

African Development Bank

Primary Credit Analyst:

Larry Hays, Ph.D., New York (1) 212-438-7347; larry_hays@standardandpoors.com

Secondary Credit Analyst:

Farouk Soussa, Ph.D., Dubai (971)-4709-6820; farouk_soussa@standardandpoors.com

Table Of Contents

Major Rating Factors

Rationale

Outlook

Organization, Ownership, And Management

Balance Sheet

Capital, Risk-Bearing Capacity, Development-Related Exposure, And
Capital Adequacy

Risk

Leverage

Liquidity

Net Income

African Development Bank

Major Rating Factors

Strengths:

- Strong capital position and liquidity;
- Prudent financial management and policies; and
- Strong support from its members, which include 12 'AAA' rated countries contributing nearly Special Drawing Rights (SDR)5.2 billion in callable capital.

Weaknesses:

- A relatively risky loan portfolio with nonperforming loans larger than multilateral development finance institution (MDFI) peers; and
- The inability of the governments of most African countries to borrow from the bank.

Counterparty Credit Rating
Foreign Currency AAA/Stable/A-1+

Rationale

The ratings on the African Development Bank (AFDB) are based on its strong capital position and liquidity, prudent financial management and policies, and strong support from its members, which include 12 'AAA' rated countries contributing nearly SDR5.2 billion in callable capital. These factors offset the bank's relatively risky loan portfolio and large nonperforming loans, as well as the inability of the governments of most African countries to borrow from the bank.

AFDB is an MDFI established in 1964 by 29 African countries. Nonregional member countries (NRMCS) were admitted beginning in 1982, and AFDB's membership now includes all 53 African countries (regional member countries [RMCs]) and 24 NRMCS.

AFDB is the nonconcessional lender within the AFDB Group, which also includes soft-loan windows African Development Fund (AFDF) and Nigeria Trust Fund (NTF), both of which are unrated. However, while AFDB has an equity investment in AFDF, it is not responsible for the financial obligations of either of these funds.

AFDB provides medium- and long-term loans to African governments and other public sector entities with sovereign guarantees. It also lends to some public-sector entities without sovereign guarantees and to the private sector, makes equity investments, and has provided a few small guarantees. Gross loans (including accrued income and charges receivable on loans), development-related debt securities, and equity investments (together, AFDB's development-related exposure [DRE]) totaled SDR6.5 billion at year-end 2008; 97% was loans, 1% development-related securities, and 2% equity investments. Less than 9% of loans were to private-sector entities; however, AFDB has begun emphasizing support for the private sector in its RMCs, and in 2008 nearly 50% of loan approvals were for private sector borrowers.

AFDB has restricted its sovereign lending to its most creditworthy regional member countries since 1995. At year-end 2008, 15 RMCs were, in principle, eligible to borrow from the bank; the other 38 could borrow only from AFDF and NTF. However, primarily as a result of loans granted before 1995, nearly SDR1.3 billion was to the public sectors in countries no longer eligible to borrow from the bank.

AFDB's outstanding loans (including accrued income and charges receivable on loans) increased to nearly SDR6.3 billion, or more than 5%, during 2008. They were just half of total assets, and total DRE was less than 52% of total assets. Loans with payments in arrears totaled SDR569 million, nearly 10% of total loans outstanding, of which those to Côte d'Ivoire (unrated) totaled SDR309 million; however, Côte d'Ivoire's arrears were completely eliminated in March 2009.

The expected losses embedded in AFDB's loan portfolio are much smaller than one might expect on the basis of country exposure. Standard & Poor's Ratings Services expects AFDB to receive preferential treatment on its sovereign and sovereign-guaranteed loans compared with that received by commercial and bilateral lenders because of its status as a preferred creditor. Given the economic distress of some of AFDB's borrowing members, however, this special status may be of limited value. More important are the payments AFDB expects to receive on behalf of its borrowers through the Highly Indebted Poor Countries (HIPC) Initiative. In addition, we expect other debt relief initiatives to place these countries in a better financial position to service their external debts, including those to AFDB.

AFDB steadily strengthened its capital position through year-end 2006, when its provisions for losses plus adjusted shareholders' equity (its narrow risk-bearing capacity; NRBC) totaled nearly 83% of DRE. This percentage fell to less than 81% at year-end 2007 and to just over 74% at year-end 2008. However, among 'AAA' rated MDFIs, this percentage was surpassed only by that of the Islamic Development Bank ('AAA'; all institutional ratings are issuer credit ratings as of Nov. 12, 2009), which is not permitted to leverage itself by borrowing, and by the European Bank for Reconstruction and Development ('AAA'). Adding 'AAA' rated callable capital to NRBC (to create broad risk-bearing capacity; BRBC) resulted in a percentage of more than 158% at year-end 2008. This is by far the highest such percentage among 'AAA' rated multilateral lending institutions (MLIs). Adjusting the percentage for the downgrade of Spain to AA+/Stable/A-1+ from AAA/Watch Neg/A-1+ (all country ratings herein are sovereign foreign currency credit ratings as of Nov. 12, 2009) in January 2009 would have reduced that percentage to 155%.

In recent years AFDB has distributed most of its net income for various developmental or humanitarian purposes. In 2008, income before these transfers was SDR305 million, down from SDR324 million in 2007. On this basis, AFDB's returns on average adjusted assets and adjusted shareholders' equity were 2.5% and 6.6%, respectively, down from 2.7% and 7.2%, respectively. AFDB's returns are typically among the highest of those of 'AAA' MLIs. Distributions of SDR257 million during 2008, more than double the SDR120 million of one year earlier, reduced net income to SDR47 million from SDR204 million one year earlier. Losses on available-for-sale investments of SDR18 million and actuarial losses of more than SDR85 million on the bank's defined benefit plans resulted in a loss on total recognized income of SDR56 million in 2008 versus positive net recognized income of SDR226 million one year earlier.

Consistent with AFDB's low loans to equity ratio, the bank's liquidity position is typically one of the strongest among 'AAA' rated MLIs.

Outlook

The outlook for the ratings on AFDB is stable. The bank's capital position and liquidity remain extremely strong, and its franchise value high and increasing given the attention Africa's problems are receiving from the international community. AFDB thus has substantial scope for increasing its lending and other risk-generating activities while

maintaining its current ratings. Moreover, discussions are underway concerning a possible capital increase for the bank, although it typically takes several years to reach agreement on an increase, and cash installments generally are paid in over a number of years. The bank's recent focus on private-sector lending may add credit risk to the portfolio and will bear watching, although the bank plans to be very selective in the projects it undertakes.

Organization, Ownership, And Management

All powers of the bank are vested in its board of governors, which, among other things, sets policy, admits new members, determines the bank's capital structure, and elects the president. Each member country appoints a governor and an alternate, who serve nominal five-year terms. However, these terms may be abbreviated or extended by the appointing member country. The board of governors delegates most of its operational responsibilities to the board of directors, although it retains the power to override their decisions.

The board of directors consists of 12 regional and six nonregional members, none of whom may be governors or alternates. They may serve a maximum of two three-year terms. At year-end 2008, one director represented only the U.S.; all other directors represented multicountry constituencies. The largest single voteholder in the bank at year-end 2008 was Nigeria (B+/Stable/B), casting 8.7% of total votes; the next largest voteholders were the U.S. (AAA/Stable/A-1+, 6.3%), Japan (AA/Stable/A-1+, 5.4%), Egypt (BB+/Stable/B, 5.1%), and South Africa (BBB+/Negative/A-2, 4.5%). Shares are allocated so that when all are subscribed, RMCs will own 60% of the shares and NRMCs 40%, although voting power does not precisely mirror share ownership.

The president of the bank may serve a maximum of two five-year terms. Mr. Donald Kaberuka, formerly a minister for finance and economic planning for Rwanda (unrated), assumed the presidency on Sept. 1, 2005, from Mr. Omar Kabbaj, who had served two terms. AFDB's budgeted staff at year-end 2008 was 1,776, up from 1,367 one year earlier; however, staff "at post" (staff actually on the job) were 1,491 and 1,142, respectively. Executive and professional staff "at post" were 897 at year-end 2008, up from 769 one year earlier.

The bank has formally been headquartered in Abidjan, Côte d'Ivoire (unrated) since its inception; however, political unrest in that country prompted the bank to temporarily relocate to its backup facilities in Tunis, Tunisia (BBB/Stable/A-3) in February 2003, where it remains pending more settled conditions in Côte d'Ivoire. The bank is expanding its network of field offices, and 24 of the planned 25 were open at year-end 2008.

Balance Sheet

The bank's financial statements are expressed in "Units of Account" (UA). Under the agreement establishing the bank ("agreement"), one UA is defined as the equivalent of one SDR, and this more familiar designation is used throughout this report.

AFDB's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The 2008 and 2007 statements were audited by the Paris office of KPMG, who succeeded the London office of Deloitte & Touche LLP.

Table 1

African Development Bank--Summary Balance Sheet					
(Mil. SDR)	--Year ended Dec. 31--				
	2008	2007	2006	2005	2004
Assets					
Cash, due from banks, demand obligations	596	99	133	74	48
Treasury investments	4,576	5,329	6,093	5,155	4,435
Accrued income and charges receivable on loans	452	436	456	431	406
Accumulated provision for impairment on accrued income and charges receivable on loans	(116)	(169)	(223)	(198)	(188)
Loans disbursed and outstanding	5,835	5,540	5,291	5,512	5,640
Accumulated provision for impairment on disbursed and outstanding loans	(103)	(196)	(214)	(195)	(214)
Equity participation, of which:	210	192	123	172	161
Participation in African Development Fund	64	64	63	97	97
Accumulated provision for losses on equity investments	(21)	(2)	(4)	(3)	0
Securities issued by entities in regional member countries	69	95	0	0	0
Non-negotiable instruments on account of capital	12	15	20	26	31
Derivative assets	736	425	273	286	275
Other assets	325	319	383	340	198
Total assets	12,571	12,082	12,332	11,601	10,792
Liabilities					
Borrowings, of which:	6,707	6,199	5,870	5,940	5,639
Portion of gross debt maturing during the next year	924	1,154	323	252	325
Derivative liabilities	360	591	482	317	514
Other liabilities	843	584	1,527	965	386
Total liabilities	7,911	7,374	7,879	7,223	6,539
Capital					
Paid-in capital	2,185	2,176	2,147	2,112	2,066
Other capital	2,475	2,532	2,305	2,266	2,187
Shareholders' equity	4,660	4,708	4,453	4,378	4,253
Off-balance-sheet items					
Guarantees	0	0	0	0	15
Callable capital from 'AAA' rated member countries	5,466	5,466	5,491	5,484	5,492

AFDB's total assets were SDR12.571 billion (US\$19.4 billion equivalent at year-end 2008 exchange rates) at year-end 2008, having increased by SDR489 million, or 4%, from one year earlier. The increase was driven by loans, which increased by SDR295 million, or more than 5%. The bank's reported shareholders' equity decreased by SDR48 million to SDR4.660 billion (US\$7.178 billion) or 1%, during the year.

At year-end 2008, the fair value of AFDB's assets was SDR12.902 billion, SDR343 million greater than their carrying value; SDR302 million of this difference was accounted for by loans and the rest by treasury investments. The fair value of AFDB's liabilities was SDR8.205 billion, SDR294 million greater than their carrying value, all of which was accounted for by borrowings. Net assets were thus SDR49 million higher on a fair value basis than on a carrying value basis.

Capital, Risk-Bearing Capacity, Development-Related Exposure, And Capital Adequacy

Capital

AFDB's authorized capital (that which its board of governors has authorized to be issued) totaled SDR21.87 billion at year-end 2008; of this amount, SDR21.77 billion--more than 99%--was subscribed (claimed by members) (see table 2). However, less than SDR2.2 billion of the latter amount was actually paid in (after adjustments for exchange rate changes).

Table 2

African Development Bank--Capital, Risk-Bearing Capacity, And Capital Adequacy					
	--Year ended Dec. 31--				
(Mil. SDR, unless otherwise indicated)	2008	2007	2006	2005	2004
Capital					
Authorized capital	21,870	21,870	21,870	21,870	21,870
Subscribed capital	21,765	21,693	21,795	21,636	21,598
Callable capital, of which:	19,409	19,342	19,437	19,367	19,375
From 'AAA' rated member countries	5,466	5,466	5,491	5,484	5,492
Paid-in capital*	2,185	2,176	2,147	2,112	2,066
Reserves	2,475	2,532	2,305	2,266	2,187
Shareholders' equity	4,660	4,708	4,453	4,378	4,253
Risk-bearing capacity					
Non-negotiable instruments on account of capital	(12)	(15)	(20)	(26)	(31)
Participation in African Development Fund	(64)	(64)	(63)	(97)	(97)
Adjusted shareholders' equity	4,585	4,629	4,369	4,255	4,125
Accumulated provision for impairment on accrued income and charges receivable on loans	103	169	223	198	188
Accumulated provision for impairment on loans disbursed and outstanding	116	196	214	195	214
Accumulated provision for losses on equity investments	21	2	4	3	0
Narrow risk-bearing capacity	4,824	4,996	4,810	4,651	4,526
Callable capital from 'AAA' rated member countries	5,466	5,466	5,491	5,484	5,492
Broad risk-bearing capacity	10,290	10,462	10,301	10,135	10,018
Development-related exposure					
Accrued income and charges receivable on loans	452	436	456	431	406
Loans disbursed and outstanding	5,835	5,540	5,291	5,512	5,640
Securities issued by entities in regional member countries	69	95	0	0	0
Equity investments excluding participation in African Development Fund	146	128	60	75	63
Guarantees	0	0	0	0	15
Total development-related exposure	6,501	6,198	5,806	6,019	6,125
Standard & Poor's capital adequacy calculations					
Narrow risk-bearing capacity/adjusted total assets¶ (%)	38.6	41.6	39.3	40.5	42.4
Broad risk-bearing capacity/adjusted total assets¶ (%)	82.4	87.2	84.1	88.3	93.9
Narrow risk-bearing capacity/development-related exposure (%)	74.2	80.6	82.8	77.3	73.9

Table 2

African Development Bank--Capital, Risk-Bearing Capacity, And Capital Adequacy (cont.)					
Broad risk-bearing capacity/development-related exposure (%)	158.3	168.8	177.4	168.4	163.5
AFDB maximum sustainable portfolio	12,780	12,861	11,926	11,549	10,868
Narrow risk-bearing capacity as a % of AFDB maximum sustainable portfolio	37.7	38.8	40.3	40.3	41.6
Broad risk-bearing capacity as a % of AFDB maximum sustainable portfolio	80.5	81.3	86.4	87.8	92.2

*After cumulative gains and losses arising from exchange rate movements affecting NRMCS' capital contributions. ¶Total assets less non-negotiable instruments on account of capital less participation in the African Development Fund.

AFDB's SDR19.41 billion of callable capital at year-end 2008 could be called by its board of governors, but only to meet obligations created by AFDB's borrowings or guarantees. A capital call would oblige all members to contribute their pro rata shares of the amount called, but one member's failure to meet a call would not release other members from their obligations to do so. If a first-round call did not raise the amount required, subsequent calls could be made, but no member would be obliged to pay more than the amount to which it subscribed. No MLI has ever issued a capital call to avoid a default, and the willingness and ability of members to respond to such a call is undemonstrated. Accordingly, Standard & Poor's uses the callable capital from 'AAA' rated member countries as a proxy for the expected amount that would be forthcoming if there were a call on all callable capital.

In September 2009, the government of Canada (AAA/Stable/A-1+) announced that it was making US\$2.6 billion in callable capital available on a temporary basis; and in October 2009 South Korea (A/Stable/A-1) made a similar announcement, with a temporary increase of US\$306 million. The contribution from Canada does not increase the bank's NRBC, although it does increase its BRBC; that from South Korea increases neither. These contributions may prove to be precursors to a sixth general capital increase for the bank.

AFDB's paid-in capital was supplemented by its reserves, which at SDR2.48 billion exceeded its paid-in capital at year-end 2008 and brought total reported shareholders' equity to SDR4.66 billion.

Risk-bearing capacity

Risk-bearing capacity is a measure of the losses that an MDFI can sustain before its liabilities exceed its assets (for NRBC) or its assets plus 'AAA' callable capital (for BRBC). AFDB's NRBC is calculated by adding adjusted shareholders' equity and provisions for losses on its DRE.

Two adjustments are made to AFDB's reported shareholders' equity. First, AFDB's year-end 2008 balance sheet carries SDR12 million of non-negotiable instruments on account of capital as an asset; however, cash from these instruments may not be immediately available to AFDB in a time of financial stress. Second, the balance sheet also carries AFDB's SDR64 million net equity holding in AFDF as an asset; this asset is illiquid and of uncertain value, and this would be especially true in the event of severe financial stress. Accordingly, these two asset classes are assigned a value of zero, and reported shareholders' equity and total assets are reduced by the sum of the two to get adjusted shareholders' equity and adjusted total assets.

AFDB has three types of provisions for losses on its DRE. First, the bank's accrued income and charges receivable on loans--SDR452 million at year-end 2008--are treated as DRE, so the provision for losses on these items--SDR116 million, or 26%--is included in provisions for losses. Second, the bank had an accumulated provision for impairment on loans of SDR103 million--1.77% of loans disbursed and outstanding. And third, AFDB had an

accumulated provision for impairment on equity investments of SDR21 million against its equity investments excluding the AFDF--10%.

AFDB's NRBC is the sum of adjusted shareholders' equity plus provisions for losses on DRE and totaled SDR4.824 billion at year-end 2008. This was a decrease of SDR172 million from one year earlier, which was primarily the result of lower reported shareholders' equity.

AFDB's BRBC is calculated by adding its 'AAA' callable capital to its NRBC. Of AFDB's callable capital of SDR19.34 billion at year-end 2008, SDR5.47 billion was from countries rated 'AAA' by Standard & Poor's. Accordingly, AFDB's BRBC totaled SDR10.29 billion at year-end 2008. However, in January 2009, Spain's long-term foreign currency sovereign rating was lowered from 'AAA' to 'AA+'. This reduced AFDB's 'AAA' callable capital, and hence its BRBC, by SDR208 million.

Development-related exposure

AFDB's DRE consists of its outstanding loans, including the accrued income and charges receivable on its loans; securities issued by entities in its regional country members; its equity investments, excluding its investment in the AFDF (since we in effect value that at zero); and guarantees outstanding. As of year-end 2008, the bank's DRE totaled SDR6.50 billion, up almost 5% from one year earlier.

Capital adequacy

With the decline in the bank's NRBC, its ratio of NRBC to DRE fell to 74% from 81% one year earlier. Nonetheless, among 'AAA' rated MDFIs, this percentage was exceeded only by the Islamic Development Bank (103%) and the European Bank for Reconstruction and Development (77%) at their latest fiscal year-ends.

At the same time, broad risk-bearing capacity was more than 158% of DRE. This is by far the highest such ratio among 'AAA' rated MDFIs as of their latest fiscal year-ends. Moreover, this ratio implies that, assuming no losses on other balance sheet or off-balance-sheet items and callable capital equal to that of all 'AAA' rated countries was received, all of AFDB's DRE could be written off without the bank becoming insolvent. AFDB's capital position at year-end 2008 was thus extremely solid.

Risk

AFDB's NRBC and BRBC act as cushions for the risk resulting from the bank's activities. These activities may be separated into development-related activities, which result in DRE; and treasury activities, which result in holdings of cash and investments, borrowings, and hedging instruments. AFDB makes a fundamental distinction between core risks--those embedded in AFDB's DRE--and non-core risks, its treasury-related risks.

The vast bulk of AFDB's risk lies in its DRE. This risk is lower than it might appear; however, the global recession bodes ill for several of AFDB's borrowers, and the bank's asset quality bears careful watching over the medium term as private lending increases in relative as well as absolute terms.

Borrower eligibility

AFDB lends only to African countries and to public- and private-sector entities domiciled in African countries. Since 1995, AFDB has used the same eligibility criteria as the World Bank Group for determining which countries may

borrow from the bank. Under these criteria, only 13 of AFDB's 53 regional member countries were currently eligible in principle to borrow from AFDB as of year-end 2008, and one of these, Libya (A-/Stable/A-2), has never borrowed from the bank. Two countries, Nigeria (BB-/Stable/B) and Zimbabwe (unrated) are eligible for a blend of AFDB and AFDF lending, although Zimbabwe is currently barred from borrowing because it is under sanctions for delays in servicing its obligations. Thirty-eight countries are eligible to borrow only from AFDF.

AFDB historically has focused on lending to the public sector. As of year-end 2008, more than 91% of outstanding loans were to the public-sector or publicly guaranteed borrowers (see table 3). However, the bank has begun focusing more on lending to public-sector entities without sovereign guarantees and private-sector borrowers, and almost half of the approvals during 2008 were for such borrowers. The bank expects most of the growth in its loan portfolio over the medium term to be from loans to private-sector borrowers.

Table 3

African Development Bank--Financing By Purpose					
(Mil. SDR, unless otherwise indicated)	--Year ended Dec. 31--				
	2008	2007	2006	2005	2004
Approvals					
Project lending	1,373	1,462	515	597	417
Public and publicly guaranteed	642	646	245	459	256
Private and non-publicly guaranteed	731	816	270	138	161
Policy-based lending	136	20	411	148	389
Equity investments	146	185	0	35	3
Other	152	3	119	89	711
Total	1,807	1,670	1,045	869	1,520
Outstanding loans, development-related securities, and equity investments					
Private sector loans*	503	350	316	362	319
Development-related securities	69	95	0	0	0
Public sector project loans*	2,432	2,459	2,587	2,849	3,193
Policy-based loans*	2,139	2,042	1,679	1,559	1,367
Other public sector loans*	760	690	1,025	1,104	1,080
Total outstanding loans	5,835	5,540	5,291	5,512	5,640
Equity investments	210	192	123	172	161
Memo items					
Public sector as a % of total loans	91.4	93.7	94.0	93.4	94.3
Policy-based loan approvals as a % of total financing approvals	7.5	1.2	39.3	17.0	25.6
Policy-based loans as a % of total outstanding public sector loans	40.1	39.3	31.7	28.3	24.2

*Does not include accrued income and charges receivable on loans.

Types of DRE

Most of AFDB's DRE consists of loans for public sector projects, but large amounts of the bank's financing approvals in any one year can be for policy-based loans--more than 39% in 2006. Outstanding policy-based loans have been increasing in recent years, reaching more than 40% of outstanding public sector loans at year-end 2008.

As noted above, DRE to the private sector is slated to account for most of the growth in AFDB's loan portfolio over

the medium term. At year-end 2008, half of the bank's private-sector DRE was loans to the financial sector and another 38% loans to other sectors. However, as is the case with other MDFIs, the portion of loans to the financial sector is overstated from an end-borrower perspective because banks relend the proceeds to a variety of sectors.

During 2007 the bank purchased one debt instrument issued by an entity in an RMC to finance development projects and programs. The value of this instrument fell to SDR69 million at year-end 2008 from SDR95 million one year earlier.

AFDB's agreement permits the bank to make equity investments, but the bank historically has been cautious about doing so. Its net equity investments, SDR189 million carried on the balance sheet at year-end 2008, were of four types. The largest single investment, in the AFDF, had a gross carrying value of SDR112 million and an impairment allowance of SDR48 million. The bank has three other classes of equity investments. SDR24 million represented small shareholdings in regional development banks, SDR10 million was small shareholdings in other development institutions, and SDR112 million was small investments in a wide variety of investment funds. Most of the bank's equity investments were made many years ago, but there has been a pickup in the bank's investments in investment funds during 2007 and 2008.

The bank has also provided some guarantees in the past. However, it has had none outstanding at year-end since 2004.

Loan maturities. Consistent with its development focus, AFDB typically extends medium- and long-term loans, with final maturities of as much as 20 years, including an appropriate grace period. At year-end 2008, less than 17% of AFDB's loans had remaining maturities of less than one year and nearly 52% had remaining maturities of five years or more.

Loan concentration. Bank management has established a limit on total exposure to any single country of 15% of the maximum sustainable portfolio. At year-end 2008, the maximum sustainable portfolio was SDR12.9 billion, implying maximum single-country exposure of SDR1.93 billion. However, specific country limits are reviewed annually and are based on the economic potential of the country and the perceived risk level.

The largest country exposure at year-end 2008, to Morocco (BB+/Stable/B), was SDR1.44 billion, 75% of the maximum single-country exposure (see table 4). It was 30% of AFDB's narrow risk-bearing capacity, up from less than 25% one year earlier.

Table 4

African Development Bank--Development-Related Exposure Country Concentration					
--Year ended Dec. 31--					
Largest country exposures*/ratings†	2008	2007	2006	2005	2004
Largest	Morocco/BB+	Morocco/BB+	Tunisia/BBB	Tunisia/BBB	Tunisia/BBB
Mil. SDR	1,445	1,229	1,180	1,227	1,211
% DRE	22.2	19.8	20.3	20.4	19.8
% Narrow risk-bearing capacity	30.0	24.6	24.5	26.4	26.7
2nd largest	Tunisia/BBB	Tunisia/BBB	Morocco/BB+	Morocco/BB+	Morocco/BB
Mil. SDR	1,087	1,145	1,095	853	683
% DRE	16.7	18.5	18.9	14.2	11.2
% Narrow risk-bearing capacity	22.5	22.9	22.8	18.4	15.1

Table 4

African Development Bank--Development-Related Exposure Country Concentration (cont.)					
3rd largest	DR Congo/NR	DR Congo/NR	DR Congo/NR	DR Congo/NR	Nigeria/NR
Mil. SDR	760	690	709	743	426
% DRE	11.7	11.1	12.2	12.3	6.9
% Narrow risk-bearing capacity	15.8	13.8	14.7	16.0	9.4
4th largest	Egypt/BB+	Egypt/BB+	Nigeria/BB-	Nigeria/NR	Cote d'Ivoire/NR
Mil. SDR	653	561	401	463	361
% DRE	10.0	9.0	6.9	7.7	5.9
% Narrow risk-bearing capacity	13.5	11.2	8.3	10.0	8.0
5th largest	Cote d'Ivoire/NR	Nigeria/BB-	Cote d'Ivoire/NR	Cote d'Ivoire/NR	DR Congo/NR
Mil. SDR	311	375	360	362	343
% DRE	4.8	6.0	6.2	6.0	5.6
% Narrow risk-bearing capacity	6.5	7.5	7.5	7.8	7.6
Share of DRE of five countries of largest exposure	65.5	64.5	64.5	60.6	49.4
% of narrow risk-bearing capacity of five countries of largest exposure	88.3	80.1	77.9	78.4	66.8

*Outstanding loans, equity investments, and guarantees. ¶Ratings as of balance sheet dates. NR--Not rated.

The relatively highly rated North African countries of Morocco, Tunisia, and Egypt have been among the largest recipients of AFDB financing in recent years, accounting for nearly 49% of total DRE at year-end 2008, which helps bolster the quality of the bank's portfolio. The concentration of the bank's DRE in its five largest members increased to more than 88% at year-end 2008 from 80% one year earlier. Despite its relatively small number of borrowers and the seemingly high percentage of its loans to its largest borrowers, AFDB's ratio of DRE in its five largest countries of exposure to risk-bearing capacity is below those of most 'AAA' rated MLIs, reflecting the bank's strong capital position.

Development-related exposure quality and provisions for losses. The index of quality of development-related exposure is an exposure-weighted average of the default rates associated with the long-term foreign currency sovereign credit ratings (or confidential credit assessments for countries that do not have public ratings) of AFDB's RMCs (see table 5). This figure is adjusted for the preferred creditor treatment that obligations to AFDB are expected to receive; the higher the index, the greater the risk embedded in the portfolio. This time series has been distorted by accounting changes implemented in 2005, which resulted in an increase in the loan exposure to the Democratic Republic of the Congo (DRC), which had a relatively low confidential credit assessment. The index has fallen since that time, but it remains the case that by this measure, AFDB's DRE portfolio contained more embedded credit risk in percentage terms at year-end 2008 than any other rated MDFI except for the Islamic Development Bank. It is important to note that this measure does not differentiate between public- and private-sector loans, the latter which are ordinarily expected to carry more risk, and hence this measure probably understates the embedded credit risk relative to that of other institutions whose loan portfolios consist entirely of public-sector loans. This has been of limited significance in recent years, given the small percentage of private-sector loans in AFDB's portfolio. However, the bank expects private-sector loans are expected to grow as a percentage of total loans over the medium term, and this measure would not reflect a deterioration in the quality of the loan portfolio caused by increasing private-sector loans that entail more risk than public-sector loans.

Table 5

African Development Bank--Loan Quality And Accumulated Provisions For Losses					
(Mil. SDR, unless otherwise indicated)	--Year ended Dec. 31--				
	2008	2007	2006	2005	2004
Indicators of DRE quality					
Index of quality of development-related country exposure	12.9	13.3	14.4	15.1	13.9
Private sector loans as a % of total loans	8.6	6.3	6.0	6.6	5.7
Loan writeoffs	0	0	0	0	0
Arrears on public sector loans and charges					
Côte d'Ivoire	346	331	292	222	153
Zimbabwe	279	245	222	199	167
Sudan	94	77	71	67	62
Somalia	12	11	10	10	10
Liberia	0	0	124	125	120
Comoros	0	0	13	13	12
Seychelles	0	0	0	22	20
Central African Republic	0	0	0	4	4
Total arrears on public sector loans and charges	731	664	731	661	547
Arrears on private sector loans and charges	26	23	16	5	8
Total arrears on loans and charges	757	687	747	666	555
of which: principal payments in arrears	451	418	419	378	306
As a % of total outstanding loans	7.7	7.5	7.9	6.9	5.4
of which: interest and other charges in arrears	306	269	328	300	249
Impaired/nonaccrual loans¶	275	603	670	702	700
As a % of total loans¶	4.7	10.9	12.7	12.7	12.4
Provisions for losses					
Accumulated provision for impairment on disbursed and outstanding loans	103	196	214	195	214
Accumulated provision for loans as a % of disbursed and outstanding loans	1.8	3.5	4.0	3.5	3.8
Accumulated provision for sovereign loans	90	184	199	179	203
As a % of sovereign loans	1.7	3.5	4.0	3.5	4.1
Accumulated provision for private sector loans	12	12	15	16	11
As a % of private sector loans	2.5	3.5	4.9	4.4	3.3
Accumulated provision for loans as a % of impaired loans	37.3	32.5	32.0	27.7	30.5
Accumulated provision for accounts receivable for accrued income/charges receivable on loans	116	169	223	198	188
As a % of accounts receivable for accrued income/charges receivable on loans	25.6	38.7	48.9	45.8	46.3
Accumulated provision for equity losses¶	68.7	50.7	52.6	18.1	18.8
As a % of total equity investments¶	26.7	21.1	30.6	9.7	10.5

*2004 figure is nonaccrual loans. ¶Year-end 2008 figure reflects impairment on exposure to Côte d'Ivoire being eliminated based on March 2009 elimination of arrears.

By some measures the historical performance of AFDB's loan portfolio has been well below that of other rated MDFIs. On one hand, the bank has never written off a sovereign loan and has written off no loans of any kind over

the past five years. On the other hand, past-due payments of principal have been high--SDR451 million at year-end 2008, more than 7.7% of outstanding loans (see table 5). Nearly 97% of the past-due principal was on public-sector loans. In addition, past-due interest and other charges were SDR306 million. These are very large figures for an MDFI. However, on March 6, 2009, an arrears clearance arrangement was approved whereby Côte d'Ivoire's arrears were cleared by a combination of payments from Côte d'Ivoire, assisted by a donor country, and contributions from the Fragile States Facility created by the bank group. This permitted the bank to eliminate these loans from those classified as impaired at year-end 2008. As a consequence, AFDB's impaired loans at year-end 2008 were the lowest in many years. Nonetheless, at 4.7% of outstanding loans, impaired loans at year-end 2008 were still very high for an MDFI.

As exemplified by the case of Côte d'Ivoire, AFDB's actual losses are likely to be substantially lower than the portfolio figures suggest; in more than 40 years of operation, the bank has never written off a sovereign or sovereign-guaranteed loan. However, it did reschedule the DRC's loans in 2002, albeit in such a way that the present value of the scheduled repayments equaled that of the original payments. The DRC remained current on its loans as of year-end 2008.

AFDB has generally been treated as a preferred creditor by its RMCs. However, such status means only that its loans are likely to be repaid before those of commercial or official bilateral lenders; it in no way ensures that they will in fact be repaid in full and on time. Given the economic distress of many of its borrowing members, it is not surprising that they have on occasion fallen behind on their payments.

The credit risk in AFDB is significantly mitigated by the HIPC Initiative. At year-end 2008, of AFDB's 53 RMCs, 19 were "completion point countries," and another nine were "decision point countries." In January 2009, Burundi (not rated) reached completion point status, and in March 2009 Côte d'Ivoire reached decision point status. In addition, five more member countries were "pre-decision point countries." At year-end 2008, AFDB had SDR113 million in outstanding loans to completion point countries; SDR792 million to decision point countries; and SDR372 million to pre-decision point countries. SDR484 million in payments on behalf of the completion point and decision point countries are expected to be received from the HIPC trust fund. Payments for AFDB's loans from the pre-decision point countries are also likely to be substantial, although it is uncertain when--or even if--these countries will be eligible for the program.

Despite never having written off a sovereign loan, AFDB maintains provisions for losses on both accrued interest and charges on loans and on the principal amount of the loans themselves (see table 5). The accumulated provision on total outstanding loans was 1.8% at year-end 2008, down from 3.5% one year earlier and seemingly a small percentage. The small size of the accumulated provision reflects the fact that the bank expects the principal, interest, and charges of all of its public-sector loans to be repaid, and at year-end 2008 public-sector loans were more than 91% of the total. As a consequence, the provisions of 1.7% of public-sector loans reflect the expected economic loss from delays in payment.

Provisions for losses on private-sector loans were 2.5% of outstanding private-sector loans at year-end 2008, also down from 3.5% one year earlier and below the average of recent years. It may be too early to tell, but the provisions seem rather modest. The accumulated provision for losses on impaired private-sector loans was 37% at year-end 2008.

AFDB has had very large receivables for accrued income and receivables on loans in recent years, totaling SDR452

million at year-end 2008. Provisions on these receivables were 26% at year-end 2008, well below those of prior years. This seeming optimism was borne out by Côte d'Ivoire's elimination of arrears in March 2009. Because the bank expects private-sector loans to account for an increasing percentage of total loans, the performance of the loan portfolio and the provisioning for losses will bear close watching. Both management and the board of directors are well aware of this.

Treasury-related risk

Treasury operations are intended to fund the bank in a conservative yet cost-effective manner rather than serve as a source of significant income for the bank. Accordingly, the bank seeks to sharply curtail the risks from these activities.

Credit risk. AFDB's trading counterparties are generally rated 'A' or higher, although less-stringent minimum credit ratings are permitted for local currency operations in its RMCs. Its derivative counterparties are required to have ratings of 'A-' or higher (for those with whom the bank has entered into a collateral exchange agreement) or ratings of 'AA-' or higher from two approved rating agencies (for those without collateral exchange agreements). In addition, AFDB generally executes International Swaps and Derivatives Assoc. (ISDA) master agreements and netting agreements with its derivative counterparties. Its bank and corporate investment counterparties are required to have ratings of 'A' or higher for exposure of six months or less; 'AA-' for exposure for six months to five years; and 'AAA' for longer-term exposure. Its government, government agency, and supranational investment counterparties are required to have ratings of 'A' for exposure of one year or less; 'AA-' for exposure for one year to 15 years; and 'AAA' for longer-term exposure. Mortgage-backed and asset-backed securities must be rated 'AAA.' In addition, the bank has exposure limits based on the size and credit rating of its counterparties, and it may have exposure of no greater than 8% of risk capital—defined as paid-in capital, reserves, and general provisions for losses—to any single counterparty. At year-end 2008, 59% and 21% of the credit exposure to AFDB's derivative and investment counterparties were rated 'AAA' and 'AA', respectively. According to Bank for International Settlements standards, AFDB's derivative and investment counterparty exposure required 2.0% of the bank's risk capital.

At year-end 2008, AFDB had SDR510 million of asset-backed securities, down from SDR648 million and SDR1.032 billion at year-end 2007 and 2006, respectively.

Exchange-rate risk. The agreement establishing the AFDB requires liabilities in any currency to be matched with assets in the same currency. Because the bank borrows disproportionately in U.S. dollars and Japanese yen, it employs currency and cross-currency swaps to achieve this matching; to avoid creating new currency mismatches, the bank requires borrowers to service their loans in the currency disbursed. However, since much of the bank's assets are funded by shareholders' equity, the bank is still left with a net asset position that is exposed to translation risk when exchange rates fluctuate. It addresses this problem by matching, to the extent practicable, the composition of its net assets with the composition of the SDR. These policies resulted in translation adjustments of less than 0.1% of average assets at each of the last three years' ends, respectively, despite sharp movements in the values of major currencies.

Interest rate risk. Interest rate risk for the bank comes from two principal sources: the net interest margin for assets funded by debt and the interest-rate sensitivity of assets funded by equity. Management seeks to generate a stable net interest margin for the assets funded by debt by matching the interest rate characteristics of each class of assets and liabilities through the use of swaps. There is no way for the bank to immunize itself fully against the impact of interest rate changes on assets funded by equity. However, the bank reduces the volatility in its net interest margin by adjusting the repricing profile of the fixed-rate loans and investments funded by equity to match a 10-year

repricing profile benchmark (that is, by having 10% of assets funded by equity repriced each year). This results in the net interest margin on these assets tracing a 10-year moving average of SDR interest rates.

A third source of interest rate risk arises from prepayments, particularly those for loans issued before 1997, which did not carry a prepayment penalty. The relatively low interest rates of recent years has made repayment or refinancing an attractive option for some of AFDB's more creditworthy borrowers, and SDR471 million and SDR542 million were prepaid during 2003 and 2004, respectively. The prepayments during 2004 were nearly 10% of year-end 2003 loans. Prepayments slowed to SDR70 million in 2005, due largely to an increase in interest rates; picked up again, to SDR298 million in 2006 and to SDR199 million in 2007; and fell to SDR17 million in 2008. Prepayments made during the past three years have overwhelmingly been on market-based floating rate loans, reducing the adverse impact on AFDB's profitability.

In sum, the risks related to AFDB's treasury activities appear to be well-contained by its policies and practices and consistent with its desire to minimize noncore risks.

Leverage

AFDB had three debt-related policies as of end-2008:

- Total debt could not exceed 100% of "usable capital," which is paid-in capital in convertible currencies, reserves, and callable capital of countries rated 'AA' or higher (the percentage was 60% at year-end 2008);
- Total debt could not exceed 80% of total callable capital (43% at year-end 2008); and
- Total senior debt (AFDB is unique among rated MDFIs in having some subordinated debt outstanding) could not exceed 80% of the callable capital of nonborrowing member countries (70% at year-end 2008).

Table 6

African Development Bank--Leverage	--Year ended Dec. 31--				
	2008	2007	2006	2005	2004
(%, unless otherwise indicated)					
AFDB leverage measures					
Total borrowings as a % of 80% of total callable capital	43.2	40.1	37.8	38.3	36.4
Total borrowings as a % of total usable capital	59.9	54.5	58.3	59.5	57.1
Senior debt as a % of callable capital from non-borrowings members	69.8	65.0	60.7	61.1	57.9
Standard & Poor's leverage measures					
Gross debt/adjusted shareholders' equity	146.3	133.9	134.4	139.6	136.7
Gross debt/adjusted shareholders' equity plus 'AAA' callable capital	68.1	61.4	59.5	61.0	58.6
Gross debt net of liquid assets/adjusted shareholders' equity	33.5	16.7	(8.1)	16.7	28.0
Gross debt net of liquid assets/adjusted shareholders' equity plus 'AAA' callable capital	15.6	7.6	(3.6)	7.3	12.0

In July 2009, the board of directors revised its borrowing policies, defining usable capital to include callable capital from countries rated 'A-' and above, which increased the bank's borrowing capacity by about SDR1 billion; and eliminating the other two debt-related policies.

AFDB has obviously been well within all of these constraints in recent years.

Standard & Poor's calculates four leverage ratios for comparative purposes:

- Gross debt to adjusted shareholders' equity (146% at year-end 2008);
- Gross debt to adjusted shareholders' equity plus 'AAA' callable capital (68%);
- Gross debt net of liquid assets to adjusted shareholders' equity (33%); and
- Gross debt net of liquid assets to adjusted shareholders' equity plus 'AAA' callable capital (16%).

All of these ratios increased during 2008. However, the ratios calculated using adjusted shareholders' equity are the lowest among 'AAA' rated MLIs except for the Islamic Development Bank (ISDB), which has no debt on its balance sheet, and the Caribbean Development Bank. The ratios calculated using adjusted shareholders' equity plus 'AAA' callable capital are the lowest among 'AAA' rated MLIs except for the ISDB.

Liquidity

AFDB's liquidity policy calls for maintaining liquidity in excess of the "prudential minimum level" of liquidity, which is defined as the sum of debt-service payments over the next year, the projected net loan disbursements for the next year, the loan equivalent of guarantees, and undisbursed equity investments. The bank typically carries liquidity far above the prudential minimum level. For instance, at year-end 2008, prudential minimum liquidity was SDR1.102 billion, while the bank's actual liquidity was SDR2.540 billion.

Table 7

African Development Bank--Liquidity					
	--Year ended Dec. 31--				
(% , unless otherwise indicated)	2008	2007	2006	2005	2004
Prudential minimum liquidity (mil. SDR)	1,102	1,600	1,430	1,260	1,150
Liquidity (mil. SDR)	1,540	2,680	3,060	3,020	2,670
Liquidity as a % of prudential minimum liquidity	230.5	167.5	214.0	239.7	232.2
Standard & Poor's liquidity measures					
Liquid assets/total assets	41	45	50	45	42
Liquid assets/gross debt	77	88	106	88	80
Liquid assets/undisbursed loans plus equity investments plus estimated one-year debt service	139	178	240	225	212

Standard & Poor's calculates three liquidity measures for comparative purposes. At year-end 2008, liquid assets (including all cash and deposits and treasury investments, regardless of maturity) were more than 41% of total assets and more than 77% of total borrowings; and liquid assets as a percentage of undisbursed loans and equity investments and projected one-year debt service was nearly 139%. Although down from one year earlier, each of these ratios was at or near the top among those of 'AAA' rated MDFIs as of their latest fiscal year-ends.

AFDB has a long-established euro commercial paper program, although it has been used only infrequently. Earlier this year the program was increased to €2 billion from €1 billion. The bank does not intend to use the program as a primary funding source, but rather to bridge possible cash flow mismatches. Given the bank's ample liquidity and the T+2 settlement convention, there are no backup lines in place for this program.

Net Income

As a development institution, AFDB does not seek to maximize income, but rather to earn a return adequate to ensure its financial strength and to permit it to meet its development and other financing goals. Although AFDB is currently receiving some additional paid-in capital--SDR35 million is scheduled to be received by 2017--increases in reserves from retained earnings are likely to be the primary source of growth in its risk-bearing capacity over the medium term, barring a general capital increase.

The principal drivers of AFDB's operating income are the level of interest rates (because equity funds a large portion of interest-earnings assets), the spread on loans and investments funded by borrowings, provisions for losses, and noninterest expense (primarily administrative).

Table 8

African Development Bank--Summary Income Statement					
(Mil. SDR, unless otherwise indicated)	--Year ended Dec. 31--				
	2008	2007	2006	2005	2004*
Income from loans and debt securities	362	347	329	324	323
Income from investments and related derivatives	203	232	214	155	124
Interest and amortized issuance costs	(252)	(268)	(245)	(219)	(231)
Other borrowing-related expenses	(70)	(7)	(3)	(22)	16
Provision for impairment on loan charges	62	53	(29)	(7)	(2)
Provision for impairment on loan principal	101	17	(23)	21	(51)
Provision for impairment on equity investments¶	(18)	(1)	(35)	1	3
Provision for impairment on investments	(38)	0	0	0	0
Other income (net)	9	(2)	28	17	7
Administrative expense	(47)	(42)	(37)	(42)	(38)
Other expense	(7)	(6)	(5)	(8)	(7)
Operating income	305	324	194	221	144
Distribution of income approved by the board of governors	(257)	(120)	(139)	(144)	0
Net income	47	204	55	77	144
(Loss)/gain on available-for-sale investments taken to equity	(18)	33	(9)	6	2
Actuarial losses on defined benefit plans	(86)	(11)	(7)	(4)	(31)
Total recognized income	(56)	226	39	80	115
Memo items					
Operating return on average adjusted assets and guarantees (%)	2.5	2.7	1.6	2.0	1.4
Operating return on average adjusted shareholders' equity (%)	6.6	7.2	4.5	5.3	3.8
Transfers of income approved by the board of governors					
Post Conflict Assistance--DRC	62	65	67	37	54
African Development Fund	109	14	21	46	10
Heavily Indebted Poor Countries Initiative	15	22	11	11	6
Special Relief Fund	0	0	15	5	0
Post Conflict Countries Facility	0	0	25	30	45
Middle Income Country Technical Assistance Fund	25	10	0	15	0
Investment Climate Facility for Africa	0	9	0	0	0

Table 8

African Development Bank--Summary Income Statement (cont.)					
Africa Food Crisis Response	20	0	0	0	0
African Legal Support Facility	10	0	0	0	0
NEPAD Infrastructure Project Preparation Facility	6	0	0	0	0
Africa Fertilizer Development Financing Mechanism	5	0	0	0	0
Fund for African Private Sector Assistance	5	0	0	0	0
Total	257	120	139	144	115

*Figures for 2004 are not strictly comparable with later years. †Includes other receivables prior to 2007.

AFDB has been consistently profitable, and its operating return on average adjusted assets plus guarantees--2.5% for 2008--has historically been relatively high compared with most of its MDFI peers (see table 8). This reflects, among other things, the relatively large portion of AFDB's interest-bearing assets funded by shareholders' equity. AFDB's returns on average adjusted shareholders' equity have been relatively lower, given the strong capitalization of the bank, but have still surpassed those of most of its peers over the past five years.

Operating income provides only partial picture of AFDB's income story. Like almost all other MDFIs, AFDB does not pay a dividend. However, most of its income in recent years has not been retained by the bank, but rather has been allocated by its board of governors to a variety of developmental and humanitarian uses (see "transfers of income approved by the board of governors" in the "memo items" in table 8). Consistent with IFRS, such allocations are reported as expenses on AFDB's income statement, although they are fundamentally different from other expenses reported there. The allocation of operating income outside the bank reduces the growth of the bank's risk-bearing capacity; at the same time, however, it increases the financial support provided to the bank's least-developed members, who cannot borrow from the bank, and thereby increases the bank's franchise value to these members. These transfers reduced operating income of SDR305 million in 2008 to net income of SDR47 million.

Finally, the broadest measure of income, total recognized income and expense, incorporates gains and losses on available-for-sale securities and actuarial losses on defined benefit plans recognized directly in equity. AFDB suffered a loss of SDR56 million by this measure during 2008, in contrast with a profit of SDR226 million during 2007, which was attributable principally to the SDR86 million actuarial loss on defined benefit plans. Standard & Poor's downplays the significance of these losses (and gains), at least for an entity as well-capitalized as AFDB, since at least portions of them are highly likely to be recouped.

In sum, AFDB is an extraordinarily well-capitalized and liquid institution. It has substantial scope for increasing its lending and other risk-generating activities while maintaining its current ratings. The bank's intention to focus on private-sector lending going forward will bear watching over the medium term, although the bank plans to be very selective in the projects it undertakes.

Ratings Detail (As Of November 23, 2009)*

African Development Bank

Counterparty Credit Rating

Foreign Currency

AAA/Stable/A-1+

Certificate Of Deposit

Foreign Currency

AAA

Ratings Detail (As Of November 23, 2009)***(cont.)**

Commercial Paper	
<i>Foreign Currency</i>	A-1+
Senior Unsecured (213 Issues)	AAA
Subordinated (6 Issues)	AA+

Counterparty Credit Ratings History

24-Jul-2003	<i>Foreign Currency</i>	AAA/Stable/A-1+
06-Jun-2001		AA+/Stable/A-1+
09-Aug-2000		AA+/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Copyright © 2009 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved. No part of this information may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P. S&P, its affiliates, and/or their third-party providers have exclusive proprietary rights in the information, including ratings, credit-related analyses and data, provided herein. This information shall not be used for any unlawful or unauthorized purposes. Neither S&P, nor its affiliates, nor their third-party providers guarantee the accuracy, completeness, timeliness or availability of any information. S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such information. S&P, ITS AFFILIATES AND THEIR THIRD-PARTY PROVIDERS DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates or their third-party providers and their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained herein even if advised of the possibility of such damages.

The ratings and credit-related analyses of S&P and its affiliates and the observations contained herein are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of the information contained herein should not rely on any of it in making any investment decision. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of each of these activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P's Ratings Services business may receive compensation for its ratings and credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.

Copyright © 1994-2009 by Standard & Poors Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. All Rights Reserved.