Issuer Perspective

SCI's 4th Annual Capital Relief Trades Seminar 16 October 2018

Mizuho International plc

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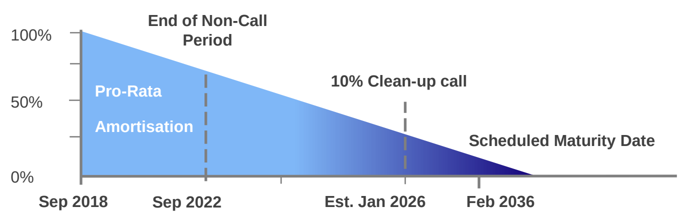
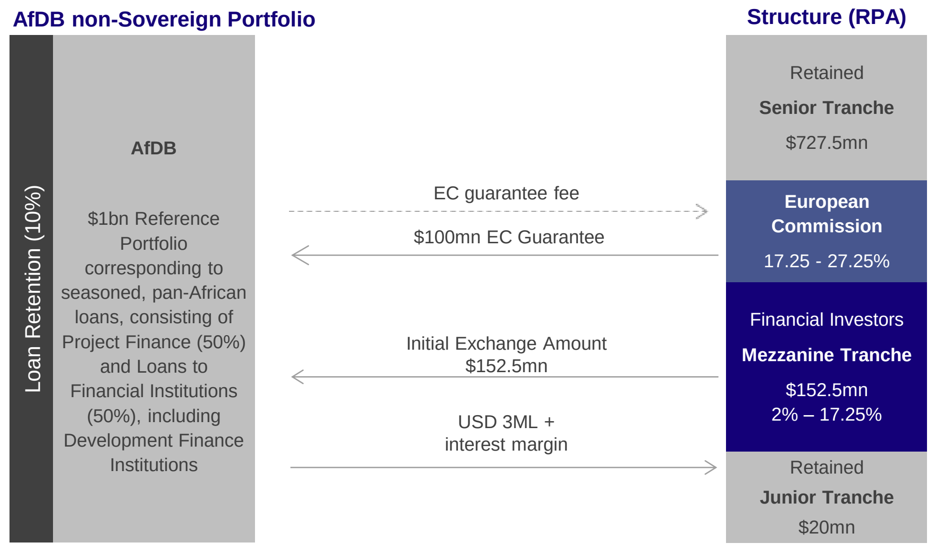
Room2Run: AfDB SRT of Financial Institution & Project Finance Loans

Transaction Highlights

- On 18th September the Africa Development Bank (AfDB) priced a Synthetic Securitization with two private investors to provide, via a Risk Participation Agreement (RPA), mezzanine credit protection up to $152.5mn, corresponding to a 2% to 17.25% private tranche. At the same time, the European Commission (EC) has approved to provide protection through an unfunded guarantee of approx. $100mn (EUR-denominated), corresponding to the 17.25% to 27.25% public tranche with an expected execution prior to 31 Dec 2018. AfDB will retain 0% to 2% (junior tranche) and 27.25% to 100% (senior tranche) of the portfolio
- The objective of Room2Run is to achieve a reduction in excess of 65% of the Risk Weighted Assets (RWAs) of the portfolio, to free up capital and to redeploy this capacity to finance renewable energy projects in Africa
- AfDB is placing the private tranche to two investors, the International Infrastructure Finance Company II ("IIFC II"), a fund managed by Mariner Investment Group, LLC ("Mariner"), and to Africa50. Mariner (through IIFC II) will serve as the anchor investor, purchasing 80% of the private tranche
- To mitigate counterparty risk associated with the Synthetic Securitization, each private tranche investor will transfer the full notional amount of the respective protected tranches in USD to AfDB (the "Initial Exchange Amount"). This is accomplished via the fully collateralized RPA. The public tranche is an unfunded guarantee provided by the EC (rated AA/Aaa/AAA by SP/Moody's/Fitch)
- In turn, AfDB will pay interest to the private tranche and a guarantee fee to the EC, upon the respective Effective Dates
- Protection is provided against standard credit events: failure to pay, bankruptcy and restructuring



Structure Overview



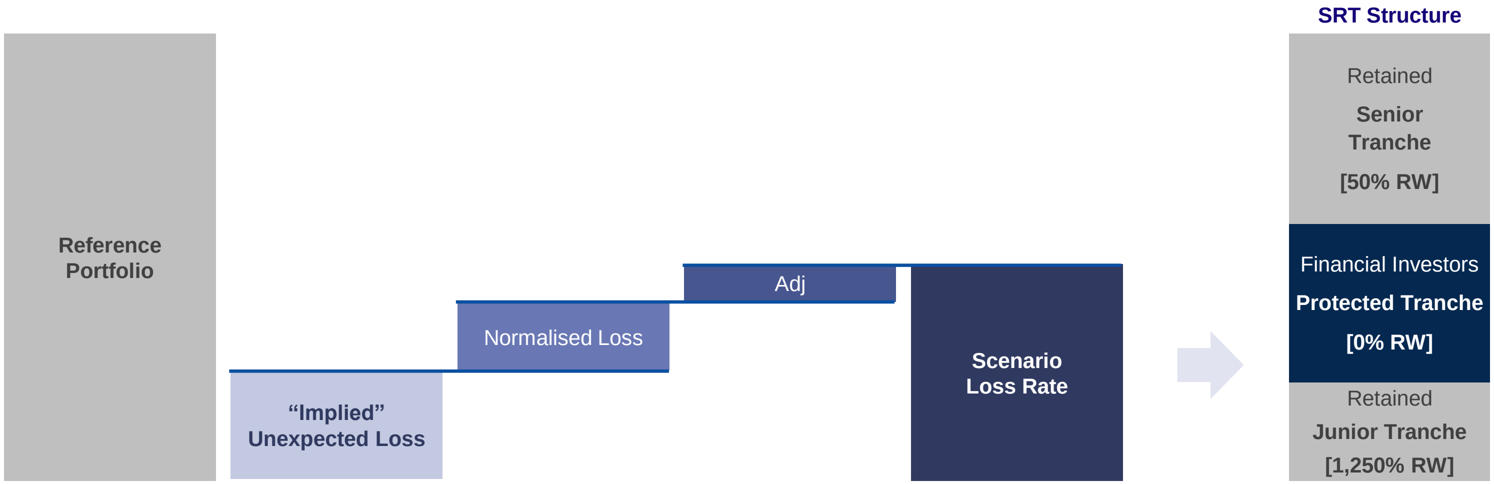
Tranche	Size	Attach – Detach	Placed / Retained
Senior	$20mn	27.25% – 100%	AfDB Retained
EC (Unfunded)	**$100mn**	**17.25% – 27.25%**	**Expected Execution before 31 Dec 18**
Mezzanine (Funded)	**$152.5mn**	**2% – 17.25%**	**Placed**
Junior		0% – 2%	AfDB Retained

Transaction Timeline

- Pricing Date – September 2018
- Initial Portfolio Composition Date – 31 August 2018
- Effective Date –September 2018
- EC Effective Date – December 2018 (est.)
- Scheduled Maturity Date – February 2036

Standard and Poor's: Framework Overview

- S&P utilises the Risk-Adjusted Capital Framework that is used for all Financial Institutions as the basis for assessing an SRT transaction. The framework uses the Risk Adjusted Capital, RAC ratio as the measure of capital adequacy
- The RAC ratio is risk weight based and the relevant risk weight factor for each asset is based on the country and industry, with risk weights of securitisation positions based on ratings. Utilising the RAC framework, the "unexpected loss" (UL) of the portfolio is derived which is used to calculate the pre-SRT RWA of the reference portfolio . The capital is converted into RWA of the portfolio by multiplying it by a factor (typically 12.5)
- S&P's approach is based on deriving a Scenario Loss Rate (SLR) for a single-A environment of the portfolio, which is the basis for the tranching of the transaction. The protected tranches need to detach above the SLR, with the retained senior tranche receiving a risk weight equivalent to a securitised position with an equivalent 'A' rating
- The SLR is then computed as the sum of the UL and the Normalised Loss (NL), which is the weighted average normalised loss rates of the portfolio for predetermined number of years (typically 3 years)



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