

## CREDIT ANALYSIS

# African Development Bank

Supranational

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### 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 rating scale, reflect the combination of its intrinsic financial strength, its prudent financial management and policies and its very strong shareholder support. These strengths offset the low average credit quality of its loan portfolio, which results from its challenging regional operating environment.

According to AfDB's own rating scale, the weighted-average quality of its development-related assets is equivalent to B1 on Moody's global rating scale, a rating that is lower than those of most of its peers. AfDB's percentage of impaired assets – 3% at the end of June 2010 – is still relatively high for a Multilateral Development Bank (MDB). These mainly relate to arrears from countries no longer eligible to borrow from AfDB. However, in recent years, AfDB's arrears clearance mechanisms and the HIPC debt-relief program have helped to substantially reduce the level of outstanding arrears.

Last year in particular, AfDB had been deploying its balance sheet more extensively, substantially increasing its lending to both sovereign and private-sector counterparties. This results partly from the implementation of a strategy that was expanded in recent years, of supporting more private-sector projects across Africa. However, the main reason behind this expansion in 2009 was AfDB's response to the global economic and financial crisis, via the development of new instruments to provide emergency liquidity assistance to its clients, and to compensate for the retreat of international commercial banks from the region.

Although these policies may increase the riskiness of its loan portfolio, in Moody's view, the changes do not threaten the AfDB's ability to service its own debt. AfDB's solid credit profile is supported by robust capitalization, ample liquidity buffers, and a sound risk-management framework. These not only offset the existing risks that AfDB carries on its balance sheet, but create substantial headroom risk-bearing capacity to further expand its lending.

Crucially, AfDB's own resources are reinforced by its shareholder support, particularly in highly-rated, non-regional governments. Shareholder support takes the form of callable capital, but also materializes in the form of general capital increases. Since its creation, AfDB has experienced six capital increases, which illustrates the degree of its shareholders' commitment. The last increase, approved in May 2010 by the shareholders, agreed to a record-high 200% capital increase that tripled AfDB's capital base to nearly \$100 billion. The role assumed by AfDB during the crisis highlighted the value it represents to all its members. It acts primarily as a financing vehicle that supports its shareholders' development objectives in Africa. The capital increases allow AfDB to fully implement its expansion strategy, even under the most severe scenarios, without over-stretching its risk-bearing capacity beyond a level consistent with a Aaa rating.

## Organizational 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.

It is formally located in Abidjan but, because of political instability in Côte d'Ivoire, has been operating since 2003 from its Temporary Relocation Agency site in Tunis (Tunisia) pending more settled conditions in Côte d'Ivoire. The Bank has 25 field offices.

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:

- » AfDB 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. AfDB can extend loans to only 16<sup>1</sup> of the 53 sovereign governments of Africa, but can extend loans to private-sector counterparties across the continent.
- » The African Development Fund 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 AfDB.<sup>2</sup> The Fund's resources come from periodic contributions by donor governments (all but one – South Africa – being non-African).
- » The Nigeria Trust Fund is a comparatively very small fund that extends grants and loans at concessional rates, and is funded by contributions from the Government of Nigeria.

Moody's ratings apply solely to AfDB and not to other entities of the Group.

The membership structure of AfDB, which initially included only African governments, was opened up in 1982 to allow participation of non-regional governments. These newer members contribute to AfDB's capital, but are not eligible to borrow from it. AfDB currently has 77 shareholders, 53 of which are regional (i.e. African) governments, while the other 24 are mostly highly-rated governments from the OECD and the Middle-East.<sup>3</sup> There will be soon 79, as Turkey and Luxembourg are in the

<sup>1</sup> Algeria, Botswana, Cap Vert, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Nigeria, the Seychelles, South Africa, Swaziland, Tunisia and Zimbabwe.

<sup>2</sup> With the exception of Nigeria and Zimbabwe, eligible to borrow from both windows.

<sup>3</sup> 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.

process of becoming shareholders. Regional members account for 60% of AfDB's capital and non-regional shareholders for the remaining 40%.

The balance of participation between regional and non-regional countries is reflected in its governance structure. The highest decision-making body of AfDB is the Board of Governors, which includes one representative and an alternate 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 decisions require support by both regional and non-regional members.

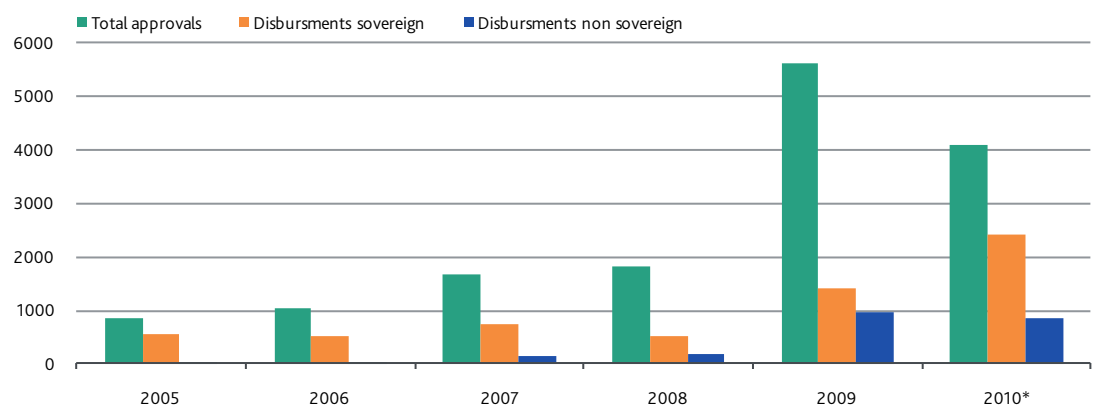
The Board of Governors elects a Board of Directors, which is responsible for overseeing AfDB's operations. The Board of Directors comprises 13 representatives elected by regional countries, and seven representatives elected by non-regional countries. Decisions in the Board of Directors equally require 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.

AfDB has been chaired since September 2005 by Donald Kaberuka, formerly minister of finance and economic planning in Rwanda. He was re-elected for a second term in May 2010 and on 1 September 2010 the president was sworn in again for a new five-year mandate.

## Strategy

AfDB's balance sheet expanded substantially in 2009 and is set to continue expanding in the coming years. After a moderate 4% increase in 2008, total assets surged by 39% in 2009. The chart below shows the increase in disbursements since 2005. The strategy to commit more resources towards loans and equity investment for private-sector projects has not decreased because of member states' financing needs.

FIGURE 1



Source: AfDB; \* 2010: projection

From a credit perspective, the effect of the crisis on AfDB is twofold. Firstly it has forced AfDB to absorb more risk on its balance sheet and caused a (relative) deterioration of its credit metrics. The latter is less of a concern to Moody's, as the General Capital Increase voted in May 2010 will ensure a strengthened capital base and a steady increase of AfDB's usable equity over the next few years.

Secondly, the increase in new lending underlines the value of AfDB to its members, as a contingent source of liquidity, and as a supplementary source of finance capable to counteract the potentially recessionary impact of the international commercial banks' retreat from the continent. This value of AfDB to its members underpins the support that they provide to it, which we consider a key rating factor.

AfDB's medium-term strategy foresees project approvals of approximately SDR3.5 billion annually over the next decade (including crisis-related lending). The GCI will allow this goal to be reached, without breaching any prudential limits of AfDB's risk-management framework.

## Profitability

In 2009, there were no one-off write-backs on provisions and a higher level of administrative expenses, and therefore the African Development Bank generated an income before distribution of SDR231 million, substantially lower than the 2008 income of SDR305 million.

AfDB, as with most multilateral development banks, does not distribute dividends to shareholders. Its profits are allocated either to the reserves or to fund various development initiatives.<sup>4</sup> In 2009, AfDB's net income, after distributions approved by the Board of Governors, was SDR69 million. This is substantially higher than in 2008, which was characterized by unusually large transfers.

A high level of profit distribution has had the effect of slowing down the growth of AfDB's capital base, which otherwise takes place through allocation of net income to reserves. This would normally be assessed negatively from a credit perspective. Moody's notes however that AfDB's increased distribution of income is in response to its members' demands. AfDB deploys income more extensively to its members to further their development objectives. It can therefore contribute to strengthening the support from which the Bank benefits from its shareholders and that is ultimately more critical to the Bank's rating than profitability per se. The total value of its reserves amounted to SDR2.55 billion in 2009 compared to SDR2.48 billion in 2008. AfDB's usable capital, as calculated by Moody's, was SDR4.63 billion compared to SDR4.55 billion, for the same two periods.

Following a general decline in interest rates, AfDB's income level was positively affected through a lower cost of funding in 2009. It was, however, negatively impacted through lower loan income. Going forward, interest rate fluctuations are expected to have only minimal impact on the revenue from development loans (whose interest rates are linked to AfDB's borrowing costs), but may affect the cost of carry of treasury assets funded by debt. This second impact on profitability is not expected to be substantial.

Another factor that may negatively affect AfDB's profitability is a deterioration of its asset performance, in a scenario where (i) it expands the size of its loan portfolio (which by itself will support income); and simultaneously (ii) the economic environment of Africa deteriorates. The current economic recovery witnessed on the continent, has made this scenario less likely. Average real growth is expected to exceed 5% in 2010, compared with 2.5% in 2009.

Even in a low income environment, the AfDB, similar to most other MDBs, is not a profit-maximising institution, and as a consequence its financial strength relies less on its ability to generate

<sup>4</sup> This could be viewed as a form of 'social dividend', but is reported as expenses in the Bank's statement of income.

earnings over time, and more on the capital endowment provided by shareholders. Therefore, Moody's does not expect that lower profitability would meaningfully endanger AfDB's rating.

## Capital Adequacy

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

Even without taking into account the recent general capital increase agreed in May 2010, AfDB exhibits robust capitalization at two levels. Its own resources (paid-in capital and reserves) are sizeable in relation to its risky assets. These resources are supported by contingent resources in the form of callable capital, a substantial part of which is owed by highly-rated, non-regional countries.

At the end of 2009, AfDB's subscribed capital was SDR21.9 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 that AfDB could use was SDR2.2 billion. This was complemented by AfDB's reserves, built up over time through retained earnings, and which amounted to SDR2.5 billion. Overall, AfDB's usable capital totaled SDR4.7 billion. Its own resources were equivalent to 61% of all its outstanding loans, and 80% of its current exposure to non-investment grade countries.

When assessing the level of capitalization of multilateral development banks, Moody's takes callable capital into account. Callable capital is a full-faith credit obligation of Member States to the Bank, but the likelihood that this obligation is honored varies depending on the credit quality of each government. Moody's calculates enhanced capital ratios incorporating only callable capital owed by governments rated Aa3 and above. For AfDB, this includes 18 governments, all non-regional (which implies that no borrower is from AfDB), which together account for 37.3% of AfDB's subscribed capital.

The sum of AfDB's usable capital and callable capital owed by governments rated Aa3 and above is SDR12 billion. This is equivalent to slightly more than twice the total amount of its risk assets, (206%) defined as the total of loans in non-investment grade countries and all equity investments. On this measure, AfDB's capitalization level is similar or slightly lower to that of other major multilateral banks such as the World Bank (269%) or the Asian Development Bank (228%). In absolute terms, the coverage of risky assets by sound capital is very high, and provides considerable protection to bondholders against even the most severe scenarios.

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 AfDB'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's definition, i.e. equity and reserves plus callable capital owed by countries rated A3 and above). At year-end 2009 the ratio was 85% compared with 60% at the end of 2008. Subject to AfDB maintaining adequate liquidity, the size of its borrowing is not in itself a rating constraint.

Shareholders' commitment to the AfDB was once again demonstrated when they agreed to a record-high 200% General Capital Increase (GCI) which will triple AfDB's capital to nearly \$100 billion.

There should be no significant changes to the current ownership and voting powers. 6% of the GCI would be paid-in over 8 to 12 years. This should add SDR2.6 billion to the current usable equity amount – a 56% increase. The sum of usable capital and callable capital from highly-rated members (Aa3 and above) would increase by 150% to SDR30 billion. This amount is likely to be higher taking into account AfDB's capital generation capacity.

The GCI will provide adequate capital headroom to sustain AfDB's portfolio growth over the medium term.

With an annual sustainable level of lending of SDR3.5 billion, AfDB's risk capital utilization rate (60% in 2009) and which was expected to breach the 100% limit in the coming years, should not breach the limit before 2019 after the GCI. Moody's considers that AfDB is certainly able to fully accommodate 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 MDBs, because these institutions (with the exception of the European Investment Bank) are not eligible to the emergency liquidity facilities that central banks offer commercial banks. In a hypothetical scenario where its access to the market would be entirely shut down, AfDB could rely only on its own liquid resources to meet its obligations, at least until contractual shareholder support materialized<sup>5</sup> (i.e. until callable capital is called and paid-in).

AfDB operates under a self-imposed liquidity policy, whose objective is to ensure that it can meet all probable cash flow needs for a rolling one-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 treasury investments consist of two broad categories: the trading assets and the held-to-maturity assets. In 2009, almost two thirds of its treasury investments were invested in Aaa counterparties, and 25% in Aa counterparties. In early 2010, AfDB revised the definition of eligible liquidity to include a larger portion of highly liquid assets in the held-to-maturity portfolio.

At the end of Q1 2010, AfDB's liquid portfolios totaled SDR6.6 billion, equivalent to 1.5x the prudential minimum liquidity limit required under its policy. Of this total, SDR1.2 billion was accounted for by cash and deposits, which constituted one third of the trading portfolio, used to finance its short-term needs.

AfDB's ratio of available liquidity to required liquidity has fluctuated, in particular due to the role that it has assumed as an emergency provider of finance to regional borrowers in the context of the crisis. At the end of 2008, this ratio was close to 2.5x compared with 1.5x at the end of Q1 2010. AfDB's exceptionally robust liquidity position allowed it, in Moody's view, to respond to the demand from its clients, without over-stretching its own liquid resources.

<sup>5</sup> 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.

Moody's also notes that the likelihood of AfDB not being able to access the markets is extremely remote, mainly because of its conservative risk-management policy. This was evidenced in the autumn and winter of 2008, when AfDB and other multilateral institutions maintained entirely unimpaired access to capital markets, unlike many of their commercial counterparts.

AfDB funds itself through opportunistic issuance in the capital markets. Increased lending activity, partly resulting from its response to the crisis, was mirrored by a substantial increase in borrowing. Although it provisionally envisaged funding operations to SDR2.5 billion in 2009, approximately twice the amount for 2008, 2009 funding operations were SDR4.8 billion. This illustrates AfDB's efforts to meet the financing needs on the continent. In 2010, the limit approved by the board was SDR3.5 billion, 1.2 billion of which was already financed at the end of June. In view of disbursement requirements, borrowing plans are likely to be revised downwards to SDR2.5 billion during the course of the year. Moody's does not expect AfDB to face particular impediments to the execution of its issuance programme. The overall maturity of the debt was 4.2 years at the end of 2009.

## Asset & Liability Management

AfDB follows sound and conservative principles in the management of its asset/liability position, as do most of its peer multilateral development institutions. Its 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 the other financial risks it faces should be minimized (such as market risk, counterparty risk and operational risk). Liquid assets are invested conservatively. Counterparty risk in its treasury operations is mitigated by counterparty selection and by the collateralization of exposures arising from derivative contracts. Currency risk is mitigated by its 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. AfDB also requires borrowers to service their loans in the currencies that they are disbursed. Interest-rate risk is mitigated not only by matching the interest-rate sensitivity of both sides of the balance sheet but also by aligning the interest rate profile of assets and liabilities to one of two principal benchmarks.<sup>6</sup>

## Asset Quality and Composition

Asset quality is the main – and arguably the only significant – credit challenge that AfDB faces. This results from the weak economic and financial operating environment. Of the 53 African countries in which AfDB can operate and of the 16 governments to which it can extend sovereign loans, only four (Botswana A2, Mauritius Baa2, South Africa A3 and Tunisia Baa2) have achieved investment-grade status. AfDB's portfolio is therefore relatively concentrated, since the top 5 borrowers account for 70% of the loans outstanding and investment-grade middle-income countries account for more than 61% of the overall portfolio.

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 2.5 at the end of 2009, compared with 2.9 at the end of 2008. This is approximately equivalent to a rating of B1 on Moody's global scale. This improvement of AfDB's overall portfolio quality is mainly due to the first-time borrowings of highly-rated sovereign borrowers, such as Botswana and South Africa.

<sup>6</sup> These benchmarks are 1) 6-month LIBOR or equivalent for the floating rate components; and 2) a 10-year uniform re-pricing profile for the fixed rate components.

The quality of the portfolio will be subject to different influences, but on average it should remain stable going forward. Large new lending to relatively highly rated borrowers can improve the average quality of the portfolio. However, as this represents new lending as opposed to substitution of existing credit, it does not, however, reduce the actual amount of risk that AfDB carries on its books. Instead, this risk is likely to increase as a consequence of an accelerated increase in lending to private-sector counterparties that exhibit, on average, substantially worse creditworthiness than AfDB's sovereign borrowers. At year-end 2009, private-sector borrowers were rated 2.9 by AfDB, compared with 2.4 for sovereign borrowers.

Multilateral development banks usually benefit from enhancement of the credit of their loan books deriving from their status as a preferred creditor. For AfDB, 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 AfDB could be more limited if private-sector loans increase.

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

AfDB's arrears clearance mechanisms and HIPCs, have improved AfDB's assets substantially. For example, arrears on sovereign loans to Côte d'Ivoire were SDR346 million at the end of 2008 (6% of AfDB's loans). With the assistance of the French government, Côte d'Ivoire has been able to entirely pay-off its arrears. This follows similar donor-assisted quality-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 have arrears outstanding, totalling SDR260 million. As a consequence of debt-relief initiatives funded by donor countries, total arrears of principal and charges at the end of 2009, including impaired loans, have decreased to 6% of total loans in 2009, down from 14% at year-end 2008, and 20% in 2004.

Private-sector impaired loans were stable in 2009 compared with 2008, totaling SDR15 million, while private-sector exposure almost tripled to SDR1.4 billion from SDR503 million. The sovereign portfolio of impaired loans remained stable, slightly above SDR200 million, while the total outstanding on public sector loans and charges receivables increased to SDR6.4 billion in 2009 from SDR5.7 billion in 2008. Overall, the stock of impaired loans as percentage of total outstanding loans and receivables decreased to 2.9% in 2009 from 3.5% in 2008.

It is important to note that Moody's does not consider the high level of risk borne by AfDB – and the relatively high ratio of non-performing loans relative to other multilateral banks – as a rating constraint. This assessment is valid to the extent that AfDB's capitalization level and its risk-management policies continue to generate sufficient buffers to absorb these risks.

## Rating History

African Development Bank					
	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

## Annual Statistics

**African Development Bank**

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

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Balance Sheet Summary</b>								
<b>Assets</b>	<b>11,837</b>	<b>15,635</b>	<b>16,760</b>	<b>16,581</b>	<b>18,552</b>	<b>19,093</b>	<b>19,363</b>	<b>26,940</b>
Liquid Assets	2,803	6,245	6,956	7,468	9,361	8,571	7,961	12,120
Gross Loans	8,113	8,340	8,760	7,879	7,960	8,755	8,987	11,818
Gross Equity Investments	247	271	249	241	179	299	291	368
Net Loans	7,445	7,643	8,137	7,318	7,303	8,178	8,651	11,461
Other	673	780	1,419	1,553	1,709	2,044	2,461	2,992
<b>Liabilities</b>	<b>6,457</b>	<b>9,634</b>	<b>10,156</b>	<b>10,323</b>	<b>11,853</b>	<b>11,653</b>	<b>12,185</b>	<b>19,508</b>
Borrowings	6,057	8,587	8,757	8,490	8,832	9,796	10,331	16,587
Other	400	1,047	1,398	1,833	3,022	1,857	1,854	2,920
<b>Capital and Reserves</b>	<b>5,380</b>	<b>6,001</b>	<b>6,605</b>	<b>6,257</b>	<b>6,699</b>	<b>7,440</b>	<b>7,178</b>	<b>7,433</b>
Paid-in Capital	2,889	3,222	3,438	3,235	3,465	3,692	3,613	3,684
Cumulative Exchange and Currency Adjustments	-811	-887	-955	-217	-234	-253	-248	-254
Total Reserve (of which)	--	--	3,396	3,239	3,468	4,001	3,813	4,002
Reserves	2,302	2,768	3,272	2,350	2,519	2,860	2,984	3,289
Net Income	307	174	223	316	292	511	469	362
Loan and Equity Loss Provisions	693	724	624	561	657	576	336	356
<b>Capital Structure Summary</b>								
<b>Total Subscribed Capital</b>	<b>29,243</b>	<b>32,043</b>	<b>33,542</b>	<b>31,040</b>	<b>32,788</b>	<b>34,281</b>	<b>33,525</b>	<b>34,203</b>
<b>Less Total Callable Capital (CC)</b>	<b>26,341</b>	<b>28,802</b>	<b>30,089</b>	<b>27,681</b>	<b>29,241</b>	<b>30,565</b>	<b>29,896</b>	<b>30,505</b>
(CC of Aaa/Aa Countries)	9,802	10,713	11,197	10,293	10,980	11,485	11,205	11,521
(CC of Investment Grade Countries)	12,599	13,836	14,461	12,732	14,131	14,813	14,448	14,907
+/- Net Overdue or Prepaid Subscriptions	-13	-18	-15	-8	-4	-3	-3	-4
<b>Equals Paid-in Capital</b>	<b>2,889</b>	<b>3,222</b>	<b>3,438</b>	<b>3,352</b>	<b>3,543</b>	<b>3,713</b>	<b>3,626</b>	<b>3,695</b>
Less Non Negotiable Instruments Rcvd Not Yet Due	79	62	48	37	31	24	0	0
Plus/minus Cum. Exchange Adjust. on Subscription	-193	-216	-229	-217	-234	-253	-248	-254
Less Paid-in Capital in Non-convertible Currency	157	171	179	165	173	182	177	181
Plus reserves and Net Income	2,684	2,995	3,396	3,239	3,468	4,001	3,813	4,002
<b>Equals Usable Equity</b>	<b>5,145</b>	<b>5,768</b>	<b>6,378</b>	<b>6,172</b>	<b>6,573</b>	<b>7,254</b>	<b>7,014</b>	<b>7,263</b>
<b>Loan Portfolio Summary</b>								
Approved Loans	20,269	23,211	24,833	24,869	27,215	29,756	31,206	39,396
Less Undisbursed Balance	2,283	2,678	2,361	2,658	3,054	2,560	3,928	7,839
Equals Disbursed Loans	17,986	20,532	22,472	22,211	24,161	27,196	27,279	31,558
Less Repayments	9,873	12,193	13,712	14,332	16,201	18,441	18,292	19,740
Equals Loans Outstanding	8,113	8,340	8,760	7,879	7,960	8,755	8,987	11,818

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

**African Development Bank**

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

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Income Statement Summary</b>								
<b>Gross Income</b>	<b>666</b>	<b>636</b>	<b>705</b>	<b>710</b>	<b>859</b>	<b>912</b>	<b>884</b>	<b>856</b>
Income on Loans	556	480	497	460	492	538	542	451
Income on Investments	101	148	192	222	322	366	313	350
Other	9	8	16	28	44	7	30	55
<b>Gross Expenses</b>	<b>410</b>	<b>371</b>	<b>481</b>	<b>394</b>	<b>567</b>	<b>400</b>	<b>415</b>	<b>493</b>
Interest and Financial Expenses	352	326	306	310	422	523	489	365
Unrealized net gains on non-trading derivatives	--	--	--	34	-48	-89	7	5
Provisioning for Loan and Equity Investment Losses	5	-29	79	-21	130	-110	-164	16
Administrative Expenses	44	67	58	60	55	67	72	99
Other	9	7	11	11	7	9	11	9
<b>Net Income</b>	<b>257</b>	<b>265</b>	<b>224</b>	<b>111</b>	<b>82</b>	<b>322</b>	<b>73</b>	<b>107</b>

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

**African Development Bank**

Key Financial Ratios [1]

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Performance Statistics (%)</b>								
Return on Total Assets	2.1	1.9	1.4	0.7	0.5	1.7	0.4	0.5
Return on Earning Assets	2.3	2.0	1.4	0.7	0.5	1.8	0.4	0.5
Return on Equity [1]	4.9	4.5	3.5	1.8	1.2	4.4	1.0	1.5
Interest on Loans/Loans Outstanding	6.6	5.7	5.6	5.8	6.1	6.1	6.0	3.8
Interest Coverage Ratio (x)	1.7	1.8	1.7	1.4	1.2	1.6	1.1	1.3
Loans in Non-accrual as % of Paid-in Capital	40.1	54.8	31.6	30.0	28.5	25.7	11.7	11.5
<b>Capital Adequacy Ratios (%)</b>								
Usable Equity as % Risk Assets	77.1	86.9	93.3	100.8	107.9	103.9	95.3	80.0
Usable Equity + CC of Aaa/Aa Members as % Total Loans Outstanding	184.2	197.6	200.6	209.0	220.5	214.1	202.7	158.9
Usable Equity + CC of Aaa/Aa Members as % Risk Assets	223.9	248.4	257.1	268.8	288.1	268.3	247.5	206.8
Usable Equity + CC of IG Members/Risk Assets	265.8	295.5	304.8	308.6	339.9	315.9	291.6	244.1
<b>Liquidity Ratios (%)</b>								
Liquid Assets (incl. Special Reserve)/Total Assets	23.7	39.9	41.5	45.0	50.5	44.9	41.1	45.0
Liquid Assets (incl. Special Reserve)/Total Borrowings	46.3	72.7	79.4	88.0	106.0	87.5	77.1	73.1
Liquid Assets (excl. Special Reserve)/Undisbursed Loans	122.8	233.1	294.7	280.9	306.5	334.8	202.7	154.6
<b>Coverage of Debt Service (%)</b>								
Liquid Assets as % CMLTD plus Interest Paid	273.0	424.7	500.0	569.5	635.9	303.1	326.3	428.3
Liquid Assets + Net Income + Interest Paid as % CMLTD + Interest Paid	332.3	464.9	538.1	601.6	670.2	333.0	349.3	445.1
Liquid Assets + Net Income + Interest Paid as % Interest Paid	970.0	2094.9	2445.9	2542.3	2337.6	1801.6	1742.2	3446.9
<b>Maturity Distribution of Outstanding Borrowings (% of Total)</b>								
CMLTD	11.1	13.3	12.4	11.8	11.9	23.5	18.9	14.9
One Year to Two	13.7	7.4	7.3	5.9	18.5	15.2	17.7	14.7
Two to Four	16.6	11.6	24.5	25.3	30.9	20.2	11.0	34.8
More than Four Years	59.1	69.2	63.0	57.1	38.8	41.1	52.5	35.7

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

## Moody's Related Research

### Analysis:

- » [IBRD \(World Bank\), December 2008 \(113644\)](#)
- » [Asian Development Bank, November 2009 \(121052\)](#)
- » [Islamic Development Bank, July 2010 \(126263\)](#)
- » [European Investment Bank, October 2009 \(120016\)](#)
- » [Nordic Investment Bank, April 2009 \(116527\)](#)
- » [European Bank for Reconstruction and Development, October 2009 \(120683\)](#)
- » [Council of Europe Development Bank, September 2009 \(119231\)](#)

### Related Websites:

- » [www.afdb.org](http://www.afdb.org)

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.

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