

MENA's First Sovereign Green Bond Sees Strong Demand For Egypt.

Egypt leads the first issuance of sovereign green bonds in the Middle East and North Africa

Minister of Finance says, "We succeeded in issuing the first green bond offering worth USD 750 million for 5-Year Maturity"

The strong order book on Egypt international green bonds offering for the first time in its history reflects the growing investors' confidence in the economic conditions in Egypt

Remarkable investors' demand enables reducing interest by 50 basis points compared to the opening prices.

Strong orderbook exceeded the announced issuance size (~7.4x oversubscription) and exceeded the "acceptable size" (~5x oversubscription).

For the first time, this pricing was inside the fair value by 12.5 Bps (negative new issue premium)

Egypt aims to finance eco-friendly projects to achieve sustainable development

Cairo, September 29, 2020.

The Ministry of Finance succeeded to issue the first sovereign green bond offering in the Middle East and North Africa, with size of \$ 750 million for 5- year maturity, at 5.250%, which places Egypt on the map of sustainable financing.

Dr. Mohamed Maait, Minister of Finance, confirmed that this issuance witnessed a strong demand from investors, as orderbook exceeded the announced issue size "\$500 million" by 7.4 times, and the accepted size "\$750 million" by 5 times.

The deal attracted new base of investors in Europe, the United States of America, East Asia and the Middle East at rates: 47%, 41%, 6% and 6%, respectively. By investor type, Asset Managers acquired the bulk of the issue with 77% followed by Pension Funds & insurance (9%) and Bank Treasuries & Private Banks (8%), who are classified as high-quality investors because of their long-term retention of investments.

The minister explained that the meaningful participation to the government sovereign green bond offering, announced from Cairo, reached more than 3.7 billion dollars, which allowed Egypt to employ an aggressive price tightening of 50 basis points from opening prices (IPTs) announced at the beginning of the offering process. Reflecting the intensive demands on international green bonds that Egypt is offering for the first time in its history, and the growing investor confidence in the current and future economic, financial and monetary conditions, along with Egypt commitment to the sustainable development goals.

By the end of the offering, Ministry of Finance was able to issue "5 Year maturity" at 5.25% comparing with opening price of 5.75% in addition to that Egypt successes to tighten price till reaching negative issue premium of 12.5 basis points (Egypt First time to achieve such a level of price tightening). Moreover, this coupon is the lowest among all 5 Year maturity coupons since 2016.

Minister of Finance confirmed that the proceeds of the "green bond" will finance eco-friendly green projects expenditures resulting in achieving a sustainable development goals in the fields of clean transportation, renewable energy, pollution prevention & control , climate change adaptation , energy efficiency, and sustainable water and wastewater management , in light of Egypt Vision 2030, which gives priority to green investment projects.

The minister said: "We are pleased to join the group of sovereign green bond issuers that play a leading role in green development, and we value the magnificent

investors' participation for this millstone issuance, which demonstrates their support and confidence in the government's efforts of diversifying financing need and achieving the sustainable development goals.”

He highlighted the success of the offering process with no need for investor Deal Roadshow due to the circumstances of travel restrictions due to the Covid-19 pandemic, as the Ministry of Finance team conducted many meetings, via video conference calls, with the largest and most significant green 30 investors (ESG), and international investment funds prior to the issuance process. In order to inform them of the latest developments in economic performance and responding to their inquiries about Egypt green bond framework, the latest indicators, and also inform them of the precautionary measures taken by the government to deal with the "pandemic", more than 100 investors have seen the presentation (IP) via net roadshow that was dedicated to pre-marketing.

Ahmed Kouchouk, Vice Minister for Financial Policy and Institutional Reform, indicated that it was agreed with the World Bank to provide technical assistance to prepare and issue the required annual reports on the uses of the proceeds as well as impact reports expected for eligible projects, in line with the principles of green bonds of the International Capital Markets Association «ICMA». To ensure transparency and disclosure in accordance with international practices.

He elaborated that this issuance backs to Egypt in diversifying the investor base (as this offering witnessed the participation of unprecedented 16 new investors in bond issuances denominated in USD, highlighting the progressing success to diversify & widen the current large investor base) in line with the green bond market growing global trend, furthermore the appetite of many countries towards such initiatives for financing eco-friendly projects, which represents Egypt kick off to benefit from sustainable financing tools, as the volume of global green investment is expected to reach USD 175 to 225 billion according to Moody's expectations by the end of 2020, pointing out that this issuance grants a good opportunity to encourage sustainable growth, with Egypt taking the lead in the green investment community in the region and the potential for creating a green bond benchmark price for the private sector.