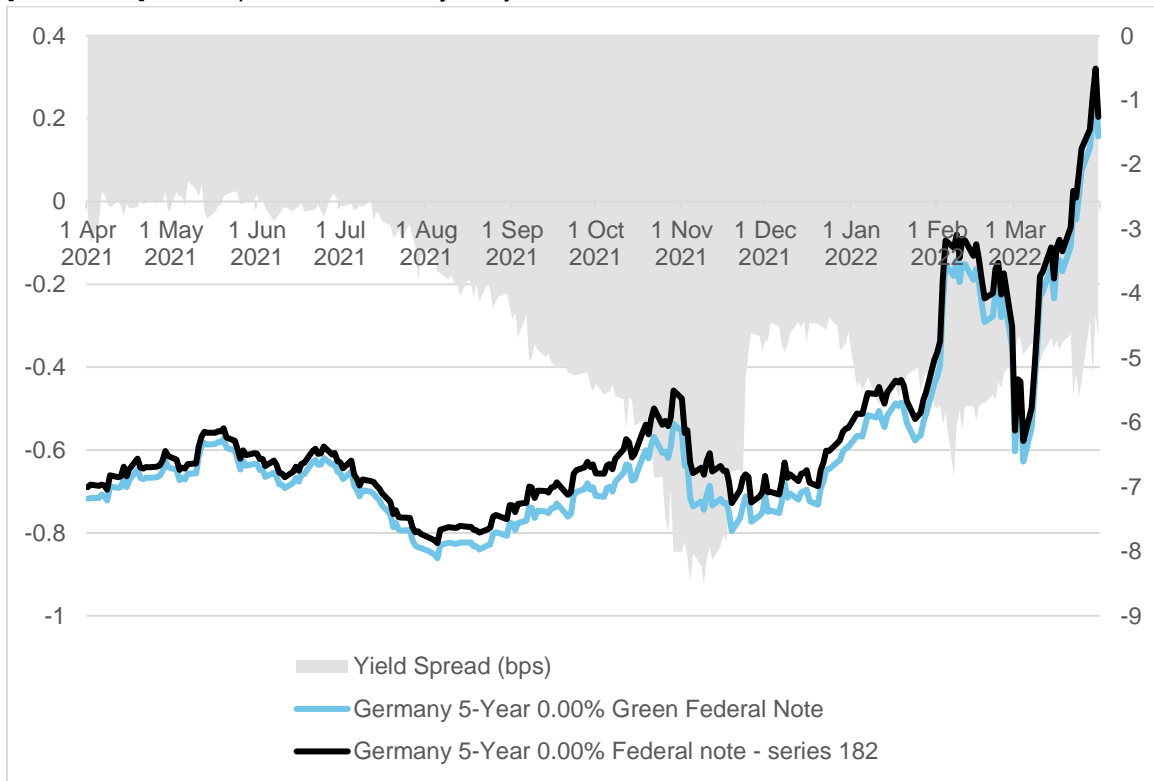
ICE BofA Green Bond Index (GREN) and ICE Sustainable Bond Index (SSTN) both fell by 6% to 140.5 and 102.8 respectively over the quarter, with ICE Social Bond Index (SOBI) falling 7% to 98.7.

ICE Sustainability-Linked Bond Index (SLBI), which tracks 97 of such bonds also fell by 7% over the first quarter to 89.9 by the end of March.

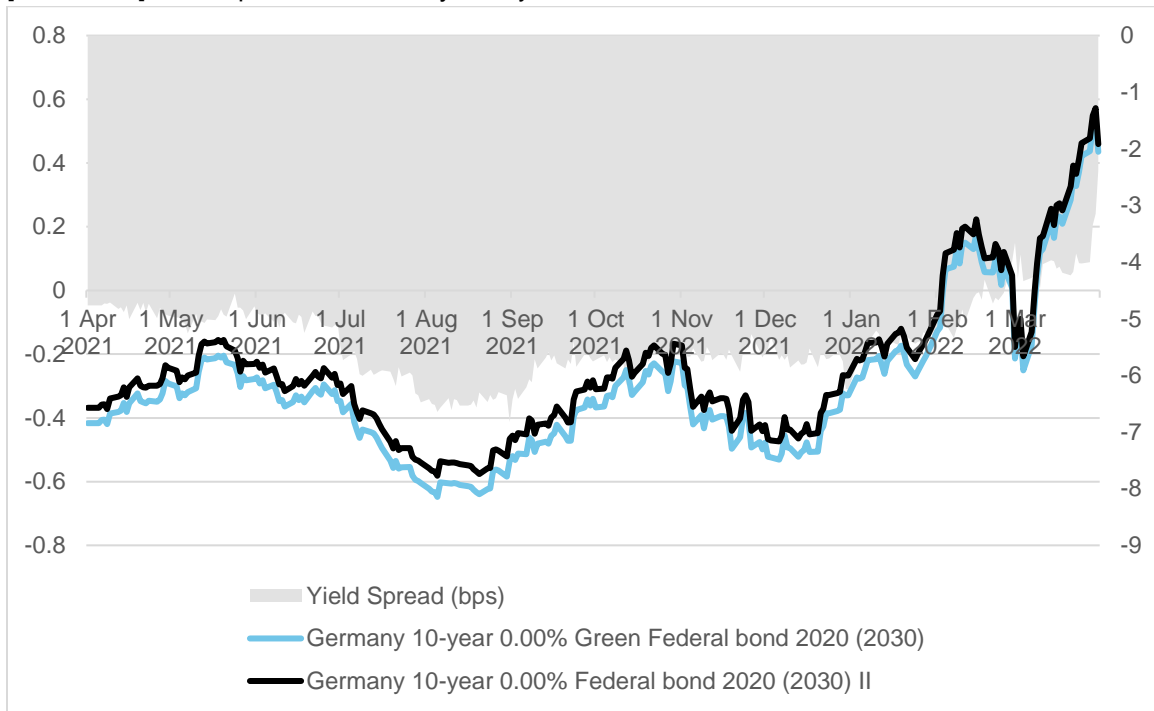
All indices rose slightly on the first day of March but continued to fall subsequently. We believe the drop in impact bond values was mostly due to broader fixed income market trends from economic and geopolitical issues as opposed to specific factors surrounding impact bonds.

Greenium

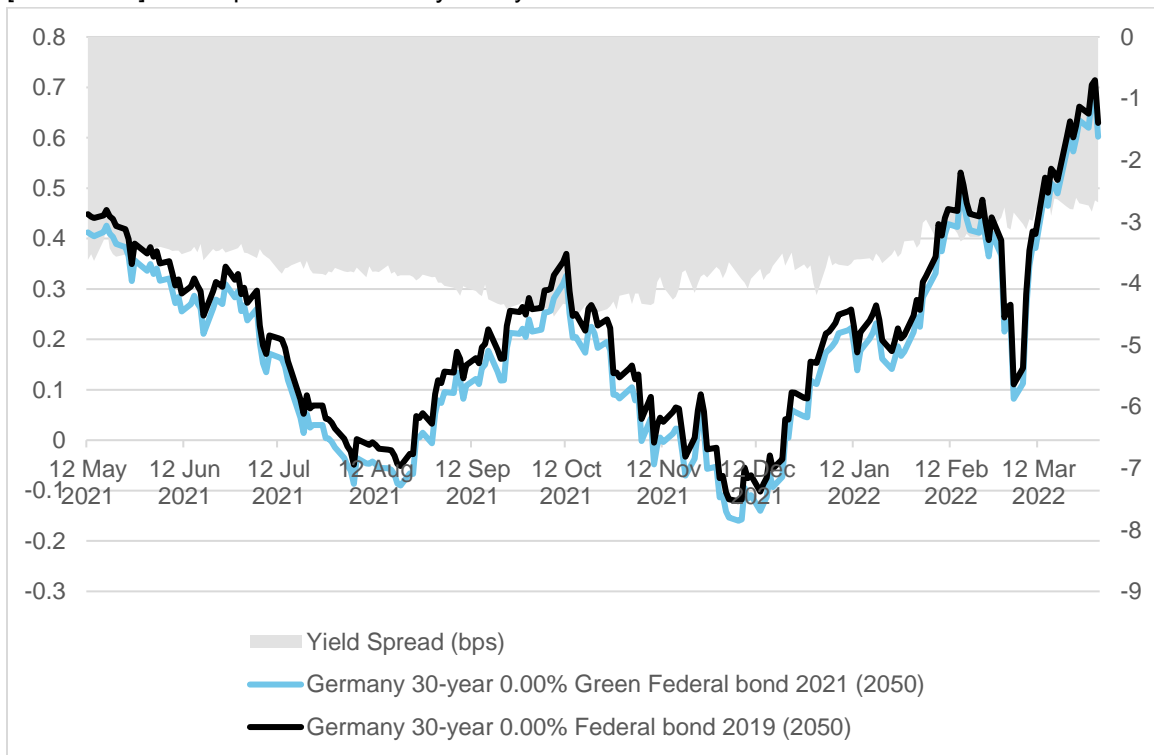
[Chart 14.1] Yield Spread of Germany's 5-year Green Federal Bond vs its conventional twin



[Chart 14.2] Yield Spread of Germany's 10-year Green Federal Bond vs its conventional twin



[Chart 14.3] Yield spread of Germany's 30-year Green Federal Bond vs its conventional twin



The premium spread of Germany's sovereign green bonds against their non-green twins continued amid market volatility but narrowed towards the end of the quarter as bond yields rose.

The yield spread between the 5-year green federal notes issuance against its conventional equivalent widened initially from around 5.4 bps to 6.8 bps in the beginning of February, then gradually dropped to 4.7 bps by the end of Q1.

The yield spread between the 10-year green bund and its non-green twin narrowed from 5.8 bps to 2.4 bps over the three months, while that of the 30-year green bund narrowed from 3.7 bps to its lowest point of 2.6 bps in mid-March.

* AMER includes Bermuda, Brazil, Canada, Cayman Islands, Chile, Mexico, Paraguay, Peru, United States of America, Virgin Islands, Argentina, Colombia, Costa Rica and Panama. APAC includes Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Macao, Marshall Islands, Mauritius, New Zealand, Pakistan, Philippines, Singapore, Taiwan, Thailand, Uzbekistan, Vietnam, Fiji, Seychelles, and Sri Lanka. EMEA includes Andorra, Austria, Belgium, Benin, Bosnia and Herzegovina, Czechia, Denmark, Egypt, Finland, France, Georgia, Germany, Greece, Guernsey, Hungary, Iceland, Ireland, Isle of Man, Israel, Italy, Jersey, Liechtenstein, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Rwanda, Serbia, 25 Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Togo, Turkey, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, Estonia, Latvia, Lithuania, Namibia, Nigeria and Qatar.

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