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AfDB launches 3-year USD 500 million Inaugural Green Bond

On Thursday, 10th October 2013, the African Development Bank (AfDB), rated Aaa/AAA/AAA, launched its inaugural Green Bond transaction.

As the momentum in Africa builds toward development embedded with climate action, the AfDB Green Bond program is providing countries with financing for programs in sustainable energy, resilient rural coastal and forest landscapes, and globally scalable knowledge on low-carbon and climate resilient solutions. Investors can make a difference with their investment by financing climate change solutions through AfDB's Green Bonds.

The proceeds of the Green Bond support the financing of low carbon and climate resilient projects in line with AfDB's long term strategy which focuses on inclusive and green growth. Projects to be financed include those in renewable energy generation, energy efficiency, vehicle energy efficiency fleet retrofit or urban transport modal change, biosphere conservation projects, solid waste management, fugitive emissions and carbon capture, urban development, and water supply and access.

With the market clear of competing USD supply due to the stalled US budget discussions, the AfDB decided to take advantage of the clear issuance window and announced their inaugural 3-year Green Bond transaction in the London afternoon of Wednesday, 9th October. Initial pricing thoughts for the 3-year USD 500 million transaction were shown at midswaps plus 5 basis points area and quickly attracted indications of interest from US and European socially responsible investors. Following continued interest overnight from US and Asian accounts, the lead banks officially opened books for the transaction in the London morning of Thursday, 10th October. Books finally closed at around 14.30 London time with orders approaching USD 550 million, and the oversubscribed transaction was priced at midswaps plus 5 basis points later on in the afternoon, in line with the initial guidance of the transaction.

"This first Green Bond of the African Development Bank is part of its quest to use public-private partnerships to meet the challenges of development in Africa. It is another opportunity for private capital to earn market rates of return, while supporting sustainable and low-carbon growth in the continent," says **Donald Kaberuka, President, African Development Bank Group**.

The transaction was placed with 36 investors including the Third Swedish National Pension Fund, AP4, BlackRock, CalSTRs, Calvert Investment Management, Inc, Nordea Investment Management, Pictet Asset Management, Praxis Intermediate Income Fund, State Street Global Advisors (SSgA) for their High Quality Green Bond Fund, TIAA-CREF, and Trillium Asset Management, LLC.

Very strong support came from investors focused on socially responsible investing, who bought 84% of the bonds. The distribution by investor type was as follows: 43% with asset managers, 28% with central banks and official institutions, 28% with insurance companies and pension funds, and 1% with retail and private banks. In terms of geographical distribution, 52% of the bonds were placed with accounts in the Americas, 39% with EMEA, and 9% with Asia.

J.P. Morgan, Morgan Stanley and SEB were joint-lead managers in this transaction.

"Nordea Investment Management has integrated ESG in the investment processes. In the International Fixed Income Team it is a part of our analysis and ESG methodology. We only invest when the risk/reward looks attractive. AfDB's Green Bond is an attractive investment in a trustworthy AAA-rated Organization," says **Rolf Ohlson, Senior Portfolio Manager at Nordea Investment Management**

"The African economy is growing fast and through the green bonds we get exposure to this interesting market. Green bonds that help to finance the transition to green growth in Africa is important for us as a long term investor. This bond will be earmarked for climate friendly projects," says **Christina Hillesöy, Head of Communications & Sustainable Investments at Third Swedish National Pension Fund**

"With this inaugural Green Bond, AfDB successfully demonstrated that its platform of projects for Green growth is meeting specific demand in the capital markets from investors willing to be involved in the financing of those projects. The success of this transaction is another milestone in the development of the Green bond market and it will help increase both awareness around the product and confidence for more investors to get involved." says **Matthieu Batard, Frequent Borrowers Syndicate at J.P. Morgan**

"With their inaugural \$500mm Green Bond transaction, the African Development Bank (AfDB) has emphatically announced its presence as a major force in promoting climate change solutions in Africa. AfDB dedicated significant time to engaging with SRI focused accounts ahead of this transaction, and the deal's success is reflected in its oversubscription and in the number of new investors that have been attracted to the AfDB name. Morgan

Stanley is very proud to have been involved in this outstanding bond issue, as part of our ongoing commitment to developing sustainable finance," says **Navindu Katugampola, Vice President, SSA Origination, Morgan Stanley**

"SEB are proud to support AfDB in launching their inaugural Green Bond transaction. AfDB has by this transaction reached a wider group of investors and the continuous effort to support awareness and development of positive climate change initiatives have been reinforced by including such a well reputed issuer. The format and platform under which these securities have been issued reinforces the Green Bond structure initially developed together with the World Bank, providing investors with a solid framework and a recognizable structure that is becoming a standard through the financial community," says **Hans Beyer, Global Head of Capital Markets at SEB**

Transaction Summary:

Issuer: African Development Bank (AfDB)

Format: Global Debt Issuance Facility (SEC exempt)

Amount: USD 500 million

Settlement date: 18 October 2013

Maturity date: 18 October 2016

Issue price: 99.707%

Coupon: 0.75%

Issue yield: 0.849%

Spread: Midswap +5 bps and +15.5 bps over the 0.625% UST due October 2016

Denomination: USD 1,000 or integral thereof

Listing: Luxembourg Stock Exchange

Joint-Lead Managers: J.P. Morgan, Morgan Stanley and SEB

ISIN: US00828EAX76

For more information on AfDB Green Bonds, please visit the AfDB Green Bond webpage at: <http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bond-program>

About AfDB

The African Development Bank (AfDB) Group is the premier development finance institution in Africa with a mandate to spur sustainable economic development and social progress in the continent, thereby contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in the continent; and providing policy advice and technical assistance to support development efforts. The African Development Bank's authorized capital of around USD 100 billion is subscribed to by 77 member countries made up of 53 African countries and 24 non-African countries.

The African Development Bank's Strategy for 2013–2022 reflects the aspirations of the entire African continent and is firmly rooted in a deep understanding and experience of how far Africa has come in the last decade, and where it wishes to go to in the next. This ten-year Strategy is built around two objectives to improve the quality of Africa's growth: inclusive growth, and the transition to green growth, and is supported by five operational priorities in which the Bank has unmatched advantage, expertise, access and trust. One of the aim of

AfDB is to bring about growth that is not just environmentally sustainable, but also economically empowering. When growth is inclusive as well as "green", it creates the jobs that the continent needs now and that it will need in ever greater numbers as millions more young people enter the job market, with energies and aspirations to match.

<http://www.afdb.org>

J.P.Morgan

Morgan Stanley

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