

Update

African Development Bank

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+

Outlook

Foreign-Currency Long-Term IDR	Stable
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Financial Data

African Development Bank	31 Dec 09	31 Dec 08
Total assets (XDRm)	17,176.5	12,559.1
Equity (XDRm)	4,733.1	4,648.4
Net income (XDRm)	68.5	47.4
ROA (%)	0.46	0.38
ROE (%)	1.46	1.01
Equity/assets (%)	27.56	37.01
Usable capital/ required capital (x)	11.8	13.0

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Related Research

Applicable Criteria

- [Rating Multilateral Development Banks and Other Supranationals \(March 2010\)](#)

Rating Rationale

- The ratings of African Development Bank (AfDB) primarily reflect the support from its member countries, its strong capitalisation and its conservative risk management policies.
- AfDB's capital is held 53 African countries – representing 60.2% of voting rights – and by 24 non-regional countries, most of which are highly rated OECD countries. Fitch Ratings believes member countries would provide additional support to AfDB if necessary. Support from member countries takes the form of callable capital, amounting to 89.2% of subscribed capital, that can be called in the event of the bank being unable to honour its debt obligations. Willingness of member countries to support AfDB has been evidenced by the 200% capital increase agreed May 2010. However, only 6.0% of fresh capital will be paid-in, the rest being callable. This will reduce the share of paid-in capital to 7.4% of subscribed, and the payments will be spread over eight and 12 years.
- To respond to the rapid increase in financing needs of African countries generated by the global crisis, the AfDB increased its lending massively in 2009 and 2010. Loans disbursements tripled in 2009, and should be at the same level in 2010. The bank's capitalisation, which is among the highest of multilateral development banks (MDBs), markedly declined in the last three years, as reflected by the drop in the ratio of usable capital to required capital to 11.8x in 2009 (2007: 17.4x). The capital increase will considerably improve the bank's lending headroom and allow it to maintain a sustained growth in loan disbursement in the coming years without affecting capitalisation.
- As with other regional MDBs, AfDB's exposure to credit risk is significant. However, following the arrears clearance of Côte d'Ivoire and Liberia, impaired loans have substantially declined in the last two years (3.6% of gross loans in 2009 compared with 10.9% in 2007). The rapid rise in private-sector loans is a concern, as the bank's preferred creditor status only applies to sovereign lending: private-sector exposure reached 21.0% of total at end-2009 (end-2008: 12.2%). Loan concentration is high, with the five largest counterparties accounting for 107.8% of equity at end-2009 (end-2008: 90.9%).
- AfDB's policies regarding management of credit risk, gearing and liquidity are conservative. The 2008 financial crisis had only a limited impact on the bank.

Key Rating Drivers

- The rating Outlook is Stable. Downward pressure on the rating could arise from unexpected weakening in shareholders' support or a marked decrease in the bank's capital adequacy. Fitch deems those changes unlikely in the short to medium term, though the deterioration of the credit quality of certain EU countries raise some doubts on their readiness to respond to a capital call.

Profile

AfDB is an MDB created to assist the economic and social development of African countries. Staffed with 1,654 employees at end-2009, it is headquartered in Abidjan (Côte d'Ivoire), but has been temporarily relocated in Tunis (Tunisia) since 2003.

African Development Bank Balance Sheet

	31 Dec 2009			31 Dec 2008			31 Dec 2007			31 Dec 2006		
	Year End USDm	Year End XDRm	As % of Assets	Year End XDRm	As % of Assets	Year End XDRm	As % of Assets	Year End XDRm	As % of Assets	Year End XDRm	As % of Assets	
	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	
A. LOANS												
1. To / Guaranteed by Sovereigns	9,666.4	6,166.0	35.90	5,331.5	42.45	5,190.4	43.01	4,974.8	40.41			
2. To other public institutions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
3. To Private Sector	2,151.2	1,372.2	7.99	503.1	4.01	349.7	2.90	316.2	2.57			
4. Of which Trade Financing Loans (memo)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
6. Loan Loss Reserves (deducted)	356.5	227.4	1.32	218.3	1.74	364.7	3.02	436.8	3.55			
TOTAL A	11,461.1	7,310.8	42.56	5,616.3	44.72	5,175.4	42.89	4,854.2	39.43			
B. OTHER EARNING ASSETS												
1. Deposits with Banks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
2. Securities held for Sale & Trading	6,622.7	4,224.5	24.59	1,894.1	15.08	2,663.8	22.08	3,455.7	28.07			
3. Investment Debt Securities - (incl. other invest.)	5,114.3	3,262.3	18.99	2,754.4	21.93	2,738.1	22.69	2,641.5	21.46			
4. Equity Investments	367.6	234.5	1.37	188.8	1.50	189.3	1.57	119.1	0.97			
5. Derivatives (incl. Fair-value of guarantees)	1,197.7	764.0	4.45	736.1	5.86	425.3	3.52	273.3	2.22			
TOTAL B	13,302.3	8,485.3	49.40	5,573.4	44.38	6,016.5	49.86	6,489.6	52.71			
C. TOTAL EARNING ASSETS (A+B)	24,763.4	15,796.1	91.96	11,189.7	89.10	11,191.9	92.75	11,343.8	92.14			
D. FIXED ASSETS	17.6	11.2	0.07	11.7	0.09	14.4	0.12	14.3	0.12			
E. NON-EARNING ASSETS												
1. Cash and Due from Banks	499.8	318.8	1.86	592.6	4.72	95.5	0.79	129.3	1.05			
2. Other	1,646.7	1,050.4	6.12	765.1	6.09	765.2	6.34	824.2	6.69			
F. TOTAL ASSETS	26,927.5	17,176.5	100.00	12,559.1	100.00	12,067.0	100.00	12,311.6	100.00			
G. SHORT-TERM FUNDING												
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	-	n.a.	-	0.0	0.00	877.8	7.13			
2. Securities Issues (< 1 Year)	3,605.9	2,300.1	13.39	2,009.2	16.00	2,127.1	17.63	698.0	5.67			
3. Other (incl. Deposits)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
TOTAL G	3,605.9	2,300.1	13.39	2,009.2	16.00	2,127.1	17.63	1,575.8	12.80			
H. OTHER FUNDING												
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
2. Other Borrowings (incl. Securities Issues)	12,981.3	8,280.5	48.21	4,698.1	37.41	4,071.8	33.74	4,480.7	36.39			
3. Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	691.7	5.62			
4. Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
TOTAL H	12,981.3	8,280.5	48.21	4,698.1	37.41	4,071.8	33.74	5,172.4	42.01			
I. OTHER (Non-Int Bearing)												
1. Derivatives (incl. Fair value of guarantees)	747.9	477.1	2.78	360.3	2.87	591.0	4.90	481.9	3.91			
2. Fair value portion of debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
3. Other (Non-Int Bearing)	2,172.4	1,385.7	8.07	843.1	6.71	584.3	4.84	648.9	5.27			
TOTAL I	2,920.3	1,862.8	10.85	1,203.4	9.58	1,175.3	9.74	1,130.8	9.18			
J. GENERAL PROVISIONS & RESERVES	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
L. EQUITY												
1. Preference Shares	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
2. Subscribed Capital	34,203.3	21,817.6	127.02	21,756.7	173.23	21,680.2	179.67	21,742.7	176.60			
3. Callable Capital	-30,504.6	-19,458.3	-113.28	-19,409.1	-154.54	-19,341.6	-160.29	-19,436.7	-157.87			
4. Arrears/Advances on Capital	-280.9	-179.2	-1.04	-174.7	-1.39	-177.6	-1.47	-179.0	-1.45			
5. Paid in Capital (memo)	3,688.5	2,352.8	13.70	2,347.6	18.69	2,338.6	19.38	2,305.9	18.73			
6. Reserves (incl. Net Income for the year)	4,007.7	2,556.4	14.88	2,460.2	19.59	2,498.3	20.70	2,305.5	18.73			
7. Fair-value revaluation reserve	-5.3	-3.4	-0.02	15.3	0.12	33.5	0.28	0.1	0.00			
TOTAL L	7,420.0	4,733.1	27.56	4,648.4	37.01	4,692.8	38.89	4,432.6	36.00			
M. TOTAL LIABILITIES & EQUITY	26,927.5	17,176.5	100.00	12,559.1	100.00	12,067.0	100.00	12,311.6	100.00			
Exchange rate		USD1 = XDR0.63788		USD1 = XDR0.67734		USD1 = XDR0.63281		USD1 = XDR0.66472				

African Development Bank Income Statement

	31 Dec 2009			31 Dec 2008		31 Dec 2007		31 Dec 2006	
	Year End USDm	Year End XDRm	As % of Earning Assets	Year End XDRm	As % of Earning Assets	Year End XDRm	As % of Earning Assets	Year End XDRm	As % of Earning Assets
	Original	Original		Original		Original		Original	
1. Interest Received	807.7	515.2	3.26	560.8	5.01	580.6	5.19	537.3	4.74
2. Interest Paid	354.3	226.0	1.43	314.9	2.81	327.4	2.93	277.6	2.45
3. NET INTEREST REVENUE	453.4	289.2	1.83	245.9	2.20	253.2	2.26	259.7	2.29
4. Other Operating Income	-5.2	-3.3	-0.02	1.4	0.01	1.4	0.01	2.6	0.02
5. Other Income	289.4	184.6	1.17	146.9	1.31	136.4	1.22	146.9	1.29
6. Personnel Expenses	267.4	170.6	1.08	141.2	1.26	141.1	1.26	123.2	1.09
7. Other Non-Interest Expenses	87.2	55.6	0.35	50.5	0.45	45.0	0.40	37.3	0.33
8. Impairment charge	17.7	11.3	0.07	-163.2	-1.46	-70.0	-0.63	51.7	0.46
9. Other Provisions	-1.7	-1.1	-0.01	56.7	0.51	7.2	0.06	34.7	0.31
10. PRE-DERIVATIVE OPERATING PROFIT	367.0	234.1	1.48	309.0	2.76	267.7	2.39	162.3	1.43
11. Net gains / (losses) on non-trading derivative instruments	-4.5	-2.9	-0.02	-4.3	-0.04	56.0	0.50	31.7	0.28
12. POST-DERIVATIVE OPERATING PROFIT	362.5	231.2	1.46	304.7	2.72	323.7	2.89	194.0	1.71
13. Other income and expenses	-255.1	-162.7	-1.03	-257.3	-2.30	-119.9	-1.07	-139.2	-1.23
14. NET INCOME	107.4	68.5	0.43	47.4	0.42	203.8	1.82	54.8	0.48
15. Fair value revaluations recognised in equity	14.1	9.0	0.06	-103.7	-0.93	29.0	0.26	-12.6	-0.11
16. FITCH'S COMPREHENSIVE NET INCOME	121.5	77.5	0.49	-56.3	-0.50	232.8	2.08	42.2	0.37

African Development Bank Ratio Analysis

	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	1.46	1.01	4.47	1.25
2. Net Income/Total Assets (av.)	0.46	0.38	1.67	0.46
3. Net Interest Revenue + Commitment Fees/Gross Loans (av.) + Liquid Assets (av.) + Average Guarantees (av.)	2.21	2.26	2.27	2.37
4. Non-int. Exp./Net Interest Rev. + Other Operating Income	79.12	77.52	73.10	61.19
5. Income from Equity Investment/Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provision on Loans & Equity Part. & Guarantees/Gross Loans (av.) + Equity Investment (av.) & Guarantees (av.)	0.15	-1.80	-1.12	1.55
II. CAPITAL ADEQUACY (year end)				
1. Internal Capital Generation	1.46	1.01	4.47	1.25
2. Outstanding Loans + Net Equity Invest. + Net Guarantees /Subscribed Capital + Reserves	30.97	23.98	22.19	20.71
3. Equity/Total Assets	27.56	37.01	38.89	36.00
4. Equity ex. fair-value revaluations/Assets	27.58	36.89	38.61	36.00
5. AAA-AA- Callable Capital/Callable Capital	37.77	37.67	37.58	37.55
7. Usable Capital/Required Capital	1,182.45	1,366.53	1,741.45	1,832.88
III. LIQUIDITY				
1. Liquid Assets & Marketable Debt Securities/Debt < 1 Year	339.36	260.86	258.45	395.13
2. Liquid Assets & Marketable Debt Securities/Total Assets	45.44	41.73	45.56	50.57
3. Liquid Assets + Marketable Debt Securities/Undisbursed Loans and Equity	156.03	205.30	339.09	306.71
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	3.58	4.72	10.89	12.66
2. Loan Loss Reserves / Gross Loans	3.02	3.74	6.58	8.26
3. Equity Loss Reserves /Equity Investment	6.35	9.92	21.13	30.63
4. Total reserves / Gross Loans, Equity Investment & Guarantees	3.12	3.96	7.19	8.95
5. Loan Loss Reserves/Non Accrual Loans	84.16	79.30	60.44	65.18
6. Loans to Investment Grade Borrowers/Gross Loans	n.a.	n.a.	n.a.	n.a.
Loans	56.07	48.25	47.17	26.96
V. LEVERAGE				
1. Debt/Equity	223.54	144.29	132.09	152.24
2. Debt/Subscribed Capital + Reserves	43.41	27.70	25.64	28.06
3. Debt/Callable Capital	54.38	34.56	32.05	34.72
4. Net Income + Interest Paid/Interest Paid	130.31	115.05	162.25	119.74

Annex

African Development Bank

(XDRm)	Original			
	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
1. Lending Operations				
1. Loans outstanding	7,538.2	5,834.6	5,540.1	5,291.0
2. Growth in loans outstanding (%)	29.2	5.3	4.7	-4.0
3. Undisbursed Loans	5,002.5	2,552.9	1,621.2	2,030.1
4. Approved Loans	5,312.2	1,509.3	1,482.2	956.2
5. Disbursed Loans	2,352.3	727.5	884.7	584.4
6. Loan Repayments	718.8	496.7	704.1	706.4
7. Net disbursements	1,633.5	230.8	180.6	-122.0
2. Other Banking Operations				
1. Equity participations	250.4	209.6	240.0	171.7
2. Guarantees	11.8	26.1	0.0	17.6
3. LCs and other off BS credit commitments	0.0	0.0	0.0	0.0
4. Total banking exposure (BS & off BS)	7,800.2	6,069.1	5,780.1	5,471.5
3. Capital				
1. Usable Capital	12,347.1	12,435.4	12,348.6	12,075.0
2. Required Capital	1,044.2	910.0	709.1	658.8
3. Usable Capital / Required Capital	11.8	13.7	17.4	18.3
4. Share of AAA / AA in callable capital	37.8	37.7	37.6	37.6
5. Share of A / BBB in callable capital	18.6	18.6	14.5	11.1
6. Share of Speculative Grade in callable capital	43.7	43.8	47.9	51.3
7. Average Rating of callable capital	BBB+	BBB+	BBB	BBB
4. Breakdown of Banking Portfolio				
1. Loans to Sovereigns / Total Loans & Equity participations	79.2	88.2	89.8	91.1
2. Loans to Private Sector / Total Loans & Equity Participation	17.6	8.3	6.1	5.8
3. Equity participation / Total Loans & Equity Participation	3.2	3.5	4.2	3.1
4. Private Sector Exposure/Total Loans & Equity (exc. guarantees)	20.8	11.8	10.2	8.9
5. Private Exposure (inc. guarantees)/Loans, equity & guarantees	21.0	12.2	10.2	9.1
6. Average Rating of loans	BB	BB	BB-	B+
5. Concentration Measures				
1. Largest exposure	1,824.2	1,444.8	1,229.1	1,147.0
2. Five largest exposures	5,100.7	4,224.9	3,925.7	3,596.0
3. Largest exposure / Equity (%)	38.5	31.1	26.2	25.9
4. Five largest exposures/ Equity (%)	107.8	90.9	83.7	81.1
5. Five largest exposures / Total Loans (%)	67.7	72.4	70.9	68.0

Source: Fitch

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