

*This Analysis provides a discussion of the factors underpinning the credit rating/s and should be read in conjunction with our Credit Opinion. The most recent ratings, opinion, and other research specific to this issuer are provided on Moody's.com. [Click here to link.](#)*

August 2006

Contact	Phone
<b><i>Paris</i></b>	
Sara Bertin	33.1.53.30.10.20
<b><i>London</i></b>	
Tristan Cooper Aurélien Mali	44.20.7772.5454
<b><i>New York</i></b>	
Vincent Truglia	1.212.553.1653

## African Development Bank

### Rating Rationale and Structure

The Aaa/Prime-1 ratings assigned to the African Development Bank (“the AfDB” or “the Bank”) primarily reflect the Bank’s healthy capital position and strong support from its member countries, which include highly rated non-regional members. The ratings are also sustained by the AfDB’s preferred-creditor status.

The AfDB has consistently remained well within its internal borrowing capacity and lending ceilings, which are reflected in the healthy capital adequacy and liquidity ratios. Its indicators of risk-adjusted assets are on par with or compare favourably to those of other Aaa-rated multilateral institutions such as the World Bank, the Inter-American Development Bank and the Asian Development Bank.

Moody’s believes that these strengths more than compensate for the Bank’s overall challenging African political and economic environment. Furthermore, since 1995, the Bank only lends to Africa’s most highly rated countries; the rest of the continent has access to the concessional resources from the African Development Fund as described below.

#### **Structure**

The AfDB Group consists of the AfDB and two concessional windows, the African Development Fund (ADF) and the Nigerian Trust Fund (NTF).

- The AfDB was created in 1964 as a regional, multilateral development bank. Its primary objective is to promote sustainable economic growth to reduce poverty in its 53 regional member countries (RMCs). As at year-end 2005, the subscribed capital of the AfDB amounted to \$30.9 billion.
- The ADF, established in 1974 as the soft lending window of the Bank Group, is primarily financed by the 24 non-African countries that are shareholders of the AfDB, including Canada, Japan, the USA and 14 European countries.<sup>1</sup> It focuses on the 38 low-income RMCs, which are unable to borrow under the AfDB’s window. The ADF is periodically replenished by participants on a three-year basis.

1. These European countries are Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

- The NTF is a special fund created in 1976 by agreement between the Bank and the Government of Nigeria to provide development financing, on terms intermediate between those of the AfDB and those of the ADF, primarily to the low-income RMCs. As at 31 December 2005, total NTF resources amounted to almost \$600 million. Nigeria has requested the Bank to initiate steps for the orderly winding up of the NTF after its thirty year term ended in April 2006. Currently, discussions between the Bank and Nigeria are going on at the highest levels on options for continued collaboration in this context.

### ***Recent developments and strategy***

The Bank aims to run its activities so as to maximise its contribution towards enhancing development and reducing poverty in the African continent. In addition to its core activities, the Bank Group participates in diverse initiatives, such as the Heavily Indebted Poor Countries (HIPC) debt relief initiative<sup>2</sup>, NEPAD (New Partnership for Africa's Development) and initiatives in the water sector. It is also involved in projects aimed at enhancing governance.

- In September 2004 the AfDB's Board approved a decentralisation programme entailing the opening of 25 offices throughout the African continent. The objective is to improve the Bank's field presence, thus allowing it to better fulfil its mandate. Currently, 16 offices are operational. The remaining nine should become fully operational by the end of 2007.
- On 21 July 2005 during an extraordinary meeting of the Board of Governors in Tunis, Donald Kaberuka was elected the seventh President of the AfDB for five years starting on 1 September 2005. Previously Rwanda's Finance Minister for eight years, he replaced Omar Kabbaj, who had successfully led the Bank for the previous 10 years. In October 2005, President Kaberuka launched the Task Force for Institutional Reforms (TFIR), for proposing structural reforms enhancing the effectiveness of the Bank. Accordingly, changes in the organizational structure of the Bank with the overarching goal of enhancing development effectiveness and delivering better results for regional member countries, together with parallel improvements in human resources and business processes, are being currently phased-in. The new organization structure of the Bank, which includes a strengthened office of the Chief Economist and focus on operations activities, including those for infrastructure and regional integration, became effective from 1 July 2006.

## **Capital Adequacy and Gearing Ratios**

---

### ***Ratings reflect healthy capital adequacy and strong membership support***

The key factor underpinning AfDB's Aaa rating is the support that the Bank enjoys from highly rated member countries. Such support has been repeatedly demonstrated by the willingness and ability of both regional and non-regional shareholders to meet the Bank's capital replenishment needs to support the expansion of its operations. In their interpretation of the revision to the International Accounting Standard (IAS) 32 which became effective in 2005 AfDB's external auditors believed that the Bank's capital should be reported on the balance sheet as liabilities and not equity as it has always been reported since the creation of the Bank. This decision did not form part of the rating rationale as Moody's evaluates the support of the member countries according to their willingness to step in, rather than the accounting treatment of members' subscription. Moreover, the International Accounting Standards Board (IASB) has proposed amendments to the rule that was at the source of the difference in opinion between the Bank and the external auditors.

Further evidence of membership support is the conclusion in December 2004 of the tenth replenishment of the African Development Fund (ADF-X), covering the 2005-2007 period. A total of \$5.4 billion is to be made available for new loan and grant commitments over the 2005-2007 period. The ADF's operations in agriculture, rural development, water supply and sanitation represented 42% of its lending in 2005. Its cumulative total of loans and grants amounted to \$21.5 billion at the end of 2005.

The structure of the Bank's subscribed capital – consisting of 10% as paid-in and the balance as callable capital<sup>3</sup> – is similar to that of the other multilateral financial institutions. Callable capital far exceeds (3.5 times) the stock of borrowings outstanding, which reached US\$8.5 billion at the end of 2005. It is also a multiple of debt service obligations due over the next five years. The ratio of usable equity to risky assets continued to increase, reaching 103% at year-end 2005 from 60% in 2000. This means that the Bank's usable capital<sup>4</sup> is sufficient to fully cover all of the loans rated

---

2. The HIPC initiative, sponsored by the AfDB, the World Bank, the International Monetary Fund (IMF) and the donor community, provides debt relief to the countries that demonstrate a commitment to maintaining sound macroeconomic performances and debt service payment.

3. Callable capital is the unpaid portion of the Bank's subscribed capital subject to call from its members in the event of a need to meet its obligations on borrowed funds or for guarantees chargeable. The Bank has never made a call on capital.

4. The useable capital is the sum of the general reserves, the net income, the capital paid in and provisions.

below investment grade. The total amount of loans, guarantees and equity investments is limited to 100% of subscribed capital, reserves and net income. At the end of 2005, this ratio was 23.7% compared to 30% in 2000. All these ratios illustrate the ongoing improvement in the Bank's financial profile.

The AfDB's conservative provisioning policy forms part of an integrated framework of prudent credit management policies that supports the Bank's ratings. This policy has been regularly updated, including provisioning for loan losses, both to keep up with the best international practice and to conform to the International Financial Reporting Standards (IFRS). By the end of 2005, accumulated provisions on loan and equity reached \$561 million, corresponding to \$1 billion of loans in arrears for six months and above. Risk capital, a measure of risk-bearing capacity, is projected to grow by an average of 2-3% per year, and the utilisation of risk capital is projected to remain at levels between 50% and 60%, with a moderate increase anticipated for the coming years following a sharp decrease in the past five years due mainly to loan prepayments.

In addition to its conservative capital adequacy position, the Bank's bondholders are well protected by its prudent leverage ratios. Currently the Bank uses two leverage ceilings linked to its callable capital:

- Total debt must not exceed 80% of the total callable capital.
- Total senior debt must not exceed 80% of the callable capital of non-borrowing member countries.

At the end of 2005, these ratios were 30.1% and 61.1%, respectively, compared to 23% and 41.7% at year-end 2002.

Moreover, like other multilateral banks, the Bank Group is developing its co-operation and co-financing with Bretton Woods institutions, UN specialised agencies and bilateral agencies so as to both reduce risks and catalyze financing into Africa. In 2005, the Bank Group contributed \$825 million to a total of \$4.55 billion raised through co-financing; 32% of this was financed by both the World Bank and the IMF. This implies a leverage of more than 4 times the Bank Group's resources.

## **Asset Composition and Quality**

---

### ***Portfolio's growth mainly driven by non-sovereign lending***

Through its financial performance and risk-bearing capacity, the AfDB is able to offer efficient lending terms to its borrowers. Following five years of contraction, the Bank's loan portfolio has been growing again since 2004. It is expected to grow by an average of 5% per year, mainly driven by non-sovereign lending.

The Bank's total lending and grant operations, including HIPC, amounted to \$1.2 billion in 2005 compared to \$2.4 billion in 2004. In 2005 approvals were at similar levels to 2003, when debt relief approvals under HIPC were significantly lower. The Bank manages, as do the other MDBs, a trade-off between maximising its development impact and maintaining its long-term financial soundness.

### ***Sovereign lending focuses on creditworthy eligible borrower countries***

According to the AfDB's current credit policy, the Bank's lending activities are restricted to borrowers with the highest creditworthiness. Currently, only the 15 most highly rated African countries are eligible to borrow from the Bank, while the remaining 38 African countries can obtain development assistance from the African Development Fund, the Bank Group's concessional window.

Among the AfDB eligible countries, several are still comfortably below their AfDB borrowing limits, which are set at 15% on a risk-adjusted basis of the Bank's maximum sustainable portfolio. In this context, the Bank has been able to increase its lending to the most creditworthy of its borrowers by devising and offering innovative and more competitive financial products.

### ***The implementation of arrears clearance initiatives has contributed to reduce the stock of arrears***

In 2002, the Bank approved an internationally coordinated mechanism to help the Democratic Republic of Congo (DRC) to come into the mainstream of development by clearing its arrears to the Bank Group. Thus, the stage was set for the country to fully re-engage with the development community and gain further support for its reconstruction efforts. In 2004, the Bank approved another internationally coordinated mechanism (the Post-Conflict Country Facility - PCCF) to clear the arrears of eligible post-conflict countries to the Bank Group. Under this mechanism, the arrears of two eligible countries were successfully cleared. As a result of these arrears clearance initiatives, the stock of arrears to the Bank declined drastically from 61.9% of paid-in capital in 2001 to 31% in 2005. However, Moody's still expects the stock of loans in arrears for six months or more, to remain relatively more or less at its current level (\$1 billion) in 2006.

## ***The implementation of HIPC initiative has contributed to further improve the quality of the loan portfolio***

The HIPC initiative has led to an improvement in the credit quality of the Bank's loan portfolio by forcing countries to remain current on their debt service payments. It has also greatly decreased the risk the Bank faces from doing business in Africa. Nevertheless, this initiative is far from over given that only 14 of 32 highly indebted poor African countries had reached HIPC completion point by the end of May 2006. An additional 11 countries are currently between completion point and decision point and the remaining seven African countries have not yet reached decision point, being either conflict-affected or post-conflict countries.

Under the Multilateral Debt Relief Initiative (MDRI), donor communities, including the Group of 8 major industrial countries, agreed to a proposal for certain multilateral creditors (including ADF) to cancel 100 percent of their claims on countries that have reached or will reach the completion point under the enhanced HIPC initiative. To maintain the financial integrity of ADF, donors would make additional contributions to ADF over time to match "dollar for dollar" the foregone principal and service charge payments to the Fund. Although it is too early to know how this initiative will affect the lending trend of the AfDB Group, it is expected to lead to a write-off of the debt of 33 African countries to the multilateral and bilateral creditors including the ADF. Nonetheless, Moody's thinks that debt cancellation could lead to an increase of moral hazard risk.

## **Risk Management**

---

Moody's views the African Development Bank as capable of withstanding the impact of adverse socio-political and macroeconomic conditions in its member countries. The level of the Bank's arrears and non-performing loans may fluctuate due to socio-political and macroeconomic developments in the region. However, we believe that the AfDB's structure and its financial condition are sufficiently robust to withstand such changes without impairing its ability to meet its commitments to bondholders in a timely manner. For example, in our view, the Bank would be able to withstand the impact of its two largest borrowing countries, namely Tunisia and Morocco, falling into non-performing status.

The Bank is exploring various ways in which it could enhance its impact on development in Africa through the strategic use of its net income. One option would be to develop innovative schemes aimed at assisting post-conflict countries in clearing their arrears, as was achieved in the case of DRC<sup>5</sup> and under the PCCF. The Bank has developed an internal sovereign and non-sovereign credit risk rating framework that differs from (but has some correspondence to) the rating scales of rating agencies. Based on this framework, the Bank determines ratings that are calibrated against expected losses. Because of changes in IFRS, the Bank had to update its provisioning policy from an approach based on expected loss to one based on incurred loss. Accumulated provisions decreased by almost \$77 million in 2004 after reclassification. The incurred loss provisioning rules under IFRS will tend to increase the volatility in provisions, especially if the country default status changes.

The Bank's capital adequacy policy establishes a cushion against a maximum level of unexpected losses. The capital adequacy framework is the tool used currently by the bank for strategic decisions.

## **Borrowing and Liquidity**

---

The AfDB has been able to diversify its investor base by addressing more fully the needs of investors and to lower its funding costs to levels comparable with those of other multilateral financial institutions. At year-end 2005, the borrowing portfolio, through private placements and public bond issues in various currencies, amounted to \$8.5 billion. The maturity profile of the borrowing portfolio stood at 7.5 years. The Bank's issuances in 2005 included a ZAR900 million and a US\$500 million bond issues as well as a bond in Botswana pula. The Bank's issuances in local currency are carried out in close cooperation with the governments concerned. They are consistent with the Bank's strategy to help developing African capital markets and eliminate the exchange rate risk for the Bank's local borrowers. These transactions will be governed by the Bank's risk management guidelines.

The Bank maintains a prudent liquidity policy. In recent years, the AfDB has been fine-tuning its liquidity policy, which is based on a prudential minimum level of liquidity. The prudential minimum liquidity level is computed every quarter based on the AfDB's one-year probable cash flow requirements as the sum of four components: the following year's net loan disbursement and debt service requirements, the loans' equivalent value of signed guarantees, and undisbursed equity investments. Due to substantial loan prepayments that occurred in recent years, liquidity has recently reached historically high levels. In 2005, liquid assets represented 88% of outstanding borrowing, which is almost twice the 2000 level.

---

5. The mechanism aimed at clearing DRC's arrears and consolidating the amount due in a restructured 20-year loan that maintained the net present value of the constituent loans was also designed to safeguard the preferred-creditor status of the Bank and to minimise the risk of moral hazard. The initiative resulted in a substantial reduction in the arrears of the Bank, 60% of which was due to DRC arrears.

## Earning Trends and Profitability

At year-end 2005, the AfDB's net income amounted to about \$316 million. The Bank applies the IFRS for its financial accounting reporting. In 2005, the bank implemented certain revised and new financial reporting standards applicable to its activities. As a result of the application of the revised and new standards and in compliance with the requirements of IFRS, the 2004 net income figure was restated; increasing the previously reported net income of \$166 million by \$56 million to \$222 million. Also, in compliance with the revised standards, the concept of non-accrual of income on non performing loans was abolished. Consequently, an amount of about \$1.116 billion of previously non-accrued loan income – including a \$643 million B-loan to the Democratic Republic of Congo, previously treated off-balance sheet – was brought on-balance sheet and recognised in the financial statements. IFRS changes will reduce the volatility of loan income from now onwards. In 2004, total reserves increased by \$1.085 billion and net assets by \$1.119 billion also as part of the restatement resulting from the last year implementation of the revised and new IFRS.

Prepayments of loans by borrowers amounted to about \$2.3 billion between 2002 and 2005, reflecting the worldwide low interest rate environment. The pace of prepayment decreased in 2005. We expect it to stabilise in 2006. Prepayment may stall as the pool of loans likely to be prepaid diminishes and worldwide interest rates start to rise. The AfDB's 2006 operating income is still expected to be strong — around \$250 million given that the Bank's net interest margin has been reasonably well protected over the previous years despite market volatility.

In recent years, operating income has been generally allocated as follows: one-third to increase the general reserves and two-thirds to boost allocations to development priorities, which include the ADF and the HIPC Trust Fund. With the attention Africa is receiving in the world community, the Bank is expected to remain at the forefront of development efforts in the continent.

In 2005, the AfDB adopted the revised International Financial Reporting Standards (IFRS) for the recognition and measurement of financial instruments (i.e. derivatives). Under IAS 39, which the bank first adopted in 2001, derivative instruments must be recorded on the balance sheet and stated at fair value, i.e. marked-to-market. Prior to 2001, non-trading derivatives were reported as off-balance sheet items at their fair value. The AfDB uses non-trading derivative instruments – mostly interest rate and currency swaps – as part of its asset and liability management in order to reduce risk and lower costs. As a matter of operating policy, the AfDB does not trade these derivatives, holding them instead to maturity, thereby avoiding any trading losses over the life of these instruments.

Given that IFRS accounting rules, in particular IAS 39 on the reporting of fair value for derivative instruments, may increase volatility in reported net income, a condition that could create a mismatch and therefore distort conclusions about the underlying financial performance of MDBs, Moody's credit opinions of MDBs emphasise fundamental analysis based on accounting figures that do not include the impact of the fair valuation of derivative instruments attached to borrowings that are themselves not fair-valued.

## Rating History Senior Unsecured

Action	Date	Long-Term Issuer Rating
Rating assigned	12/21/1994	Aaa

## Related Research

---

### **Special Comments:**

[A Guide to Moody's Sovereign Ratings, August 2006 \(98177\)](#)

[A Quantitative Model for Local Currency Government Bond Ratings, September 2003 \(79404\)](#)

[A Quantitative Model for Foreign Currency Government Bond Ratings, February 2004 \(81176\)](#)

### **Rating Methodologies:**

[Piercing the Country Ceiling: An Update, January 2005 \(91215\)](#)

[Revised Foreign-Currency Ceilings to Better Reflect Reduced Risk of a Payments Moratorium in Wake of Government Default, May 2006 \(97555\)](#)

[The Local Currency Deposit Ceiling, August 2006 \(98554\)](#)

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

## Related Websites

---

### **African Development Bank**

<http://www.afdb.org/>

*MOODY'S has provided links or references to third party World Wide Websites or URLs ("Links or References") solely for your convenience in locating related information and services. The websites reached through these Links or References have not necessarily been reviewed by MOODY'S, and are maintained by a third party over which MOODY'S exercises no control. Accordingly, MOODY'S expressly disclaims any responsibility or liability for the content, the accuracy of the information, and/or quality of products or services provided by or advertised on any third party web site accessed via a Link or Reference. Moreover, a Link or Reference does not imply an endorsement of any third party, any website, or the products or services provided by any third party.*

# African Development Bank

Key Financial Statement Statistics (US\$ Mils.) [1]	1998	1999	2000	2001	2002	2003	2004	2005
<b>Balance Sheet Summary</b>								
<b>Assets</b>	<b>13,267</b>	<b>13,134</b>	<b>11,939</b>	<b>11,796</b>	<b>11,837</b>	<b>15,635</b>	<b>16,760</b>	<b>16,581</b>
Liquid Assets	2,010	1,722	2,424	2,720	2,803	6,245	6,956	7,468
Gross Loans	9,520	9,309	8,554	8,126	8,113	8,340	8,760	7,879
Gross Equity Investments	199	235	233	224	247	271	249	241
Net Loans	9,026	8,778	8,005	7,505	7,445	7,643	8,137	7,318
Other	1,537	1,869	728	727	673	780	1,419	1,553
<b>Liabilities</b>	<b>8,935</b>	<b>8,695</b>	<b>7,484</b>	<b>7,112</b>	<b>6,457</b>	<b>9,634</b>	<b>10,156</b>	<b>10,323</b>
Borrowings	7,582	7,168	7,015	6,549	6,057	8,587	8,757	8,490
Other	1,353	1,527	470	563	400	1,047	1,398	1,833
<b>Capital and Reserves</b>	<b>4,332</b>	<b>4,439</b>	<b>4,455</b>	<b>4,685</b>	<b>5,380</b>	<b>6,001</b>	<b>6,605</b>	<b>6,257</b>
Paid-in Capital	2,697	2,666	2,602	2,611	2,889	3,222	3,438	3,235
Cumulative Exchange and Currency Adjustments	-744	-744	-713	-727	-811	-887	-955	-217
Total Reserve (of which)	--	--	--	--	--	--	3,396	3,239
Reserves	1,730	1,814	1,856	1,903	2,302	2,768	3,272	2,350
Net Income	142	156	143	253	307	174	223	316
Loan and Equity Loss Provisions	508	547	567	645	693	724	624	561
<b>Capital Structure Summary</b>								
<b>Total Subscribed Capital</b>	<b>22,375</b>	<b>22,976</b>	<b>26,772</b>	<b>27,008</b>	<b>29,243</b>	<b>32,043</b>	<b>33,542</b>	<b>30,924</b>
Less Total Callable Capital (CC)	<b>19,610</b>	<b>20,264</b>	<b>24,144</b>	<b>24,375</b>	<b>26,341</b>	<b>28,802</b>	<b>30,089</b>	<b>27,681</b>
(CC of Aaa/Aa Countries)	6,014	7,083	6,731	9,061	9,802	10,713	11,197	10,293
(CC of Investment Grade Countries)	6,951	8,067	7,667	11,647	12,599	13,836	14,461	12,732
+/- Net Overdue or Prepaid Subscriptions	-69	-46	-25	-23	-13	-18	-15	-8
<b>Equals Paid-in Capital</b>	<b>2,697</b>	<b>2,666</b>	<b>2,602</b>	<b>2,611</b>	<b>2,889</b>	<b>3,222</b>	<b>3,438</b>	<b>3,235</b>
Less Non Negotiable Instruments Rcvd Not Yet Due	119	103	79	79	79	62	48	37
Plus/minus Cum. Exchange Adjust. on Subscription	-444	-442	-165	-163	-193	-216	-229	-217
Less Paid-in Capital in Non-convertible Currency	162	158	150	145	157	171	179	165
Plus reserves and Net Income	2,079	2,215	2,018	2,236	2,684	2,995	3,396	3,239
<b>Equals Usable Equity</b>	<b>4,050</b>	<b>4,178</b>	<b>4,226</b>	<b>4,461</b>	<b>5,145</b>	<b>5,768</b>	<b>6,378</b>	<b>6,056</b>
<b>Loan Portfolio Summary</b>								
Approved Loans	18,269	18,684	17,837	17,794	20,269	23,211	24,833	24,869
Less Undisbursed Balance	2,959	3,076	2,470	2,288	2,283	2,678	2,361	2,658
<b>Equals Disbursed Loans</b>	<b>15,311</b>	<b>15,608</b>	<b>15,368</b>	<b>15,506</b>	<b>17,986</b>	<b>20,532</b>	<b>22,472</b>	<b>22,211</b>
Less Repayments	5,790	6,299	6,815	7,381	9,873	12,193	13,712	14,332
<b>Equals Loans Outstanding</b>	<b>9,520</b>	<b>9,309</b>	<b>8,553</b>	<b>8,126</b>	<b>8,113</b>	<b>8,340</b>	<b>8,760</b>	<b>7,879</b>
<b>Income Statement</b>								
<b>Gross Income</b>	<b>758</b>	<b>729</b>	<b>690</b>	<b>717</b>	<b>666</b>	<b>636</b>	<b>705</b>	<b>710</b>
Income on Loans	642	632	562	555	556	480	497	460
Income on Investments	98	82	117	152	101	148	192	222
Other	18	15	11	9	9	8	16	28
<b>Gross Expenses</b>	<b>600</b>	<b>560</b>	<b>538</b>	<b>559</b>	<b>410</b>	<b>371</b>	<b>481</b>	<b>394</b>
Interest and Financial Expenses	510	473	443	439	352	326	306	310
Unrealized net gains on non-trading derivatives	--	--	--	--	--	--	--	34
Provisioning for Loan and Equity Investment Losses	46	40	51	75	5	-29	79	-21
Administrative Expenses	39	42	39	38	44	67	58	60
Other	5	5	5	7	9	7	11	11
<b>Net Income</b>	<b>158</b>	<b>169</b>	<b>152</b>	<b>158</b>	<b>257</b>	<b>265</b>	<b>224</b>	<b>316</b>

[1] From 2004, all figures are restated for compliance with IFRS.

## African Development Bank

Key Financial Ratios [1]	1998	1999	2000	2001	2002	2003	2004	2005
<b>Performance Statistics (%)</b>								
Return on Total Assets	1.2	1.3	1.2	1.4	2.1	1.9	1.4	2.0
Return on Earning Assets	1.4	1.5	1.4	1.5	2.3	2.0	1.4	2.1
Return on Equity [1]	3.7	3.9	3.5	3.5	4.9	4.5	3.5	5.1
Interest on Loans/Loans Outstanding	6.7	6.7	6.5	6.8	6.6	5.7	5.6	5.8
Interest Coverage Ratio (x)	1.3	1.4	1.3	1.4	1.7	1.8	1.7	2.0
Loans in Non-accrual as % of Paid-in Capital	49.9	50.5	81.1	61.9	40.1	54.8	31.6	31.0
<b>Capital Adequacy Ratios (%)</b>								
Usable Equity as % Risk Assets	49.9	53.6	60.0	68.0	80.0	90.6	96.8	102.9
Usable Equity + CC of Aaa/Aa Members as % Total Loans Outstanding	105.7	121.0	128.1	166.4	184.2	197.6	200.6	207.5
Usable Equity + CC of Aaa/Aa Members as % Risk Assets	123.9	144.4	155.5	206.2	232.5	259.0	266.8	277.8
Usable Equity + CC of IG Members/Risk Assets	135.5	157.0	168.7	245.7	276.0	308.0	316.3	319.3
<b>Liquidity Ratios (%)</b>								
Liquid Assets (incl. Special Reserve)/Total Assets	15.2	13.1	20.3	23.1	23.7	39.9	41.5	45.0
Liquid Assets (incl. Special Reserve)/Total Borrowings	26.5	24.0	34.6	41.5	46.3	72.7	79.4	88.0
Liquid Assets (excl. Special Reserve)/Undisbursed Loans	54.8	43.2	82.7	102.4	122.8	233.1	294.7	280.9
<b>Coverage of Debt Service (%)</b>								
Liquid Assets as % CMLTD plus Interest Paid	123.7	162.6	190.3	116.0	273.0	424.7	500.0	569.5
Liquid Assets + Net Income + Interest Paid as % CMLTD + Interest Paid	164.8	223.3	237.0	141.5	332.3	464.9	538.1	617.3
Liquid Assets + Net Income + Interest Paid as % Interest Paid	525.2	499.6	682.2	755.2	970.0	2094.9	2445.9	2608.7
<b>Maturity Distribution of Outstanding Borrowings (% of Total)</b>								
CMLTD	14.7	8.2	11.8	29.1	11.1	13.3	12.4	11.8
One Year to Two	6.6	8.8	24.4	5.3	13.7	7.4	7.3	5.9
Two to Four	32.5	36.0	12.8	11.4	16.6	11.6	24.5	25.3
More than Four Years	46.2	49.9	50.9	54.2	59.1	69.2	63.0	57.1

[1] From 2004, all figures are restated for compliance with IFRS.

**Capital Subscriptions and Voting Power (as of December 31, 2005)**

Regional Member Countries	Per Cent of Total	Subscribed Capital (UA millions)			Voting Power Per Cent of Total
		Total	Callable	Paid-In	
Nigeria	9.12	1,972.374	1,754.094	218.280	9.01
Egypt	5.15	1,115.323	991.370	123.953	5.11
Côte d'Ivoire	3.73	806.130	708.820	97.310	3.66
Algeria	3.83	829.431	737.600	91.831	3.80
Libya	3.67	793.501	707.978	85.523	3.66
Morocco	3.34	722.680	640.660	82.020	3.33
Zimbabwe	2.18	470.644	417.221	53.423	2.18
Ghana	2.28	493.795	441.751	52.044	2.16
Ethiopia	1.60	346.858	308.310	38.548	1.61
Others	25.14	5,439.469	4,843.246	596.223 arrears 5.902	25.56
<b>Total Regional Developing Member Countries</b>	<b>60.04</b>	<b>12,990.205</b>	<b>11,551.050</b>	<b>1,439.155</b>	<b>60.06</b>
<b>Non-Regional Member Countries</b>					
United States	5.99	1432.2	1,295.949	136.265	6.57
Japan	5.49	1187.1	1,074.450	112.695	5.42
Germany	4.13	893.7	806.570	87.168	4.09
Canada	3.76	814.1	734.730	79.406	3.73
France	3.76	814.1	734.730	79.406	3.73
Others	16.83	3,504.773	3,169.520	335.253	16.41
<b>Total Non-Regional Countries</b>	<b>39.96</b>	<b>8,646.142</b>	<b>7,815.949</b>	<b>830.193</b>	<b>39.94</b>
<b>Grand Total</b>	<b>100.00</b>	<b>21,636.347</b>	<b>19,366.999</b>	<b>2,269.348</b>	<b>100.00</b>





To order reprints of this report (100 copies minimum), please call 1.212.553.1658.  
Report Number: 98821

<u>Authors</u>	<u>Editor</u>	<u>Associate Analyst</u>	<u>Production Associate</u>
Sara Bertin Aurélien Mali	Justin Neville	Aurélien Mali	Tara Cheparev

© Copyright 2006, Moody's Investors Service, Inc. and/or its licensors and affiliates including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.** All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at [www.moody.com](http://www.moody.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

This credit rating opinion has been prepared without taking into account any of your objectives, financial situation or needs. You should, before acting on the opinion, consider the appropriateness of the opinion having regard to your own objectives, financial situation and needs.