

FOR DISCUSSION PURPOSES

Panda Bonds: Market Development and Opportunities for Exploration with Mexico

Market size, issuance case studies and areas for discussion

Prepared by: Matrix Bond Management — arranging and coordinating institutions for cross-border RMB capital markets and Panda Bond issuance

Subject: China's onshore RMB bond market (Panda Bonds) and possible areas of relevance for Mexico
September 2026

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Key Messages

In brief

A Panda Bond is an RMB-denominated bond issued in China's domestic bond market by a borrower from outside mainland China. By the end of June 2026, cumulative issuance had passed **RMB 1.3 trillion**, from more than 110 issuers across 24 countries and regions; issuance in the first half of 2026 exceeded RMB 160bn, up 69% year on year. Sovereign governments, development institutions, international commercial banks and multinational corporations are all established issuers, and Latin America's first chapter is now being written.

This note sets out where the market stands, gives specific transaction examples including tenors and coupons, and outlines areas where Panda Bonds **might** become relevant to Mexico's trade, investment and financing agenda. It does not reach conclusions on anyone's behalf. Any such path would depend on Mexico's own priorities and on further dialogue and policy coordination between the relevant authorities of both countries.

> RMB 1.3tn Cumulative issuance to end-June 2026	110+ issuers From 24 countries and regions across five continents	> RMB 160bn Issuance in H1 2026, up 69% year on year
2.01% Weighted average coupon in 2025 (down 22bp on 2024)	2.94 years Weighted average tenor in 2025; 3-year is the mainstream	USD 109.4bn China–Mexico trade in 2024 (China Customs)

- **The market has reached scale.** Annual issuance has stood at historic highs since 2023: close to RMB 195bn in 2024, about RMB 164bn in 2025, and accelerating again in the first half of 2026.
- **All four issuer categories are active.** Sovereign and government-class institutions, development institutions, international commercial banks and multinational corporates all issue regularly, offering a range of models to compare.
- **Funding costs are at historic lows.** The weighted average coupon in 2025 was about 2.01%, and 2026 three-year transactions have priced in a 1.75%–2.50% range.
- **Latin America has entered the market.** A Brazilian corporate issued South America's first green Panda Bond in 2024 and returned in 2025; Brazil's Finance Ministry filed for a sovereign issue in June 2026.
- **The real economy is already connected.** Trade, automotive flows and Chinese industrial investment in Mexico create underlying RMB-related activity that financial instruments could, over time, be designed to serve.
- **Much remains to be explored.** Legal, regulatory, currency and policy questions would need careful study before any concrete step.

1. Panda Bonds at a Glance

Since the first issues in 2005, the market has developed a stable institutional framework, operating mainly in the China Interbank Bond Market under the registration system of the National Association of Financial Market Institutional Investors (NAFMII).

Feature	Description
Eligible issuer types	International development institutions; foreign government-class institutions (sovereign and sub-national governments and entities with government functions); foreign financial institutions; foreign non-financial enterprises
Primary venue	China Interbank Bond Market (over 90% of issuance); international investors may participate through channels such as Bond Connect
Registration	Registration with NAFMII under the guidelines for foreign government-class institutions and international development institutions (revised 2024); registered amounts are typically valid for two years and may be issued in tranches
Typical tenors	Three years is the mainstream, alongside 1-, 2-, 5- and 10-year tranches; multiple tenors can be combined in a single transaction
Use of proceeds	Under PBOC/SAFE rules effective 2023, proceeds may be used onshore in China or remitted abroad, subject to registration
Currency management	Issuers may use FX derivatives with onshore financial institutions to manage exchange-rate exposure
Disclosure	For foreign government-class issuers, disclosure is adapted to their nature — for example, economic data reports in place of corporate financial statements

Sources: PBOC and SAFE notice on fund management for bonds issued onshore by overseas institutions (effective 2023); NAFMII guidelines (revised January 2024); S&P Global (China) Ratings, Panda bond market report, November 2025.

2. How Much Has Been Issued?

2.1 Cumulative and annual issuance

According to the People's Bank of China, cumulative Panda Bond issuance had exceeded **RMB 1.3 trillion** by the end of June 2026, from more than 110 issuers in 24 countries and regions across Asia, Europe, Africa, North America and South America. Cumulative issuance first passed RMB 1 trillion in July 2025 and has continued to grow rapidly since.

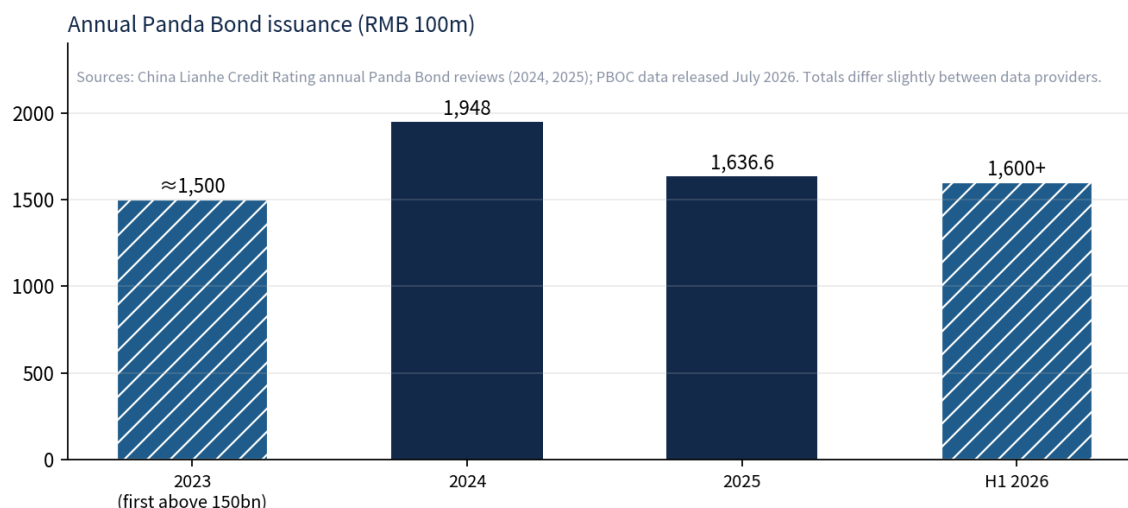


Figure 1 Annual Panda Bond issuance

Year	Issuance	Number of tranches	Number of issuers
2023	First year above RMB 150bn	—	—
2024	RMB 194.8bn (record high)	109	44
2025	RMB 163.7bn (second highest)	114 (record number)	44
Jan–May 2026	RMB 136.5bn (nearly double year on year)	—	—
H1 2026	Above RMB 160bn (up 69% year on year)	—	—
Cumulative to end-June 2026	Over RMB 1.3tn	—	110+, across 24 countries and regions

2.2 Tenors and cost

- **Tenor:** the weighted average tenor in 2025 was 2.94 years. Three-year paper is the mainstream, accounting for about 46% of issuance in H1 2025, with five-year at about 13%.
- **Coupons:** the weighted average coupon in 2025 was 2.01%, about 22bp lower than in 2024 and a record low; three-year transactions in 2026 have priced between 1.75% and 2.50%.
- **Outstanding stock and investors:** the market's outstanding size was around RMB 400bn as of October 2025. As of end-June 2025, offshore institutions held about RMB 59.7bn, or 18.9% of the outstanding stock, with the remainder held by Chinese commercial banks, insurers, wealth-management products and funds.
- **Issuer mix:** foreign-background issuers accounted for 52.8% of issuance in 2025, above 50% for the first time since 2019.

Sources: China Lianhe Credit Rating, annual Panda Bond market reviews (2024, 2025); Golden Credit Rating, H1 2025 Panda Bond review; Shanghai Clearing House (end-June 2025); Wind data via Cailianshe (January 2026) and Sina Finance (October 2025); PBOC data released July 2026. Definitions differ between data providers; figures within a single table are drawn from the same source where possible.

3. Case Studies: Four Issuer Types, with Tenors and Coupons

The following examples are drawn from public reports and issuer announcements. Pricing in each case reflects that issuer's own credit profile and market conditions at the time, and is not indicative for any other issuer.

3.1 Sovereign and government-class issuers

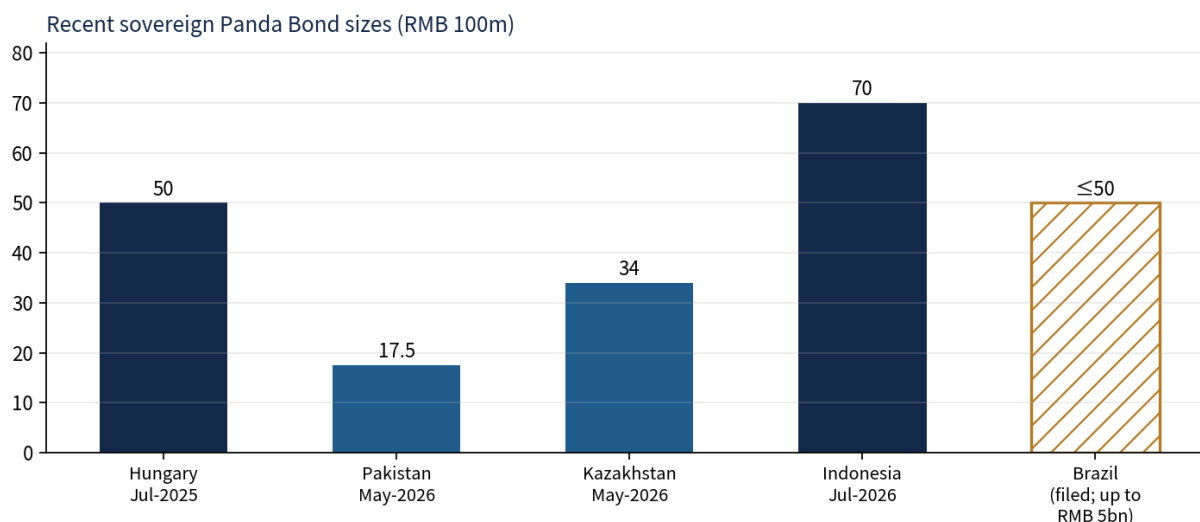


Figure 2 Recent sovereign Panda Bond sizes

Issuer	Date	Size	Tenor	Coupon	Notes
Korea	Dec 2015	RMB 3bn	3Y	3.00%	First sovereign Panda Bond
Province of British Columbia (Canada)	Jan 2016	RMB 3bn	3Y	2.95%	North American sub-sovereign issuer
Poland	Aug 2016	RMB 3bn	3Y	3.40%	First European sovereign issuer
Philippines	Mar 2018 / May 2019	RMB 1.46bn / 2.5bn	3Y	5.00% / 3.58%	Investment-grade Asian sovereign; repeat issuer
Portugal	May 2019	RMB 2bn	3Y	4.09%	Euro-area sovereign issuer
Egypt	Oct 2023	RMB 3.5bn	3Y	3.51%	Full guarantee from AfDB and AIIB
Hungary	Jul 2025	RMB 5bn	3Y / 5Y	2.50% / 2.90%	Green sovereign bond; repeat European issuer
Sharjah (UAE)	Oct 2025	RMB 2bn	3Y	2.70%	Middle Eastern sub-sovereign issuer
Slovenia	Apr 2026	RMB 4bn	3Y	1.89%	Debut issue with strong onshore and offshore demand
Kazakhstan	May 2026	RMB 3.4bn	3Y	1.90%	Central Asian sovereign debut
Pakistan	May 2026	RMB 1.75bn	3Y	2.50%	Sustainable bond with partial multilateral guarantee

Issuer	Date	Size	Tenor	Coupon	Notes
Indonesia	Jul 2026	≈RMB 7bn	3Y / 5Y	1.90% / 2.19%	Sovereign debut; among the largest sovereign Panda transactions
Brazil	Application filed Jun 2026	Up to RMB 5bn	—	—	Set to become the first Latin American sovereign issuer

The sovereign group spans investment-grade countries issuing on their own credit (Korea, the Philippines, Portugal, Hungary, Indonesia) and countries entering with multilateral credit enhancement (Egypt, Pakistan). British Columbia's early transaction also shows that North American government-class issuers are familiar to Chinese investors.

3.2 International development institutions

Issuer	Date	Size	Tenor	Notes
New Development Bank (BRICS)	Aug 2025 / Dec 2025	RMB 7bn / 3bn	3Y	New RMB 50bn registered programme; RMB 75.5bn issued cumulatively
Asian Infrastructure Investment Bank	Jul 2025	RMB 2bn	2Y	RMB 6.4bn of orders, 3.2 times oversubscribed
Asian Development Bank, Afreximbank and others	2025	≈RMB 35bn combined (including AIIB and NDB)	Various	Proceeds largely for infrastructure and green projects

3.3 Foreign financial institutions (banks)

Issuer	Date	Size	Tenor	Coupon	Notes
Deutsche Bank	Mar 2026	RMB 5.5bn	Multiple tranches	—	First EU financial institution Panda Bond of 2026 and the bank's largest single issue
United Overseas Bank (Singapore)	Mar 2026	RMB 5bn	3Y	1.83%	Major Southeast Asian commercial bank
BNP Paribas	Mar 2026	Up to RMB 5bn	—	—	Prospectus published for issuance via Bond Connect
National Bank of Canada	Prior transactions	—	—	—	Precedent for a North American commercial bank issuer

3.4 Multinational corporates

Issuer	Date	Size	Tenor	Coupon	Notes
Mercedes-Benz Group	Jun 2026	RMB 3bn	3Y / 5Y	1.75% / 1.93%	First corporate Panda issuer; 29 transactions and over RMB 90bn raised — the largest issuer in the market
BASF SE	Jun 2024	RMB 2bn	3Y	—	Debut issue, listed on the Singapore Exchange
BMW, Volkswagen, Bayer, Tingyi, Shangri-La and others	2024–2025	Repeat issuance	Mainly 3Y	—	Automotive and consumer multinationals form a core segment
Suzano (Brazil)	Nov 2024 / Oct 2025	RMB 1.2bn / 1.4bn	3Y	—	First South American non-financial issuer; green Panda Bonds; board-approved China financing plan of up to RMB 20bn

Sources: NAFMII announcement (November 2024); Bank of China announcement (June 2026); S&P Global (China) Ratings (November 2025); Sina Finance, Shanghai Municipal Financial Commission Office, Fangda Partners and public issuance announcements (2024–2026).

4. Latin America's First Chapter

- **Corporate debut (November 2024):** Brazilian pulp producer Suzano issued a RMB 1.2bn three-year green Panda Bond, becoming the interbank market's first South American issuer, and returned in October 2025 with RMB 1.4bn. Its board has approved a China financing plan of up to RMB 20bn.
- **Sovereign first mover (2026):** On 25 June 2026, Brazil's Ministry of Finance filed its application with NAFMII for a first sovereign Panda Bond of up to RMB 5bn. The filing followed the fourth meeting of the China–Brazil financial strategic cooperation working group, at which the PBOC Governor welcomed Brazilian sovereign issuance.
- **Policy signal:** Chinese authorities have publicly expressed support for making it easier for more foreign institutions — including sovereign states — to issue in China, alongside cooperation on local-currency use and financial-market connectivity.

For the region, the practical groundwork — documentation, investor familiarity with Latin American credits, and regulatory precedent — is being laid now. Later issuers typically benefit from the experience of those who go first.

Sources: NAFMII, 18 November 2024; Xinhua, 26 June 2026; People's Daily Online, 15 July 2026; Sina Finance, 31 October 2025.

5. Mexico's Foundations

5.1 A sophisticated, globally recognised borrower

Mexico is one of the most experienced sovereign borrowers in international capital markets, with regular access to the US dollar, euro and Japanese yen markets and an investment-grade profile with all major international rating agencies. The Ministry of Finance and Public Credit (SHCP) has described its use of external markets as strategic and complementary to the local market — a framework within which additional channels can be evaluated on their merits.

5.2 A proven record in Asia

- **Samurai market leadership:** Mexico has built a yen curve over many years and, as of 2024, was the largest international sovereign issuer of sustainable bonds in the Samurai market.
- **2026 Samurai transaction:** in August 2026, SHCP placed ¥282.8bn (about USD 1.77bn) with 52 investors across four tranches — 3-year at 3.16%, 5-year at 3.61%, 10-year at 4.46% and 20-year at 5.49%. About 85% of Mexico's outstanding bonds in the Japanese market are aligned with the UN Sustainable Development Goals.
- **Step-by-step market building:** from early transactions supported by the Japan Bank for International Cooperation (December 2009: ¥150bn, 10 years, 2.22%) to later standalone issues, Mexico's history in Japan shows how a new funding channel can be developed gradually.

5.3 An established sustainable finance framework

Since 2020, Mexico has implemented a sovereign sustainable finance strategy across the US, European and Japanese markets. Sustainability-labelled paper is a growing segment of the Panda market — Hungary's green sovereign, the sustainable bonds of Egypt and Pakistan, and Suzano's green issues all fall into this category. An existing, internationally recognised framework would be a meaningful starting point.

Sources: Expansión, 28 August 2026; Green Finance LAC, 22 August 2024; IFR Review of the Year 2010; SEC filings of the United Mexican States, 2026.

6. The Real-Economy Connection

6.1 Trade

China is Mexico's second-largest trading partner, and Mexico is China's second-largest trading partner in Latin America. According to China Customs, bilateral trade reached **USD 109.4bn in 2024**, with Chinese exports to Mexico of USD 90.2bn and imports from Mexico of USD 19.2bn. China mainly exports machinery and electrical equipment, transport equipment and base metals, and imports copper ores, precious-metal ores, crude oil, integrated circuits and medical and optical instruments from Mexico.

6.2 The automotive corridor

- Mexico was the **largest destination for China's vehicle exports** in 2025, receiving about 410,000 units in the first nine months — close to one in ten vehicles shipped from China.

- China-made vehicles — from Chinese brands and from international manufacturers producing in China — accounted for about **22% of Mexico's light-vehicle sales in the first half of 2026**, compared with about 0.3% in 2017.
- More than 25 Chinese automotive brands now operate in Mexico. Some have begun local assembly — JAC, for example, assembles vehicles in Hidalgo with "Hecho en México" certification in partnership with a Mexican group.
- Mexican imports of vehicles and parts from China rose from USD 3.1bn in 2017 to USD 13.5bn in 2024.

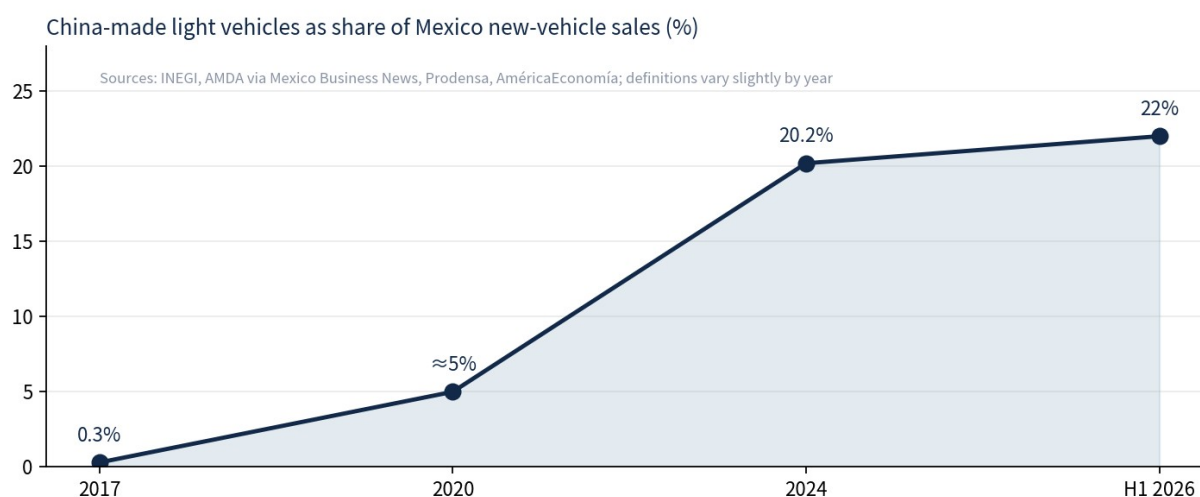


Figure 3 China-made vehicles as a share of Mexico's new light-vehicle sales

6.3 Industrial investment and presence

Chinese manufacturers have steadily increased their presence in Mexico. The Hofusan Industrial Park in Nuevo León hosts dozens of companies, including Hisense, which invested around USD 260m in a refrigerator plant, as well as firms in construction machinery, solar equipment and furniture. Brands such as Midea have operated in Mexico for close to two decades. These operations involve cross-border flows of equipment, components and services, much of it with Chinese suppliers.

6.4 Financial infrastructure

RMB clearing services are available in Mexico through Chinese banks with local operations, and direct RMB–peso clearing services have reportedly been launched by a Chinese bank in 2026. The plumbing that allows RMB funds to move efficiently between the two economies is gradually being put in place.

Sources: Ministry of Foreign Affairs of the PRC, country profile (2024 China Customs data); Automotive Logistics, 18 November 2025; Mexico Business News, July 2025, April 2026 and August 2026; AméricaEconomía, January 2025; Prodensa, June 2026; public reports on Hofusan Industrial Park (2024–2026).

7. Where Panda Bonds Could Connect

The following are offered as **starting points for discussion**, not as proposals. Each would require study by the relevant Mexican authorities and companies and, where relevant, coordination with Chinese counterparts. Feasibility and timing would depend on Mexico's own policy priorities, legal framework and market conditions.

Area	What it might enable	Questions worth considering
A. Diversification of sovereign funding	A further Asian funding channel alongside dollar, euro and yen markets; access to a large and growing domestic investor base in China	How would an RMB channel fit within the strategic and complementary use of external markets? What role could the Samurai experience play as a model?
B. RMB liquidity for trade flows	Financing in RMB that could, in principle, be matched with payments to Chinese suppliers — for example in the automotive and industrial supply chains — creating a natural currency match	Which institutions (for example, national development banks) would be best placed to channel RMB funding to importers and supply-chain participants? What demand exists among companies?
C. Industrial and manufacturing projects	RMB-denominated financing for projects in Mexico involving Chinese partners, equipment or engineering, with currency aligned to procurement	Which sectors and projects align with Mexico's industrial and regional development priorities? How could local content and employment objectives be reflected?
D. Sustainable and green finance	Use of Mexico's existing sustainable finance framework for a labelled RMB instrument, drawing on growing demand for sustainable assets among Chinese investors	Which eligible expenditure categories — water, renewable energy, health, education — would be most suitable?
E. Corporate and financial-institution issuers	Mexican companies and banks with China-related business could also issue directly, following the practice of Mercedes-Benz, BASF, Suzano and several international banks	Which Mexican companies have RMB revenues or costs that could benefit from a matching funding source?

A note on currency matching

The economic benefit of RMB funding tends to be clearest where it can be matched with RMB-denominated payments or revenues. Where proceeds are converted into other currencies, hedging costs need to be considered carefully. This is one of several technical questions that would merit joint study.

8. What Further Work Would Involve

Moving from interest to any concrete action would require careful groundwork. Without pre-judging any decision, the main workstreams would typically include:

Workstream	Typical scope
Mexican legal and budgetary framework	Review by the relevant authorities and counsel of borrowing authority, annual external financing limits and the treatment of RMB-denominated obligations (for corporate issuers, internal authorisation and external-debt registration)
Chinese regulatory pathway	Registration with NAFMII, appointment of qualified lead underwriters, onshore credit rating and legal opinions, and fund registration with SAFE
Currency and treasury management	Assessment of RMB use of proceeds, hedging options and the availability of RMB–peso market instruments

Workstream	Typical scope
Bilateral policy coordination	Dialogue between the relevant financial authorities on local-currency use, market connectivity and supporting infrastructure
Market engagement	Investor education on Mexican credit in China and selection of structures and tenors appropriate to a first transaction

An illustrative, non-binding sequence could be: **exploratory dialogue** → **technical exchange** → **feasibility work** → **decision**. The pace of each step would be for the Mexican side to determine.

9. Questions for Reflection

- What role, if any, could RMB funding play in a long-term strategy of diversifying the investor base?
- Are there segments of Mexico's trade with China — automotive, electronics, machinery or others — where RMB financing might help companies manage costs or currency exposure?
- Could a national development bank serve as a bridge between an RMB funding source and Mexican enterprises?
- Which Mexican companies or financial institutions could qualify to issue directly?
- Which sustainable-development priorities might resonate most with investors in China?
- What lessons might be drawn from Brazil's experience once its first sovereign Panda Bond is completed?
- What forms of bilateral financial dialogue would be most useful to explore these questions further?

Important notice

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