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**NEWS RELEASE**

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**JCR has assigned ratings on the following notes issued by**

**African Development Bank**  
**" AAA (Triple A) /Stable"**

**<Description of notes>**

Issuer: African Development Bank

Issues	Rating	Outlook
14 Senior Notes (details of the rated notes is as per attached sheet on page 3)	AAA	Stable

**<Rationale>**

The ratings reflect the strong support that the African Development Bank (the Bank) draws from its members, particularly the industrialized countries, its solid capital base and sound financial position resulting from prudent operations and conservative risk management, and the “preferred creditor status” that it enjoys.

The rating outlooks are stable. This is based on JCR’s view that the Bank will maintain its strong capital structure and solid capital base with the continued support of its members.

**(1) Strong support from member countries, particularly the industrialized countries, and solid capital base**

The Bank plays a crucial role in promoting the socio-economic development of African countries and its operations are strongly supported by its member countries. The principal operations are to provide sovereign governments in the regional member countries with loans, guarantees, equity investments and technical assistance. In recent years, the Bank has been actively contributing to several important development initiatives, including debt relief through the HIPC’s (heavily indebted poor countries) initiative in coordination with other multilateral development banks (MDBs), the New Partnership for Africa’s Development (NEPAD) initiative and the Water Supply and Sanitation initiative. In addition, the Bank is expanding its activities related to the development of the private sector, including institutional capacity building and other services designed to help make the environment in the regional member countries more conducive to an efficient conduct of private businesses. As a result, the Bank’s private-sector loans outstanding at the end of September 2004 had grown to account for 6.2% of its total lending.

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The Bank has a solid capital base. As of September 30, 2004, its authorized capital stood at UA21.87 billion (US\$32 billion), or nearly twice as much as its total assets. Almost 40% of the subscribed capital was pledged by non-regional member countries, in particular industrialized countries, most of them being member of OECD. In addition, the Bank like other MDBs, enjoys a “preferred creditor status.”

**(2) Sound financial position backed by prudent operation and conservative risk management**

The Bank adheres to sound banking principles and operates strictly in accordance with its conservative regulations on lending, borrowing, liquidity and gearing ratios. It had satisfied all these requirements as of September 30, 2004. With regard to asset portfolio, investments which consist of various financial instruments including government obligations, corporate bonds, time deposits, asset-backed securities and derivatives increased from UA 3,918 million as at 30 September 2003 to UA 4,253 million as of September 30, 2004. Investments are made of securities rated AA minus and above and are managed in strict compliance with the Bank’s approved internal risk management framework. Loan portfolio, which is on the decrease due to loan pre-repayment, is well diversified both country-wise and industry-wise and its risk profile is improving moderately. The outstanding balance of nonperforming loans decreased considerably following implementation of an arrears clearance mechanism in 2002 for the Democratic Republic of Congo (DRC) whose nonperforming loans constituted more than half the total balance. However, the Bank continues to retain DRC loans in non-accrual status in line with its conservative policies. DRC continues to service its loans in accordance with the terms of the arrears clearance mechanism.

On the other hand, the Bank’s risk-bearing capacity (that consists of loan-loss provisions, reserves and paid-in capital) covers more than three times of no-accrual loans and over 90% of the net total loans. Thus, its financial position has never been healthier and its risk-bearing capacity is sufficient enough to meet expanding operations in the private sector in future.

**(3) Low yet stable earnings**

The Bank’s level of profitability is comparable to other MDBs and remains stable enough to sustain and strengthen its financial ability to provide development assistance. Net income before IAS 39 adjustment for the nine months ended September 30, 2004 amounted to UA145 million (US\$213 million), up a hefty 93% from the amount for the same period the year before. This was due in part to increased revenues both from net interest and investment and due in part to a net reversal of loan-loss provisions and a decrease in administrative costs even including the additional expenses relating to the temporary relocation of the Bank’s headquarters.

Due to the socio-political unrest in Abidjan where it is headquartered, the bank has temporarily transferred its operations to Tunis since May, 2003. Although there has been an increase in administrative expenses as a result of the relocation, its impact on earnings has been kept marginal. The temporary relocation period in Tunis has been extended by one year. At this point in time, the Bank is due to continue its operation in the Tunis at least till 2006.

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