

African Development Bank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlook

Long-Term Foreign-Currency Rating Stable

Financial Data

African Development Bank

	31 Dec 10	31 Dec 09
Total assets (XDRm)	19,139.7	17,176.5
Equity (XDRm)	4,815.8	4,733.1
Net income (XDRm)	67.3	68.5
ROA (%)	0.37	0.46
ROE (%)	1.41	1.46
Equity/assets (%)	25.2	27.6
Usable capital/required capital (x)	9.8	11.8

Key Rating Drivers

Core Strengths, Member Support: The ratings of the African Development Bank (AfDB) are primarily based on high capitalisation and liquidity, conservative risk-management policies, as well as on the support it derives from its member states.

Large, Diversified Shareholder Base: The AfDB's capital is held by 77 member countries, 53 of which are African. At end-2010, 9.9% of the capital subscribed for by member states had been paid in; the rest could be called by the AfDB if it were unable to honour its debt obligations. Non-African countries provided 44.9% of callable capital. Fitch Ratings expects these countries, most of which are highly rated, to provide support in case of need.

Significant Increase in Operations: The bank has significantly increased its operations since 2009 while developing an ambitious programme of private-sector financing. Total banking operations therefore grew by 28.9% in 2009 and 10.2% in 2010.

High Credit Risk Profile: Exposure to credit risk is particularly significant – below-investment-grade counterparties accounted for 47.7% of total loans, and the loan book is highly concentrated. The impact of the financial crisis on the AfDB's credit quality has been limited, however: the ratio of NPLs to total loans improved in 2008 and 2009, and stabilised in 2010 at 3.8%.

Strong Capitalisation: The AfDB's operations are supported by strong capitalisation, reflected by a usable/required capital ratio of 9.8x at end-2010 (2009:11.8x). Despite a decline related to the significant increase in operations over 2009-2010, it remains in line with the bank's peers. In addition, the AfDB approved a 200% capital increase in 2010, 6% of which will be paid in. The usable/required capital ratio should therefore improve from 2011.

Prudent Risk Management: The bank, although not subject to international banking regulation, abides by a strict internal prudential framework on capitalisation, borrowings and liquidity. Outstanding operations must not exceed the sum of subscribed capital and equity. In addition, the bank liquidity must cover the next 12-month net cash requirements, resulting in a large cushion of liquid assets that largely covers short-term liabilities.

Ability to Generate Profits: The AfDB is a structurally profitable institution, which generates a low but steady return on equity (1.4% in 2010), and does not distribute dividends, therefore regularly improving its capitalisation.

High Growth Prospects: The bank intends to maintain a high growth rate in operations in coming years, above 2010 approval levels. Private-sector operations will account for around a third of these approvals, increasing the bank's exposure to risky counterparties on which it does not benefit from preferred-creditor status. Over the medium term, once this portfolio of private-sector operations matures, the bank's asset quality is likely to weaken, and the ratio of NPLs to increase.

What Could Trigger a Rating Action

Weakening Support and Performance: Downward pressure on the ratings could arise from an unexpected weakening in shareholder support, although the AfDB's shareholder base is diversified, making it more resilient to individual rating downgrades of shareholders. A large decrease in the bank's capital adequacy and a marked deterioration in asset quality, in relation to a growing and riskier exposure to the private sector, could also be threats to the ratings.

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Background

The AfDB is a multilateral development bank (MDB) created in 1964 to assist the economic and social development of African countries. Staffed with 1,789 employees at end-2010, it is headquartered in Abidjan (Côte d'Ivoire) but has been temporarily relocated to Tunis (Tunisia) since 2003.

The AfDB is part of the African Development Bank Group, which also comprises the African Development Fund (ADF) and the Nigeria Trust Fund. The AfDB provides funds at market rates to a pool of eligible middle-income member countries (17 at end-2010) and to private counterparties in Africa, whereas the ADF and the NTF provide concessional loans to lower-income member countries. These funds are not consolidated into the AfDB's balance sheet, and they are financially and legally independent.

The ratings assigned by Fitch only relate to the AfDB. Unless otherwise stated, all figures in this report refer to the AfDB's financial operations.

Organisation and Governance

The AfDB's ultimate governing body is the board of governors (BoG), which comprises a representative from each member state. It is responsible for the overarching management of the bank, including capital increases, admission of new members, or changes in statutes.

The BoG delegates the day-to-day management of the bank to the board of directors, composed of 20 representatives elected by the BoG for three-year terms, renewable once. Under the responsibility of the president elected from the BoG (coming from an African member state), they are the bank's permanent executive body. Among other things, they approve all loans.

As a supranational entity, the bank is not subject to local business legislation and is immune from taxation and restriction or seizure of its assets.

Operations

The AfDB's financing instruments include loans to sovereigns and the private sector, equity investments, guarantees and risk management products. The bank also makes grants for technical assistance, for marginal amounts. The loan portfolio is concentrated in North Africa, accounting for 47% of operations at end-2010.

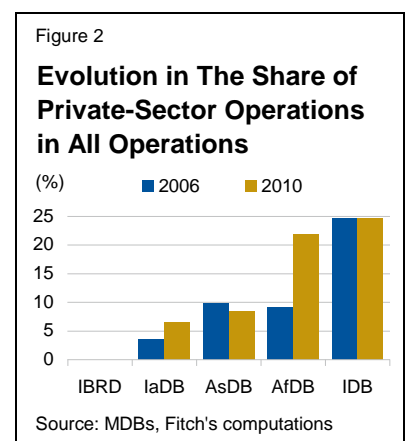
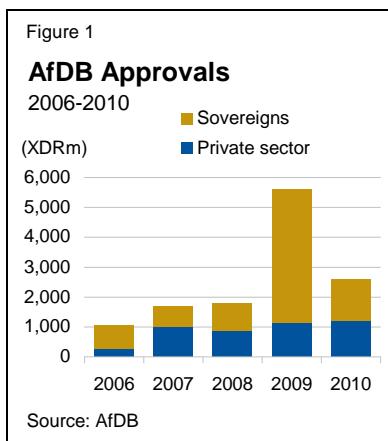
Sovereign Loans

The AfDB's traditional activity consists of financing sovereign and sovereign-guaranteed projects and, to a lesser extent, granting budget loans in its member states. Public-sector operations accounted for 78% of the bank's total operations at end-2010. Project loans mostly focus on infrastructure (eg, transport, energy and telecoms).

Budget loans are often associated with IMF adjustment programmes and usually bear a number of conditions related to policy reforms. In 2009, during the global crisis, the bank approved (and disbursed) medium-term countercyclical emergency budget loans for more than XDR1.5bn.

Private-Sector Operations

Private-sector operations totalled XDR1.9bn (22% of total operations) at end-2010. They primarily consist of project loans (with a clear sector focus on finance and transport infrastructure), credit lines but also to a lesser extent of equity investments (3.4% of total operations), in which case the bank mainly uses private-equity funds to channel these funds to the economy.



Related Criteria

Rating Multilateral Development Banks and Other Supranationals (August 2011)

Figure 3
Main Shareholders
 Weight and rating at end-June 2011

	Share in callable capital (%)	Rating
Largest African shareholders		
Nigeria	7.9	BB-
Egypt	4.6	BB
South Africa	4.2	BBB+
Largest OECD shareholders		
Canada	11.0	AAA
United States	6.0	AAA
Japan	5.0	AA

NB: Canada has subscribed to a temporary callable capital increase until the general capital increase is effective. Its share in callable capital will then decrease
 Source: AfDB

The bank is engaged in an ambitious programme of private-sector development, increasing its exposure rapidly: private-sector approvals accounted for 46.7% of total AfDB approvals in 2010. This follows the adoption of a new strategy in 2008 focusing on private-sector financing as an engine for growth and development. It is increasingly using project loans and equity investments. These operations are not limited to eligible countries (they can be made in the 53 African member states) and therefore have more growth potential than sovereign loans.

Capitalisation, Funding and Liquidity

Capital

The AfDB's capital is held by 77 countries, 53 of which are African states. The rest are OECD countries. The member countries approved the sixth general capital increase in May 2010, two years earlier than anticipated in the bank's medium-term strategy. This was a consequence of the sudden growth in sovereign loans in 2009 and in anticipation of large approvals in 2011-2013.

Subscribed capital will rise by 200% once all countries have deposited their instrument of subscription (69 countries had done so at end-June 2011) and paid their first instalment (12 of them had done so at end-June 2011); Fitch expects the others to do so by the deadline of end-February 2012. Six percent of this additional subscribed capital will be paid in, over eight years for most member states; member states benefiting from ADF financing will be able to pay over 12 years.

Support

As is typical of MDBs, support takes the form of callable capital committed by member states, which accounted for 90.1% of subscribed capital at end-2010. The rest has been paid in by shareholders. Callable capital represents an unconditional commitment by member states to support the bank if it proves unable to honour its borrowings. The bank has never resorted to a call on capital. The general capital increase, which incorporates a higher share of callable capital (94%), will dilute the paid-in to subscribed capital ratio to about 7.5%.

Shareholder support to the AfDB is strong. Although a significant proportion of borrowing African member states has below-investment-grade ratings, their willingness to provide support is undeniable in view of the benefits provided by the bank's funding activities on their territory.

In addition, 44.9%¹ of callable capital is provided by non-borrowing OECD countries that, in Fitch's opinion, should be able to provide support in case of need, despite recent downgrades of some of them in the EU. Thanks to these non-regional member states, 41.5% of the AfDB's callable capital was rated 'AA-' or above at end-2010.

In addition, the general capital increase is evidence of support from shareholders: although their respective weights will be roughly maintained, some countries have increased their proportion in the capital (eg, Egypt and Morocco). Some others have decided to accelerate capital instalments (albeit at a discount). Independently of the general capital increase, Luxembourg ('AAA') and Turkey ('BB+') are in the process of joining the AfDB.

However, Fitch will monitor potential arrears on general capital increase instalments by member states, as these could be an indication of a weakening of shareholders' ability to provide support. At end-2010, arrears on capital instalments were marginal (less than XDR1m).

Capitalisation

The AfDB's capitalisation is in line with that of other regional and global MDBs rated 'AAA' by Fitch.

¹ The share of OECD countries in the AfDB's callable capital is temporarily increased by additional callable capital granted by Canada and Korea and only available until the capital increase is fully implemented.

The AfDB's usable/required capital ratio was 9.8x at end-2010, down from 11.8x in 2009 due to the rise in overall exposure (namely private-sector counterparts) at a time when the capital increase is not yet effective. From 2011 the Fitch capital ratio will improve thanks to the additional callable capital and to increased equity resulting from capital instalments. The increase in capitalisation could then mainly result from increases of callable capital rather than from equity.

The bank, although not subject to international banking regulations, abides by its own capitalisation rules. Its statutes cap outstanding operations to the sum of subscribed capital and reserves. This ratio was 56.5% at end-2010 and will decline sharply from end-2011, when most subscriptions to the capital increase will have been made.

The bank also monitors its intrinsic capitalisation operationally through the ratio of risk-weighted exposure to paid-in capital and reserves. This assesses the bank's "intrinsic" capitalisation, independently from the callable capital. It reached 58% in 2010 (2009: 60%), still below the ceiling of 100%. The bank intends to increase its risk appetite in the coming years through an overall increase in operations and a focus on private-sector operations, while staying below this 100% operational limit; this ratio should reach 79% by end-2013 and 95% by 2020.

Funding

The AfDB is mostly financed through fixed-rate, long-term bond issues denominated in a variety of currencies, which it swaps to match its lending needs. At end-2010, 83.6% of debt had a maturity exceeding one year.

The AfDB's leverage (as measured by Fitch) was 248.8% at end-2010, which compares favourably with that of its peers, most of which have leverage exceeding 300%. It has been rising in recent years, in line with the steady growth in disbursements. The capital increase should not substantially improve leverage in the near future as paid-in capital will be received progressively.

However, borrowings are constrained by the AfDB's internal limit, under which outstanding debt cannot exceed equity and callable capital provided by shareholders rated at least 'A-'. This is a rather conservative borrowing limit. At end-2010, this ratio was 83.8%; the capital increase will enlarge the bank's borrowing headroom from 2011.

Liquidity

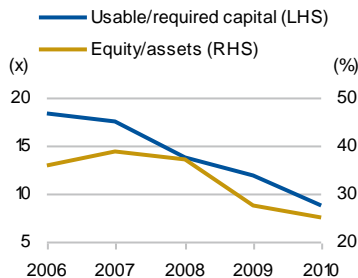
The AfDB is a highly liquid bank: treasury assets covered more than 300% of short-term debt at end-2010, far above levels at most of its peers. Such treasury assets accounted for 41.3% of total assets. This is mostly attributable to the bank's stringent liquidity threshold, which requires that treasury assets must cover next-12-month net cash requirements (including debt repayment). This is more stringent than that of some other 'AAA'-rated global and regional MDBs such as the International Bank for Reconstruction and Development. The treasury assets are also rather short term: more than 20% usually have maturity of less than six months.

This large cushion of treasury assets compensates for the mismatched schedule between maturity of loans and of borrowings. Most debt matures within five years, whereas loans are frequently granted for more than 10 years. The bank ensures that no more than 25% of its outstanding debt is repayable in any given year. The objective is to ensure that treasury assets and maturing loans largely cover maturing borrowings.

Figure 4

Capitalisation

2006-2010



Source: AfDB, Fitch

Figure 5

Peer Comparison: Capitalisation, Funding and Liquidity, End-2010

	AfDB (‘AAA’)	AsDB (‘AAA’)	laDB (‘AAA’)	IBRD ^a (‘AAA’)	IDB (‘AAA’)
Paid-in / subscribed capital (%)	9.9	5.2	4.1	6.0	23.1
Equity / assets (%)	25.2	15.6	24.0	12.9	70.7
Usable/required capital (x)	9.8	17.6	8.4	14.6	5.5 ^b
Debt/equity (%)	248.8	331.7	301.6	355.7	21.3
Liquid assets/short-term liabilities (%)	322.9	203.8	210.1	109.0	n.a.

AsDB — Asian Development Bank; laDB — Inter-American Development Bank; IBRD — International Bank for Reconstruction and Development; IDB — Islamic Development Bank

^a At end-June 2010

^b At end-2009

Source: MDBs, Fitch calculations, estimates and methodology

Credit and Market Risks**Credit Risk on Loans***Overall Loan Portfolio*

The overall credit quality of loans is weak, as illustrated by a weighted average rating of borrowers of ‘BB’, below that of other regional and global MDBs.

This is primarily related to the overall low credit quality of African states. Although some of the bank’s largest sovereign exposures were investment grade at end-2010 (eg, Tunisia, Morocco and South Africa), 47.7% of loans were granted to below-investment-grade countries, such as Egypt (‘BB’) at end-2010. In addition, the AfDB remains exposed to outstanding loans granted to poor countries before 1995, ie, before lending was restricted to 15 (now 17) eligible middle-income countries. At end-2010, the Democratic Republic of Congo (DRC) still accounted for 9.2% of the loan portfolio. In addition, the growing proportion of private-sector loans affects the overall quality of the loan portfolio.

NPLs still accounted for 3.8% of the loan portfolio at end-2010 (2009: 3.6%), a higher proportion than for the bank’s peers, primarily because of sovereign loans granted before 1995.

However, this ratio remains lower than for most financial institutions operating in Africa, which traditionally have high impairment rates; due to its international status, the AfDB benefits from preferred-creditor status on sovereign loans, which gives it priority over other creditors in the event of a sovereign default. This status also theoretically means that the bank does not participate in sovereign loan restructuring agreements. In practice, however, this principle has experienced a number of exceptions: the bank participated in debt restructuring agreements in the 2000s through the creation and supplying of special funds for the DRC. The AfDB also implemented a special arrears clearance fund, funded both by donors and by net income allocations, which was used to clear a large part of the chronic arrears of loans granted before 1995.

As a result of these initiatives, the proportion of NPLs declined over the 2000s. It continued improving during the financial crisis (except for a limited rise in 2010): the proportion of impaired sovereign loans granted before 1995 decreased with the rise in disbursements, and the bank applies conservative lending policies on new loans, under which all approvals and disbursements are stopped when principal or interest is more than 30 days overdue. As a result, the only new NPL on the sovereign portfolio relates to Côte d’Ivoire, due to the civil war that followed the presidential elections in 2010 (this country was, however, back to accrual status at end-June 2011). The bank has also strengthened loan provisioning: at end-2010, the provisioning rate of NPLs was 90.3%.

Private-Sector Loans

The private-sector loan portfolio has a weaker credit quality than sovereign loans and does not benefit from the same preferred-creditor status as sovereign loans. For private-sector loans, this status only grants the borrower preferred access to foreign currency to repay the AfDB if there is a moratorium on currency convertibility.

However, this has not yet translated into large impairments. At end-2010 the proportion of NPLs in the private-sector loan portfolio was lower than in the sovereign loan portfolio (0.9% versus 4.5%). However, this is largely because these private-sector loans are particularly recent. A maturing portfolio, together with growing exposures, is likely to expose the bank to rising NPLs in the short to medium term.

Concentration Risk

As for other MDBs, one significant source of risk for the AfDB is the concentration risk. As the bank can only make sovereign loans to a limited number of eligible countries, its exposure is particularly concentrated within a few countries. The largest one, to Morocco ('BBB-'), accounted for 38% of the bank's equity at end-2010, and the five largest ones (including Tunisia, Egypt, DRC and Botswana) represented 109% of equity. However, this compares favourably with peers, as the bank has put the stress on diversified private-sector exposures rather than large sovereign loans in recent years.

The bank has set up concentration limits, by which no single loan can exceed 10% of any year's approvals or increase capital use by more than XDR50m. In addition, country limits are set for each country, including both sovereign and private-sector exposures, and the largest country limit represents 15% of risk capital, close to total equity.

Concentration risk is likely to increase from 2011 in the wake of the "Arab Spring": the bank has committed large additional credit lines to Tunisia and Egypt to accompany their governmental transition, at a time when those countries experienced rating downgrades. However, these increased exposures should not materially erode the overall quality of the loan portfolio (Tunisia remains better rated than the loans' average rating). The AfDB has no exposure to Libya.

Figure 7

Peer Comparison: Credit Quality, End-2010

	AfDB (<i>'AAA'</i>)	AsDB (<i>'AAA'</i>)	IaDB (<i>'AAA'</i>)	IBRD ^a (<i>'AAA'</i>)	IDB (<i>'AAA'</i>)
Largest exposure/equity (%)	38.0	63.3	69.4	35.4	9.5 ^b
NPLs/total loans (%)	3.8	0.1	0.2	0.4	2.0 ^b

^a At end-June 2010

^b At end-2009

Source: MDBs, Fitch calculations, estimates and methodology

Credit Risk on Treasury Assets and Derivatives

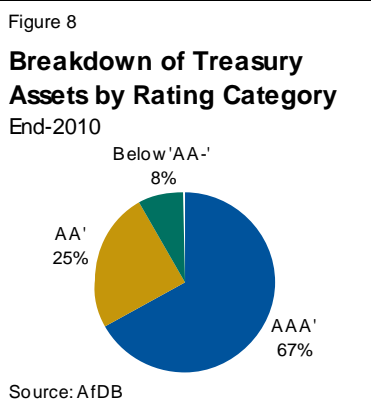
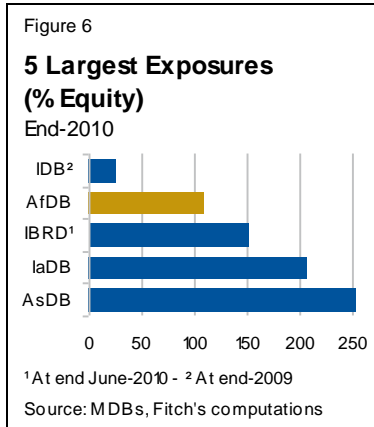
The AfDB's treasury assets have very good credit quality, with 92% rated in the 'AAA'-'AA' categories. This is due to strict investment guidelines: counterparties have to be rated at least 'A' for short-term investment, 'AA-' for medium and long-term investment, and 'AAA' in some specific cases (for example, structured products, or public bonds with a maturity exceeding 15 years). Counterparties for derivative transactions must be rated at least 'A-' and the AfDB resorts to collateral exchange agreements with them.

As a result of these strict internal procedures, the bank has no remaining exposure to euro area peripheral countries such as the Greek, Portuguese and Irish states.

Exposure is concentrated on government, agency and supranational entities, which accounted for 55.6% of total treasury assets at end-2010. The bank has significantly reduced its structured product portfolio: ABS only accounted for 3.9% of the total at end-2010. The rest of the portfolio comprised corporate and bank bonds (21.5%), and deposits (18%).

Equity Risk

Equity investments are subject to stringent limits: the bank cannot invest more than 25% of the company's capital, and its overall exposure to this risk cannot exceed 15% of the bank's equity. At 6% at end-2010, this ratio (including the bank's shares in the ADF) was well below the statutory limit. Exposure bears primarily on banks and investment funds, most of which are not listed on stock markets, and are therefore not subject to fair-value adjustments.



Provisions on such investments are made when necessary; they accounted for 6.5% of equity investments at end-2010 (2009: 6.4%). Due to the moderate size of this activity in the bank's total exposure, Fitch regards this risk as bearable by the bank.

Other Market Risks

The AfDB has only a limited exposure to market risks. It employs a strategy of currency and interest matching across the balance sheet.

The bank's statutes prohibit it from taking currency risk. Loans are denominated in convertible currencies (eg, US dollars, euros and Japanese yen) and are matched with liabilities in the relevant currency, using currency swaps. The bank also protects its balance sheet from fluctuations in Special Drawing Rights (SDR, in which the financial statements are denominated) by matching assets with the currency composition of the SDR.

Interest rate risk is also limited. Most of the bank's loans and treasury assets are floating rate and matched with corresponding borrowings through the recourse to derivative instruments. Equity mostly finances fixed-rate loans and held-to-maturity treasury investments at fixed rate, limiting the vulnerability of the profit-and-loss account to fluctuations in interest rate.

Performance and Prospects

Performance

The AfDB does not distribute dividends to its shareholders and does not seek profit maximisation. MDBs' financial performance is not a key rating driver: when analysing it, Fitch assesses the bank's ability to generate regular revenue to strengthen its equity base.

The AfDB is structurally profitable and generated profits throughout the financial crisis. Return on average equity is usually weak, at less than 2% (2010: 1.4%), a feature common to most MDBs. Net income stabilised in 2010 compared with 2009, despite increased volumes of operations and treasury assets. The bank suffered from fair-value adjustments on derivatives and to a lesser extent on treasury assets.

As in previous years, net income was affected by transfers to the ADF and to the arrears clearance mechanism for the DRC's debt. Transfers to the ADF should be maintained, whereas transfers to the DRC clearance fund will progressively decline until 2023 when arrears are expected to be fully cleared.

Prospects for 2011 are favourable: the bank recorded revenue of XDR39.8m in Q111, but this net income is not yet affected by year-end income transfers.

Figure 9

Peer Comparison: Performance, End-2010

	AfDB ('AAA')	AsDB ('AAA')	IaDB ('AAA')	IBRD ^a ('AAA')	IDB ('AAA')
RoA (%)	0.4	0.7	0.4	-0.4	39.0
RoE (%)	1.4	4.1	1.6	-2.9	55.0

^a At end-June 2010

Source: MDBs, Fitch calculations, estimates and methodology

Prospects

The AfDB expects approvals to remain significant, at XDR3.6bn per year in 2011-2013, more than XDR1bn above 2010 levels. Approvals should involve more project-finance deals than budgetary loans; the AfDB also intends to develop trade-finance schemes.

More than 30% of those approvals will be dedicated to private-sector operations. The share of private-sector operations will therefore progressively increase. Fitch expects impairment losses to increase as a result of this growth, and of a more mature private-sector loan portfolio.

The overall growth in operations will be made possible thanks to the capital increase, whose first capital instalments will be paid by end-2011. It will give the bank room for manoeuvre within its strict internal borrowing limit and will improve capitalisation as measured by Fitch.

African Development Bank Balance Sheet

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	XDRm	Assets	XDRm	Assets	XDRm	Assets	XDRm	Assets
	Original	Original	Original	Original	Original	Original	Original	Original	Original
A. LOANS									
1. To / Guaranteed by Sovereigns	10,309.6	6,694.0	34.97	6,166.0	35.90	5,331.5	42.45	5,190.4	43.01
2. To other public institutions	-	-	-	-	-	-	-	-	-
3. To Private Sector	2,462.7	1,599.0	8.35	1,372.2	7.99	503.1	4.01	349.7	2.90
4. Of which Trade Financing Loans (memo)	-	-	-	-	-	-	-	-	-
5. Other Loans	-	-	-	-	-	-	-	-	-
6. Loan Loss Reserves (deducted)	436.5	283.4	1.48	227.4	1.32	218.3	1.74	364.7	3.02
TOTAL A	12,335.7	8,009.6	41.85	7,310.8	42.56	5,616.3	44.72	5,175.4	42.89
B. OTHER EARNING ASSETS									
1. Deposits with Banks	-	-	-	-	-	-	-	-	-
2. Securities held for Sale & Trading	6,484.4	4,210.3	22.00	4,224.5	24.59	1,894.1	15.08	2,663.8	22.08
3. Investment Debt Securities - (incl. other invest.)	5,092.9	3,306.8	17.28	3,262.3	18.99	2,754.4	21.93	2,738.1	22.69
4. Equity Investments	419.2	272.2	1.42	234.5	1.37	188.8	1.50	189.3	1.57
5. Derivatives (incl. Fair-value of guarantees)	2,189.3	1,421.5	7.43	764.0	4.45	736.1	5.86	425.3	3.52
TOTAL B	14,185.7	9,210.8	48.12	8,485.3	49.40	5,573.4	44.38	6,016.5	49.86
C. TOTAL EARNING ASSETS (A+B)	26,521.5	17,220.4	89.97	15,796.1	91.96	11,189.7	89.10	11,191.9	92.75
D. FIXED ASSETS	18.5	12.0	0.06	11.2	0.07	11.7	0.09	14.4	0.12
E. NON-EARNING ASSETS									
1. Cash and Due from Banks	609.4	395.7	2.07	318.8	1.86	592.6	4.72	95.5	0.79
2. Other	2,328.0	1,511.6	7.90	1,050.4	6.12	765.1	6.09	765.2	6.34
F. TOTAL ASSETS	29,477.4	19,139.7	100.00	17,176.5	100.00	12,559.1	100.00	12,067.0	100.00
G. SHORT-TERM FUNDING									
1. Bank Borrowings (< 1 Year)	-	-	-	-	-	-	-	-	-
2. Securities Issues (< 1 Year)	3,780.5	2,454.7	12.83	2,300.1	13.39	2,009.2	16.00	2,127.1	17.63
3. Other (incl. Deposits)	-	-	-	-	-	-	-	-	-
TOTAL G	3,780.5	2,454.7	12.83	2,300.1	13.39	2,009.2	16.00	2,127.1	17.63
H. OTHER FUNDING									
1. Bank Borrowings (> 1 Year)	-	-	-	-	-	-	-	-	-
2. Other Borrowings (incl. Securities Issues)	14,671.2	9,526.0	49.77	8,280.5	48.21	4,698.1	37.41	4,071.8	33.74
3. Subordinated Debt	-	-	-	-	-	-	-	-	-
4. Hybrid Capital	-	-	-	-	-	-	-	-	-
TOTAL H	14,671.2	9,526.0	49.77	8,280.5	48.21	4,698.1	37.41	4,071.8	33.74
I. OTHER (Non-Int Bearing)									
1. Derivatives (incl. Fair value of guarantees)	505.6	328.3	1.72	477.1	2.78	360.3	2.87	591.0	4.90
2. Fair value portion of debt	-	-	-	-	-	-	-	-	-
3. Other (Non-Int Bearing)	3,103.3	2,015.0	10.53	1,385.7	8.07	843.1	6.71	584.3	4.84
TOTAL I	3,609.0	2,343.3	12.24	1,862.8	10.85	1,203.4	9.58	1,175.3	9.74
J. GENERAL PROVISIONS & RESERVES	-	-	-	-	-	-	-	-	-
L. EQUITY									
1. Preference Shares	-	-	-	-	-	-	-	-	-
2. Subscribed Capital	36,817.3	23,905.5	124.90	21,817.6	127.02	21,756.7	173.23	21,680.2	179.67
3. Callable Capital	-33,188.0	-21,549.0	-112.59	-19,458.3	-113.28	-19,409.1	-154.54	-19,341.6	-160.29
4. Arrears/Advances on Capital	-258.7	-168.0	-0.88	-179.2	-1.04	-174.7	-1.39	-177.6	-1.47
5. Paid in Capital (memo)	3,629.3	2,356.5	12.31	2,352.8	13.70	2,347.6	18.69	2,338.6	19.38
6. Reserves (incl. Net Income for the year)	4,039.9	2,623.1	13.71	2,556.4	14.88	2,460.2	19.59	2,498.3	20.70
7. Fair-value revaluation reserve	6.5	4.2	0.02	-3.4	-0.02	15.3	0.12	33.5	0.28
TOTAL L	7,416.9	4,815.8	25.16	4,733.1	27.56	4,648.4	37.01	4,692.8	38.89
M. TOTAL LIABILITIES & EQUITY	29,477.6	19,139.8	100.00	17,176.5	100.00	12,559.1	100.00	12,067.0	100.00

Exchange rate

USD1 = XDR0.64930

USD1 = XDR0.63788

USD1 = XDR0.67734

USD1 = XDR0.63281

African Development Bank
Income Statement

	31 Dec 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	Year End USDm	Year End XDRm	As % of Earning	Year End XDRm	As % of Earning	Year End XDRm	As % of Earning	Year End XDRm	As % of Earning
	Original	Original	Assets	Original	Assets	Original	Assets	Original	Assets
1. Interest Received	799.9	519.4	3.02	515.2	3.26	560.8	5.01	580.6	5.19
2. Interest Paid	293.4	190.5	1.11	226.0	1.43	314.9	2.81	327.4	2.93
3. NET INTEREST REVENUE	506.5	328.9	1.91	289.2	1.83	245.9	2.20	253.2	2.26
4. Other Operating Income	21.3	13.8	0.08	-3.3	-0.02	1.4	0.01	1.4	0.01
5. Other Income	254.1	165.0	0.96	184.6	1.17	146.9	1.31	136.4	1.22
6. Personnel Expenses	275.7	179.0	1.04	170.6	1.08	141.2	1.26	141.1	1.26
7. Other Non-Interest Expenses	100.1	65.0	0.38	55.6	0.35	50.5	0.45	45.0	0.40
8. Impairment charge	41.3	26.8	0.16	11.3	0.07	-163.2	-1.46	-70.0	-0.63
9. Other Provisions	-27.3	-17.7	-0.10	-1.1	-0.01	56.7	0.51	7.2	0.06
10. PRE-DERIVATIVE OPERATING PROFIT	392.1	254.6	1.48	234.1	1.48	309.0	2.76	267.7	2.39
11. Net gains / (losses) on non-trading derivative instruments	-63.0	-40.9	-0.24	-2.9	-0.02	-4.3	-0.04	56.0	0.50
12. POST-DERIVATIVE OPERATING PROFIT	329.1	213.7	1.24	231.2	1.46	304.7	2.72	323.7	2.89
13. Other income and expenses	-225.5	-146.4	-0.85	-162.7	-1.03	-257.3	-2.30	-119.9	-1.07
14. NET INCOME	103.7	67.3	0.39	68.5	0.43	47.4	0.42	203.8	1.82
15. Fair value revaluations recognised in equity	10.8	7.0	0.04	9.0	0.06	-103.7	-0.93	29.0	0.26
16. FITCH'S COMPREHENSIVE NET INCOME	114.4	74.3	0.43	77.5	0.49	-56.3	-0.50	232.8	2.08

African Development Bank Ratio Analysis

	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	1.41	1.46	1.01	4.47
2. Net Income/Total Assets (av.)	0.37	0.46	0.38	1.67
3. Net Interest Revenue + Commitment Fees/Gross Loans (av.) + Liquid Assets (av.) + Average Guarantees (av.)	2.08	2.21	2.26	2.27
4. Non-int. Exp./Net Interest Rev. + Other Operating Income	71.20	79.12	77.52	73.10
5. Income from Equity Investment/Equity Investment (av.)	-	-	-	-
6. Provision on Loans & Equity Part. & Guarantees/Gross Loans (av.) + Equity Investment (av.) & Guarantees (av.)	0.11	0.15	-1.80	-1.12
II. CAPITAL ADEQUACY (year end)				
1. Internal Capital Generation	1.41	1.46	1.01	4.47
2. Outstanding Loans + Net Equity Invest. + Net Guarantees /Subscribed Capital + Reserves	31.22	30.97	23.98	22.19
3. Equity/Total Assets	25.16	27.56	37.01	38.89
4. Equity ex. fair-value revaluations/Assets	25.14	27.58	36.89	38.61
5. AAA-AA- Callable Capital/Callable Capital	41.46	37.77	37.67	37.58
7. Usable Capital/Required Capital	976.63	1,182.45	1,366.53	1,741.45
III. LIQUIDITY				
1. Liquid Assets & Marketable Debt Securities/Debt < 1 Year	322.35	339.36	260.86	258.45
2. Liquid Assets & Marketable Debt Securities/Total Assets	41.34	45.44	41.73	45.56
3. Liquid Assets + Marketable Debt Securities/Undisbursed Loans and Equity	162.97	156.03	205.30	339.09
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	3.78	3.58	4.72	10.89
2. Loan Loss Reserves / Gross Loans	3.42	3.02	3.74	6.58
3. Equity Loss Reserves /Equity Investment	6.46	6.35	9.92	21.13
4. Total reserves / Gross Loans, Equity Investment & Guarantees	3.52	3.12	3.96	7.19
5. Loan Loss Reserves/Non Accrual Loans	90.31	84.16	79.30	60.44
6. Loans to Investment Grade Borrowers/Gross Loans	52.34	56.07	48.25	47.17
V. LEVERAGE				
1. Debt/Equity	248.78	223.54	144.29	132.09
2. Debt/Subscribed Capital + Reserves	45.16	43.41	27.70	25.64
3. Debt/Callable Capital	55.60	54.38	34.56	32.05
4. Net Income + Interest Paid/Interest Paid	135.33	130.31	115.05	162.25

**African Development Bank
Spread Sheet Annex**

	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
	XDRm	XDRm	XDRm	XDRm
	Original	Original	Original	Original
1. LENDING OPERATIONS				
1. Loans outstanding	8,293.0	7,538.2	5,834.6	5,540.1
2. Growth in loans outstanding (%)	10.0	2.0	6.3	6.0
3. Undisbursed Loans	4,855.3	5,002.5	2,552.9	1,621.2
4. Approved Loans	2,236.1	5,312.2	1,509.3	1,482.2
5. Disbursed Loans	1,339.8	2,352.3	727.5	884.7
6. Loan Repayments	568.6	718.8	496.7	704.1
7. Net disbursements	771.2	1,633.5	230.8	180.6
2. OTHER BANKING OPERATIONS				
1. Equity participations	291.0	250.4	209.6	240.0
2. Guarantees	2.3	2.2	1.2	1.3
3. LCs and other off BS credit commitments	-	-	-	-
4. Total banking exposure (BS & off BS)	8,586.3	7,790.8	6,045.4	5,781.4
3. CAPITAL				
1. Usable Capital	14,663.1	12,347.1	12,435.4	12,348.6
2. Required Capital	1,501.4	1,044.2	910.0	709.1
3. Usable Capital / Required Capital	9.8	11.8	13.7	17.4
4. Share of AAA / AA in callable capital	41.5	37.8	37.7	37.6
5. Share of A / BBB in callable capital	19.1	18.6	18.6	14.5
6. Share of Speculative Grade in callable capital	39.4	43.7	43.8	47.9
7. Average Rating of callable capital	BBB+	BBB+	BBB+	BBB
4. BREAKDOWN OF BANKING PORTFOLIO				
1. Loans to Sovereigns / Total Loans & Equity participations	78.0	79.2	88.2	89.8
2. Loans to Private Sector / Total Loans & Equity Participation	18.6	17.6	8.3	6.1
3. Equity participation / Total Loans & Equity Participation	3.4	3.2	3.5	4.2
4. Private Sector Exposure/Total Loans & Equity (exc. guarantees)	22.0	20.8	11.8	10.2
5. Private Exposure (inc. guarantees)/Loans, equity & guarantees	22.0	20.8	11.8	10.2
6. Average Rating of loans	BB	BB	BB-	BB-
5. CONCENTRATION MEASURES				
1. Largest exposure	1,827.6	1,824.2	1,444.8	1,229.1
2. Five largest exposures	5,250.3	5,100.7	4,224.9	3,925.7
3. Largest exposure / Equity (%)	38.0	38.5	31.1	26.2
4. Five largest exposures/ Equity (%)	109.0	107.8	90.9	83.7
5. Five largest exposures / Total Loans (%)	63.3	67.7	72.4	70.9

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