

Credit Analysis

Moody's Global Sovereign

September 2009

African Development Bank

Rating Rationale and Outlook

Moody's rates the African Development Bank (AfDB or the Bank) Aaa/Prime-1, with a stable outlook. The Bank's ratings, the highest possible on Moody's global scale, reflect its robust capitalisation and sound risk management framework, which are further buttressed by the proven support it receives from its government shareholders. These strengths offset the low average credit quality of its loan portfolio, which results from the challenging regional environment in which it operates.

The Bank is in the process of deploying more extensively its SDR 12.6 billion¹ balance sheet, increasing substantially lending to both sovereign and private sector counterparties. This results in part from the implementation of a strategy, elaborated in past years, of supporting more actively private sector projects across the continent. It also flows from the Bank's response to the global economic and financial crisis, which has seen it developing new instruments to provide emergency liquidity assistance to its clients, and to compensate for the retreat of international commercial banks from the region.

These developments will add to the riskiness of the Bank's loan portfolio, which is already its main credit challenge. The AfDB's percentage of impaired assets, at 4.5% at end-March 2009, remained unusually high for a multilateral development bank, despite its steady decrease over the past years. According to the Bank's internal rating scale, the weighted average quality of its development-related assets is equivalent to B1 on Moody's global rating scale, a lower level than most of its peers.

A risky asset structure does not, however, threaten the ability of the Bank to service its own debt. The AfDB's solid credit is supported by robust capitalization, ample liquidity buffers, and a sound risk management framework. These not only offset the existing risks the Bank carries on its balance sheet, but create substantial headroom risk-bearing capacity for further expansion of the Bank's lending, at least in the short term.

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¹ Data at end-2008.

This Credit Analysis provides an in-depth discussion of credit rating(s) for African Development Bank and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



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Crucially, the Bank's own resources are buttressed by the support it receives from its shareholders, in particular highly-rated, non-regional governments. The role assumed by the Bank during the crisis highlights indeed the value it represents to all its members, as a financing vehicle that supports their development objectives in Africa. Shareholder support takes the form of callable capital, but has also been demonstrated in the past by subsequent capital increases. A new general capital increase is currently under discussion. This would allow the AfDB to fully implement its expansion strategy, even under the most severe scenarios, without stretching its risk-bearing capacity beyond a level consistent with its Aaa rating.

Organisational structure

The African Development Bank is a multilateral financial institution created in 1964. Its statutory objective is to promote sustainable economic growth and reduce poverty in Africa.

The Bank is formally located in Abidjan but, because of political instability in Côte d'Ivoire, has been operating since 2003 from a temporary relocation site in Tunis (Tunisia).

The African Development Bank is one constituent of the African Development Bank Group, which includes also the African Development Fund (established in 1972) and the Nigeria Trust Fund (established in 1976). The three entities of the group complement each other as follows:

- The African Development Bank is the non-concessional window of the Group. It finances projects through loans (to sovereign or private sector counterparties) and equity investments. It also provides technical assistance. The Bank can only extend loans to only 15² out of the 53 sovereign governments of Africa, but can extend loans to private sector counterparties across the continent.
- The African Development Fund (with a SDR 5.8 billion balance sheet at end-2008) is the concessional window of the Group. It finances projects in low-income African countries in the form of non-interest bearing loans and grants. Countries eligible for sovereign loans from the Fund are normally not eligible to borrow from the Bank³. The Fund's resources come from periodic contributions by donor governments (all but two – South Africa and in the past Botswana – being non-African).
- The Nigeria Trust Fund is a comparatively very small fund (SDR 288 million at end-2008) that extends concessional loans, and is funded by a contribution from the Government of Nigeria.

Moody's ratings apply solely to the African Development Bank and not to other entities of the Group.

The membership structure of the African Development Bank, which initially included only African governments, was opened up in 1982 to allow participation of non-regional governments. These newer members contribute to the capital of the Bank, but are not eligible to borrow from it. The Bank currently has 77 shareholders, 53 of which are regional (i.e. African) governments, the other 24 being mostly highly-rated governments from the OECD and the Middle-East⁴. Regional members account for 60% of the capital of the Bank, non-regional shareholders for the remaining 40%.

The balance of participation between regional and donor countries is reflected in its governance structure. The highest decision-making body of the Bank is the Board of Governors, which includes one representative per member country. Decisions in the Board of Governors require a two-third majority (or 70% should any member require so). As each member's number of votes is based on the share of that member in the capital stock of the Bank, the voting rule ensures that any significant decision requires support by both regional and non-regional members.

The Board of Governors elects a Board of Directors, which is responsible for overseeing the Bank's operations. The Board of Directors is composed of 12 representatives elected by regional countries, and 6

² Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Nigeria, Seychelles, South Africa, Swaziland, Tunisia and Zimbabwe.

³ With the exception of Nigeria and Zimbabwe, eligible to borrow from both windows.

⁴ Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, the Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

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representatives elected by non-regional countries. Decisions in the Board of Directors equally require a two-third majority (or 70% if expressly required by a member) of votes, weighed by the share of capital of the members represented by each Director.

The Bank has been led since September 2005 by Donald Kaberuka, formerly minister of finance and economic planning in Rwanda.

Strategy and Recent Developments

In 2006, Donald Kaberuka launched a strategic review of the activities of the African Development Bank. The conclusions of this review, which have been taken forward by the governing bodies of the Bank, will result in substantial changes to its balance sheet, especially when combined with the increased demand for funds that the Bank faces in a crisis environment.

A main conclusion of the review was to underline the importance of the private sector as a driver for growth in Africa. In April 2008, the Board of Directors of the African Development Bank agreed on the contours of a medium-term strategy that foresaw a substantial increase in non-concessional lending operations (at a compounded rate of 14% per annum over five years), driven by lending to private sector borrowers domiciled across the continent, not only in the 15 countries eligible for sovereign loans. This medium-term strategy implies a reversal of the multi-year decline in the stock of loans outstanding that had taken place until 2006. Approvals of loans and equity investment for private sector projects accounted for half the total amount of approvals at SDR 0.9 billion in 2008. This was close to the SDR 1 billion recorded in 2007 and approximately four times the levels prevailing in previous years.

Also contributing to the more extensive deployment of the Bank's balance sheet is the decentralisation policy that has led the AfDB to establish 23 field offices across the continent. These local offices improve the Bank's ability to identify potential borrowers, to accelerate the pace of disbursements of approved loans and to more closely monitor the performance of the assets it finances.

A second driver of the current increase of the Bank's assets is the extraordinary demand for funds that is a consequence of the crisis. As a number of commercial banks have reduced the amount of funding available to their African customers, the AfDB has emerged as a substitute source of liquidity. The African Development Bank has accordingly developed several new instruments, in particular: (i) an emergency liquidity facility, for an amount up to USD 1.5 billion (SDR 974 million), to provide bridge financing to existing clients (particularly financial institutions) with a fast-track approval process; And (ii) a trade finance initiative, for an amount up to USD 1 billion (SDR 650 million) to supplement shrinking funding by commercial banks in this area. In addition, the Bank has faced increased demand from eligible sovereign governments for large loans for budget support (Botswana, where the Bank's USD 1.5 billion loan will be used to fund capital expenditure) or for government-guaranteed infrastructure development. The Bank may still be called upon as a resilient source of finance by other governments. That would result in a lesser rebalancing of the Bank's portfolio in favour of private sector exposure than is assumed under the Bank's medium-term strategy.

All in all, the Bank's balance sheet, which had increased only moderately up to 2008 (with a 4% increase in total assets and a 5% increase in development-related assets in that year), is set to expand much more substantially in 2009 and beyond. Its medium-term projections foresee project approvals of approximately SDR 3.5 billion annually over the next two years and approximately SDR 3.3 billion per annum by 2013. Under the scenario, which we now consider less likely, of a drawn out crisis where the pace of calls on its resources by its clients did not abate, it envisages that approvals may remain as high as SDR 4.5-5 billion p.a. over the period 2010-2013. This compares with a stock of loans and equity investments of SDR 6 billion at end-2008. The Bank's current capital resources are not sufficient to fully accommodate such a scenario while preserving its capital adequacy.

From a credit perspective, the effect of the crisis on the Bank is twofold. On the one hand, it forces the Bank to absorb more risk on its balance sheet and could lead to a (relative) deterioration of its credit metrics. On the other hand, it underlines the value of the Bank to its members as a contingent source of liquidity and as a supplementary source of finance capable of counteracting the potentially recessionary impact of the

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international commercial banks' retreat from the continent. This value of the Bank to its members underpins the support that they provide to it, which is a key rating factor.

From this perspective, it is noteworthy that the question of a general capital increase was raised at the conference of African ministers of finance and central bank governors in Tunis in November 2008, and has since been taken forward by the governing bodies of the Bank. This sixth capital increase, once completed, would alleviate the constraint mentioned above. It is also noteworthy that the discussions on the periodic replenishment of the resources of the African Development Fund by donor countries might be frontloaded, which would testify to donor government support to the whole African Development Group and to its development objectives.

Profitability

The African Development Bank generated an income, before distribution, of SDR 305 million in 2008, roughly in line with the performance of 2007 (SDR 324 million). The Bank's operational income would, however, have been substantially lower if not for one-off write-backs on provisions, following the clearance of arrears by Côte d'Ivoire (see section on asset quality and composition). Write-backs contributed SDR 163 million to the Bank's performance. New provisions for impairments on investments and equity holdings, on the other hand, reduced income by SDR 57 million.

Net income, after distribution approved by the Board of Governors, was SDR 47 million. This is substantially lower than in 2007 and reflects unusually large transfers that were approved in May 2008. The African Development Bank, like most multilateral development banks, does not distribute dividends to shareholders. Its profits are allocated either to the reserves or to fund various development initiatives (which can be seen as a form of 'social dividend', but is reported as expenses in the Bank's statement of income). In 2008, the Board of Governors of the African Development Bank opted to skew allocation in favour of development initiatives, doubling the amount of these transfers relative to the average of the past few years. Of the SDR 257 million thus distributed, SDR 109 million were awarded to the African Development Fund. The Bank also allocated SDR 62 million to post-conflict assistance to the Democratic Republic of Congo, in line with its commitments towards this country. The remainder was divided between several initiatives, including the funding of the Highly Indebted Poor Countries initiative, which provides debt relief to poorer governments.

It is important to note that a high level of distribution of profits has the effect of slowing down the growth of the Bank's capital base, which otherwise takes place through allocation of net income to reserves. In 2008, a comparatively low level of retained earnings, a higher level of net expenses recognized in equity, and a reduction in fair value gains on available-for-sale financial instruments resulted altogether in a fall of the total value of reserves from SDR 2.53 billion to SDR 2.48 billion and of the Bank's usable capital, as calculated by Moody's, from SDR 4.59 billion to SDR 4.55 billion.

A larger than usual distribution of income that results in a reduction of the Bank's capital base would normally be assessed negatively from a credit perspective. In Moody's opinion, however, the increased distribution of income to lending initiatives responds to member demands for deploying the Bank's resources more intensively to further its development mandate. It can therefore contribute to strengthening the support from which the Bank benefits from its shareholders. In Moody's view, such actions are ultimately more critical to the rating (especially in an environment where a capital increase is under discussion) than profitability per se.

Going forward, the level of income of the Bank may be affected negatively by a rise in its cost of funding, in line with that experienced by other multilateral development banks in 2009. Such a development is expected to have only minimal impact on the revenue associated with development loans (whose interest rates are linked to the Banks' borrowing costs) but may impact on the cost of carry of treasury assets funded by debt. However, since these currently account for only a marginal amount, Moody's does not expect the impact on profitability to be substantial.

The other factor that may negatively affect the profitability of the Bank in coming years would be a deterioration of its asset performance, in a context where (i) the Bank is meaningfully expanding the size of its loan portfolio (which by itself will support income) and simultaneously (ii) the economic environment of Africa

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could be deteriorating. Like most other MDBs, the AfDB is not a profit-maximising institution, and as a consequence its financial strength relies less on its ability to generate earnings over time and more on the capital endowment provided by shareholders. Moody's does not, therefore, expect that lower profitability would meaningfully endanger the African Development Bank's Aaa rating. However, it would mean that the Bank is not in a position to expand its capital base through its own resources and that it may at some point require fresh capital from its shareholders to support its more ambitious lending strategy.

Capital Adequacy

The solid capitalisation of the African Development Bank is a key factor underpinning its Aaa rating, especially in view of the relative riskiness of its loan portfolio. Capital adequacy features strongly in Moody's assessment of the credit quality of multilateral development banks.

The African Development Bank exhibits robust capitalisation at two levels. First, its own resources (paid-in capital and reserves) are sizeable in relation to its risky assets. Second, these resources are buttressed by contingent resources in the form of callable capital, a substantial part (37%) of which is owed by highly-rated, non-regional countries.

The Bank's subscribed capital amounts to SDR 21.9 billion, of which only 10.8% is actually paid-in. Net of cumulative exchange adjustments on subscription and subscriptions paid in non-convertible currencies, the amount of paid-in capital effectively usable is SDR 2.1 billion. This is complemented by the Bank's reserves, built up over time through retained earnings, which amount to SDR 2.5 billion. Overall, therefore, the African Development Bank's usable capital totals SDR 4.6 billion. This is equivalent to 78% of all the Bank's loans outstanding, but a full 95% of all its risk assets (defined as loans in non-investment grade countries and equity participations). In other terms, the Bank's own resources cover almost entirely its current exposure in non-investment grade countries.

When assessing the level of capitalisation of multilateral development banks, Moody's takes account of callable capital in addition to the amount paid-in. Callable capital is a full faith and credit obligation of Member States towards the Bank, but we assume that the likelihood that this obligation is honoured varies depending on the credit quality of each government. Accordingly, Moody's calculates 'enhanced' capital ratios incorporating only callable capital owed by governments rated Aa3 and above. In the case of the African Development Bank, this includes 18 governments, all non-regional (which implies that none is a borrower from the Bank), which together account for 37.3% of the Bank's subscribed capital.

The sum of the AfDB's usable capital and callable capital owed by governments rated Aa3 and above amounts to SDR 11.8 billion. This is equivalent to twice the total amount of development-related assets of the Bank, and 248% of its risk assets. On this measure, the level of capitalisation of the African Development Bank is similar to that of other major Aaa-rated multilateral banks such as the World Bank or the Asian Development Bank. In absolute terms, the coverage of risk assets by sound capital is very high and provides considerable protection to bond holders against even the most severe scenarios.

Going forward, however, capital adequacy is likely to deteriorate as the Bank absorbs larger amounts of risk on its balance sheet (as discussed in the earlier section on strategy and recent developments). This is illustrated by the AfDB's illustrative projections of its own capital ratios as described below.

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The African Development Bank operates under a self-imposed capital adequacy framework, which combines (i) prudential limits on the amount of outstanding loans (weighted by risk class according to the Bank's internal rating scale) in relation to usable capital and (ii) limits on the amount of its own borrowings in relation to different aggregates of capital. The internally-prescribed limit on borrowing is expressed as follows:

- Total debt cannot exceed 100% of usable capital (AfDB definition, i.e. equity and reserves plus callable capital owed by countries rated Aa2 and above). Again, at end-2008 the ratio was 60%, well within the Bank's limits.

In July 2009, the Board of Directors of the AfDB decided to change the Bank's definition of usable capital, to also encompass callable capital owed by countries rated down to A3. This relaxes somewhat the third prudential limit listed above and effectively provides the Bank with about SDR 1bn of additional borrowing capacity. Had this change not taken place, the ratio of debt to usable capital would likely have constrained quickly the development of the Bank's activity, reaching its limit by 2013 (under the assumptions underpinning the medium-term strategy) and possibly as early as 2010 (under the assumption of a drawn out crisis).

Moody's does not consider the relaxation of this particular prudential ratio as a major source of concern. Subject to the Bank maintaining adequate liquidity, the size of its borrowing is not in itself a rating constraint. What may, on the other hand, emerge as a rating constraint in coming years is the availability of sufficient capital buffers to fully shelter debt holders from losses that the Bank may face on its assets.

At end-2008, the Bank's risk capital utilisation rate (49%) was still well inside its prudential limit (100%). Under the assumptions underlying the Bank's medium-term strategy, however, it is expected to breach the limit by 2015. Taking into account the assumptions of extra lending that could take place if the crisis were drawn-out, the limit could be reached as early as 2012.

These projections illustrate the tensions that are likely to emerge over time between the AfDB's level of capitalisation and its expansion plans. Moody's, however, does not expect these tensions to generate a meaningful threat to the Bank's Aaa rating. The African Development Bank operates under stringent capital adequacy rules and Moody's does not expect the Bank to relax the more meaningful rules (on utilisation of risk capital) to accommodate the expansion of its balance sheet. The AfDB has revised its internal capital adequacy framework, with a view to better adjusting capital charges to the level of risk entailed by each exposure. The new framework relies however on the same prudent principles that had previously underpinned its activity.

Moody's expects therefore that the envisaged expansion of the balance sheet of the Bank will only fully take place (beyond the headroom currently available) if the capital increase under discussion materialises. Moody's assessment of the impact of such a capital increase on the Bank's risk-taking capacity will depend both on the magnitude of the capital increase and on the amount that is being actually paid-in, as opposed to taking the form of callable capital (since Moody's does not typically include in its capital adequacy ratios the 63% of callable capital owed by regional governments and lower-rated non-regional members). One scenario envisaged is that of a trebling of the Bank's subscribed capital, with 6% of the capital increase being paid-in. This would result, all other things being equal, in a 56% increase of the Bank's total equity (paid-in capital and reserves) and a 150% increase of the sum of usable capital and callable capital from highly-rated members (Aa3 and above). Under such a scenario, Moody's considers that the Bank would be able to accommodate fully its current ambitious expansion plans while maintaining robust capital adequacy consistent with its Aaa rating.

Liquidity and Funding

Moody's attaches particular importance to liquidity in the credit assessment of multilateral development banks, because these institutions (with the exception of the European Investment Bank) are not eligible to the emergency liquidity facilities offered by central banks to commercial banks. In a hypothetical scenario where its access to the market would be entirely shut down, the African Development Bank could only count on its

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own liquid resources to meet its obligations, at least until such point where contractual shareholder support materialises⁵ (i.e. until callable capital is called and paid-in).

The African Development Bank operates under a self-imposed liquidity policy, whose objective is to ensure that it can meet all probable cash flow needs for a rolling 1-year period, without financing from the capital markets. Projected cash flow requirements include debt service payments, net loan disbursements (disbursements minus repayments), the notional value of committed guarantees and the value of undisbursed equity investments. The Bank's liquidity is composed of cash, available-for-sale liquid securities and held-to-maturity investments with a residual maturity not exceeding one year.

The AfDB has systematically maintained, over the years, liquid assets well in excess of its minimum requirements. At end-2008, for example, the AfDB's liquid portfolios totaled SDR 2.7 billion, approximately 2.5 times the minimum required under its policy. Of this total, SDR 1.2 billion was accounted for by cash and deposits, which therefore covered alone the prudential minimum requirement.

The Bank's ratio of available liquidity to required liquidity is susceptible to fluctuations over time, such as a consequence of the role that the Bank has assumed as an emergency provider of finance to regional borrowers in the context of the current crisis. In Moody's view, the African Development Bank's exceptionally robust liquidity position initially even now would allow it to respond to demand for funding by its clients without unduly stretching its resources.

Moody's also notes that the likelihood of a complete loss of market access by the AfDB is remote, in part precisely because of the confidence that its conservative risk management policy inspires. This was evidenced in the autumn and winter of 2008, when the African Development Bank and other multilateral institutions maintained entirely unimpaired access to capital markets, unlike many of their commercial counterparts.

The African Development Bank funds itself through opportunistic issuance in capital markets. Increased lending activity, partly resulting from the Bank's response to the crisis, is mirrored by a substantial increase in borrowing. The overall maturity of the Bank's outstanding debt remains long - 6.5 years at end-2008 - although still considerably shy of the average maturity of its loan book.

The Bank provisionally envisaged funding operations to amount to SDR 2.5 billion in 2009, approximately twice the amount raised in 2008. Funding has been frontloaded substantially. In view of disbursement requirements, and so as to ensure that the Bank's liquidity remains sufficient, borrowing plans are likely to be revised upward during the remainder of the year. Moody's does not expect the AfDB to face particular impediments to the execution of its issuance programme, although, as indicated earlier, its cost of issuance has increased in line with that of other supranational institutions.

Asset & Liability Management

The African Development Bank follows sound and conservative principles in the management of its asset/liability position, similar to its peer multilateral development institutions. The Bank's approach to risk management is underpinned by the principle that its risk-bearing capacity should be geared towards supporting its development-related operations, which implies that other financial risks it faces (market risk, counterparty risk and operational risk) should be minimized. Liquid assets are invested conservatively. Counterparty risk in its treasury operations is mitigated by counterparty selection and by collateralisation of exposure arising from derivative contracts. Currency risk is mitigated by the Bank's policy of matching the currency composition of its lending and borrowing, and of matching the currency composition of its net assets to that of the Special Drawing Right. The Bank also requires borrowers to service their loans in the currencies in which they are disbursed. Interest rate risk is mitigated by matching the interest rate characteristics of each class of assets with those of the corresponding liabilities.

⁵ The procedures involved in releasing the capital called by any multilateral development bank may take up to several months to fulfill. In the United States, for example, Congressional approval is required before most of the payment of called capital may take place.

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Asset Quality and Composition

Asset quality is the main, and arguably the only significant, credit challenge of the African Development Bank. This results from the weak economic and financial environment in which it operates. Of the 53 African countries in which the Bank can operate and of the 15 governments to which it can extend sovereign loans, only four (Botswana, Mauritius, South Africa and Tunisia) have achieved investment grade status.

The AfDB has developed its own rating scale, on a scale of 1 to 10, where 1 is the highest quality (encompassing all investment grade credits). On this scale, the weighted average risk rating of its development-related loans is 2.8, broadly unchanged from 2007. This is approximately equivalent to a rating of B1 on Moody's global scale.

Going forward, the quality of the portfolio will be subject to different influences. Large new lending to relatively highly-rated borrowers such as the government of Botswana can improve the weighted average credit indicators. As this represents new lending as opposed to substitution of existing credit, it does not, however, reduce the actual amount of risk carried by the Bank on its books. Rather, this amount of risk is likely to increase as a consequence of accelerated increase in lending to private sector counterparties, which exhibit, on average, substantially worse creditworthiness than the Bank's sovereign borrowers. At end-2008, 71% of private sector borrowers were deemed by the Bank to have ratings equivalent to B1 or less on Moody's global scale, compared with 30% of its sovereign exposure.

Multilateral development banks usually benefit from enhancement of the credit of their loan books deriving from their status of preferred creditor. In the case of the African Development Bank, this enhancement is comparatively limited, for two reasons:

First, preferred creditor status does not apply to private sector exposure. It refers to the accepted practice whereby sovereign governments generally rank their obligations vis-à-vis supranational institutions senior to other debt obligations. Its value to the Bank could accordingly be more limited if private sector loans increase.

Second, preferred creditor status does not by itself represent a credit insurance. The African Development Bank has experienced several incidences of sovereign borrowers remaining in arrears on their loans for extended periods of time. Incidentally, the Bank, in the context of the revision of its capital adequacy framework, has raised the capital charges it applies to lower-rated sovereign borrowers (Caa1 and below) to account for this risk.

One area of improvement of the Bank's assets results however, precisely, from the clearances of arrears on sovereign loans to Côte d'Ivoire. These amounted at the end of 2008 to SDR 346 million (6% of the Bank's loans). With the assistance of the French government, Côte d'Ivoire has now been able to entirely clear its arrears. This follows similar donor-assisted clearance of arrears by the Central African Republic in 2006, and Liberia and Comoros in 2007. Among sovereign borrowers, only Somalia, Sudan and Zimbabwe still had arrears outstanding at end-March 2009, for a total of SDR 259 million. Private sector loans in default or arrears totaled SDR 16 million. As a consequence of debt relief initiatives funded by donor countries, non-performing loans have decreased to a level of 4.5% of total loans, down from 14% at end-2008, and 20% in 2004.

It is important to note that Moody's does not consider the high level of risk borne by the Bank and the high (albeit improving) ratio of non-performing loans relative to other multilateral banks as a rating constraint. This assessment holds to the extent that the strong capitalisation of the Bank and its careful risk management policies continue to generate sufficient buffers to fully offset these risks to the level of a Aaa rating.

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Rating History

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	Issuer Rating		Senior Unsecured	Outlook	Date
	Long-Term	Short-Term			
Outlook Assigned	--	--	--	Stable	Nov-03
Rating Assigned	--	P-1	--	--	Mar-00
Rating Assigned	Aaa	--	--	--	Dec-94
Rating Assigned	--	--	Aaa	--	Mar-84

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Annual statistics

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Key Financial Statement Statistics (US\$ Mils.) [1]

	2001	2002	2003	2004	2005	2006	2007	2008
Balance Sheet Summary								
Assets	11,796	11,837	15,635	16,760	16,581	18,552	19,093	19,363
Liquid Assets	2,720	2,803	6,245	6,956	7,468	9,361	8,571	7,961
Gross Loans	8,126	8,113	8,340	8,760	7,879	7,960	8,755	8,987
Gross Equity Investments	224	247	271	249	241	179	299	291
Net Loans	7,505	7,445	7,643	8,137	7,318	7,303	8,178	8,651
Other	727	673	780	1,419	1,553	1,709	2,044	2,461
Liabilities	7,112	6,457	9,634	10,156	10,323	11,853	11,653	12,185
Borrowings	6,549	6,057	8,587	8,757	8,490	8,832	9,796	10,331
Other	563	400	1,047	1,398	1,833	3,022	1,857	1,854
Capital and Reserves	4,685	5,380	6,001	6,605	6,257	6,699	7,440	7,178
Paid-in Capital	2,611	2,889	3,222	3,438	3,235	3,465	3,692	3,613
Cumulative Exchange and Currency Adjustments	-727	-811	-887	-955	-217	-234	-253	-248
Total Reserve (of which)	--	--	--	3,396	3,239	3,468	4,001	3,813
Reserves	1,903	2,302	2,768	3,272	2,350	2,519	2,860	2,984
Net Income	253	307	174	223	316	292	511	469
Loan and Equity Loss Provisions	645	693	724	624	561	657	576	336
Capital Structure Summary								
Total Subscribed Capital	27,008	29,243	32,043	33,542	31,040	32,788	34,281	33,525
Less Total Callable Capital (CC)	24,375	26,341	28,802	30,089	27,681	29,241	30,565	29,896
(CC of Aaa/Aa Countries)	9,061	9,802	10,713	11,197	10,293	10,980	11,485	11,205
(CC of Investment Grade Countries)	11,647	12,599	13,836	14,461	12,732	14,131	14,813	14,448
+/- Net Overdue or Prepaid Subscriptions	-23	-13	-18	-15	-8	-4	-3	-3
Equals Paid-in Capital	2,611	2,889	3,222	3,438	3,352	3,543	3,713	3,626
Less Non Negotiable Instruments Rcvd Not Yet Due	79	79	62	48	37	31	24	0
Plus/minus Cum. Exchange Adjust. on Subscription	-163	-193	-216	-229	-217	-234	-253	-248
Less Paid-in Capital in Non-convertible Currency	145	157	171	179	165	173	182	177
Plus reserves and Net Income	2,236	2,684	2,995	3,396	3,239	3,468	4,001	3,813
Equals Usable Equity	4,461	5,145	5,768	6,378	6,172	6,573	7,254	7,014
Loan Portfolio Summary								
Approved Loans	17,794	20,269	23,211	24,833	24,869	27,215	29,756	31,206
Less Undisbursed Balance	2,288	2,283	2,678	2,361	2,658	3,054	2,560	3,928
Equals Disbursed Loans	15,506	17,986	20,532	22,472	22,211	24,161	27,196	27,279
Less Repayments	7,381	9,873	12,193	13,712	14,332	16,201	18,441	18,292
Equals Loans Outstanding	8,126	8,113	8,340	8,760	7,879	7,960	8,755	8,987

[1] Data for 2004 and earlier has not been restated and may not be comparable to data for subsequent years.

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Key Financial Statement Statistics (US\$ Mils.) [1]

	2001	2002	2003	2004	2005	2006	2007	2008
Income Statement Summary								
Gross Income	717	666	636	705	710	859	912	884
Income on Loans	555	556	480	497	460	492	538	542
Income on Investments	152	101	148	192	222	322	366	313
Other	9	9	8	16	28	44	7	30
Gross Expenses	559	410	371	481	394	567	400	415
Interest and Financial Expenses	439	352	326	306	310	422	523	489
Unrealized net gains on non-trading derivatives	--	--	--	--	34	-48	-89	7
Provisioning for Loan and Equity Investment Losses	75	5	-29	79	-21	130	-110	-164
Administrative Expenses	38	44	67	58	60	55	67	72
Other	7	9	7	11	11	7	9	11
Net Income	158	257	265	224	111	82	322	73
Key Financial Ratios								
Performance Statistics (%)								
Return on Total Assets	1.4	2.1	1.9	1.4	0.7	0.5	1.7	0.4
Return on Earning Assets	1.5	2.3	2.0	1.4	0.7	0.5	1.8	0.4
Return on Equity [1]	3.5	4.9	4.5	3.5	1.8	1.2	4.4	1.0
Interest on Loans/Loans Outstanding	6.8	6.6	5.7	5.6	5.8	6.1	6.1	6.0
Interest Coverage Ratio (x)	1.4	1.7	1.8	1.7	1.4	1.2	1.6	1.1
Loans in Non-accrual as % of Paid-in Capital	61.9	40.1	54.8	31.6	30.0	28.5	25.7	11.7
Capital Adequacy Ratios (%)								
Usable Equity as % Risk Assets	65.8	77.1	86.9	93.3	100.8	107.9	103.9	95.3
Usable Equity + CC of Aaa/Aa Members as % Total Loans Outstanding	166.4	184.2	197.6	200.6	209.0	220.5	214.1	202.7
Usable Equity + CC of Aaa/Aa Members as % Risk Assets	199.4	223.9	248.4	257.1	268.8	288.1	268.3	247.5
Usable Equity + CC of IG Members/Risk Assets	237.5	265.8	295.5	304.8	308.6	339.9	315.9	291.6
Liquidity Ratios (%)								
Liquid Assets (incl. Special Reserve)/Total Assets	23.1	23.7	39.9	41.5	45.0	50.5	44.9	41.1
Liquid Assets (incl. Special Reserve)/Total Borrowings	41.5	46.3	72.7	79.4	88.0	106.0	87.5	77.1
Liquid Assets (excl. Special Reserve)/Undisbursed Loans	102.4	122.8	233.1	294.7	280.9	306.5	334.8	202.7
Coverage of Debt Service (%)								
Liquid Assets as % CMLTD plus Interest Paid	116.0	273.0	424.7	500.0	569.5	635.9	303.1	326.3
Liquid Assets + Net Income + Interest Paid as % CMLTD + Interest Paid	141.5	332.3	464.9	538.1	601.6	670.2	333.0	349.3
Liquid Assets + Net Income + Interest Paid as % Interest Paid	755.2	970.0	2094.9	2445.9	2542.3	2337.6	1801.6	1742.2
Maturity Distribution of Outstanding Borrowings (% of Total)								
CMLTD	29.1	11.1	13.3	12.4	11.8	11.9	23.5	18.9
One Year to Two	5.3	13.7	7.4	7.3	5.9	18.5	15.2	17.7
Two to Four	11.4	16.6	11.6	24.5	25.3	30.9	20.2	11.0
More than Four Years	54.2	59.1	69.2	63.0	57.1	38.8	41.1	52.5

[1] Data for 2004 and earlier has not been restated and may not be comparable to data for subsequent years.

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Capital Subscriptions and Voting Power (as of December 31, 2008)

	2001	2002	2003	2004	2005	2006	2007	2008	
	Per Cent		Subscribed Capital						Per Cent
	of Total		Total		Callable		Paid-In	of Total	
(UA millions)									
Regional Member Countries									
Nigeria		8.88		1,931.78	1,709.93	221.85		8.72	
Egypt		5.14		1,118.29	991.37	126.92		5.06	
South Africa		4.56		992.67	909.16	83.51		4.50	
Côte d'Ivoire		3.72		810.08	708.82	101.26		3.67	
Algeria		3.98		865.66	771.08	94.58		3.92	
Libya		3.84		835.96	742.98	92.98		3.79	
Morocco		3.32		722.68	640.66	82.02		3.28	
Zimbabwe		2.03		441.84	396.19	45.65		2.06	
Ghana		2.28		496.24	441.75	54.49		2.26	
Botswana		2.14		466.33	413.41	52.93		2.13	
Others		20.24		4,404.24	3,882.32	521.92		20.92	
						<i>arrears 1.88</i>			
Total Regional Developing Member Countries		60.15		13,085.77	11,607.66	1,478.10		60.31	
Non-Regional Member Countries									
United States		6.44		1,401.54	1,259.30	142.25		6.34	
Japan		5.49		1,194.00	1,074.45	119.55		5.40	
Germany		4.12		896.31	806.57	89.74		4.06	
Canada		3.75		816.48	734.73	81.75		3.70	
France		3.75		816.48	734.73	81.75		3.70	
Others		16.29		3,544.37	3,191.70	352.67		16.48	
Total Non-Regional Member Countries		39.85		8,669.18	7,801.48	867.70		39.69	
Grand Total		100.00		21,754.95	19,409.14	2,345.80		100.00	

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Moody's Related Research

Analysis

- IBRD (World Bank), December 2008 (113644)
- Asian Development Bank, December 2008 (113066)
- Inter-American Development Bank, March 2009 (115306)
- Islamic Development Bank, July 2009 (118689)
- European Investment Bank, February 2009 (114817)
- Nordic Investment Bank, April 2009 (116527)
- European Bank for Reconstruction and Development, August 2008 (111026)
- Council of Europe Development Bank, September 2009 (119231).

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

- The company's website: www.afdb.org

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