



30th January 2024

PRESS RELEASE

African Development Bank launches the first ever Sustainable Hybrid Capital transaction from an MDB: a USD 750 million PerpNC10.5 Sustainable Benchmark Hybrid

Key highlights:

- On the back of an extensive roadshow announced and executed in September 2023, where more than 150 investors were met, the African Development Bank (AfDB), rated Aaa (Moody's) / AAA (S&P) / AAA (Fitch) / AAA (Japan Credit Rating), successfully launched and priced on 30th January 2024, a Sustainable US dollar-denominated 750 million perpetual subordinated hybrid capital notes, at an initial 5.75% coupon until August 2034, with a 10.5 year first call date at AfDB's discretion
- With this ground-breaking transaction, the African Development Bank continues to spearhead innovation to optimize its balance sheet, and is fully aligned with the recommendations of the G20 for MDBs to boost their lending capacity
- AfDB achieved a top quality and granular orderbook with over 275 investors of which over 190 were allocated. **Investor demand** was very strong with a peak orderbook of USD 6 billion +. (8 times oversubscribed). Hedge / Specialised funds took the lion's share of the allocation (54.8%), followed by Asset Managers (27.8%), Central Banks and Official Institutions (6.7%), Pension Funds / Insurance (6.6%) and Banks / Private Banks (4.1%). Demand came mainly from the UK (51.1%), followed by EMEA (26.5%), Asia (14%) and Americas (8.4%)
- BNP Paribas and Goldman Sachs acted as Joint Structuring Agents
- Joint Lead Managers for the new issue were Barclays, BNP Paribas, BofA Securities and Goldman Sachs International

Hybrid capital: an innovative form of capital which increases sustainable lending capacity

- It is expected that the Notes will receive equity content of 100% by Fitch, Moody's and S&P, and will be treated as 100% equity under the IFRS accounting rules. They will also be accounted for as 100% equity using the AfDB's own internal capital adequacy metrics
- The Notes are perpetual and have a fixed rate coupon of 5.75% payable annually with a reset mechanism on the first reset date in August 2034 and every 5 years thereafter at a reset rate equal to the prevalent 5-year US Treasury + 157.5 bps. AfDB has the option to redeem all of the Notes on the first reset date and every reset date thereafter (every 5 years) and on any day during the 3-month period preceding each reset date. The Notes may also be redeemed upon a rating methodology or accounting event or at any time pursuant to a substantial repurchase event
- Coupon payments are discretionary and must be mandatorily cancelled in case the ratio of total assets to paid-in capital and reserves exceeds 7.5x. If, on any interest payment date, any payment of interest is not made as a result of an optional or a mandatory interest cancellation, AfDB shall not make any discretionary payments to shareholders until the interest payment due on any subsequent interest payment date is made in full. The Notes are subordinated and subject to a full and permanent principal write-down in the event a call on callable capital is made
- The Notes will be issued in a Sustainable Bond format, under the Bank's 2023 Sustainable Bond Framework and will be leveraged through new green or social bonds
- As a new component of the African Development Bank's capital base, the Sustainable hybrid capital will allow additional lending capacity to fund environmental and/or social projects



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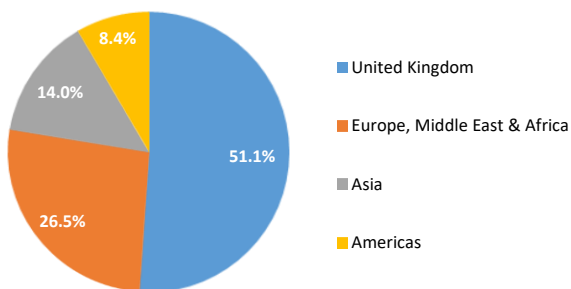


Hassatou Diop N'Sele, Vice President for Finance and Chief Financial Officer of the AfDB Group: “This landmark transaction was received with marked enthusiasm by a broad range of investors. It paves the way for the African Development Bank and other AAA-rated Multilateral Development Banks to further leverage their capital base and increase their support to Africa and the developing world, who are facing multiple crises and long-term development challenges, in a context of constrained development resources.”

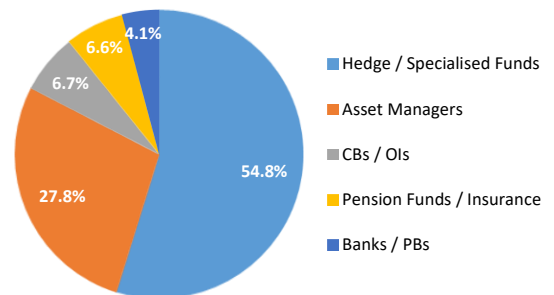
Omar Sefiani, Treasurer of the AfDB Group: “We saw tremendous interest from over 275 investors resulting in a record order book for the AfDB. The outstanding success of this transaction allows the African Development Bank to demonstrate that MDBs can tap the private investor market to supplement their capital base and therefore allow incremental sustainable lending to their clients.”

Investor Distribution:

Geographic Investor Breakdown



Investor Type Breakdown



Transaction Execution:

- On the 12th September 2023, the African Development Bank, rated Aaa (Moody's, stable) / AAA (S&P, stable) / AAA (Fitch, stable) / AAA (Japan Credit Rating Agency, stable), mandated BNP Paribas and Goldman Sachs International as Joint Structuring Agents & Joint Global Coordinators, and Barclays, BNP Paribas, BofA Securities and Goldman Sachs International as Joint Bookrunners to arrange a series of global fixed income investor calls and meetings. The roadshow met spectacular reception with more than 150 investors involved across the globe (US, UK and across Europe)
- Given the volatile market conditions since the roadshow in September 2023, the Bank decided to wait for a stable backdrop and a supportive execution window
- On the 29th January 2024, AfDB announced the mandate for a new PerpNC10.5-year inaugural USD Global SEC-exempt Benchmark Sustainable Hybrid Capital transaction, expected to be rated AA- by S&P
- Following strong Indications of interest (IoIs) of USD 3 billion gathered overnight, the issuer decided to open the books with Initial Pricing Thoughts (IPTs) at 6.375% area (annual coupon) at 8:09am UKT



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- The orderbook continued to grow throughout the European morning, with investor demand approaching USD 4.9 billion by 11:42am UKT, which allowed the AfDB to revise the guidance at 6.000% area +/-0.125% (annual coupon). The issuer announced the closing of books at a peak size of USD 6 billion + at 12:00 UKT for EMEA/Asia and 10:00 EST for Americas
- At 14:49pm UKT, the high quality orderbook allowed the issuer to set the spread at 5.750% (annual coupon), and the transaction was launched with a size of USD 750 million
- At 17:23 UKT, the transaction officially priced with an annual coupon of 5.750% (equivalent to 5.675% semi-annual) corresponding to a final spread of US Treasuries + 157.5bps (interpolating UST 15/11/2033 & UST 15/11/2043)



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