

# INVESTOR PRESENTATION

**African Development Bank**



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# Bank Group Overview



# A development financial institution focused on poverty and the economic and social development of Africa

## Africa

Algeria	Libya
Angola	Madagascar
Benin	Malawi
Botswana	Mali
Burkina Faso	Mauritania
Burundi	Mauritius
Cameroon	Morocco
Cape Verde	Mozambique
Central African Rep.	Namibia
Chad	Niger
Comoros	Nigeria
Congo	Rwanda
Côte d'Ivoire	S. Tome & Principe
D. R. Congo	Senegal
Djibouti	Seychelles
Egypt	Sierra Leone
Equatorial Guinea	Somalia
Eritrea	South Africa
Ethiopia	Sudan
Gabon	Swaziland
Gambia	Tanzania
Ghana	Togo
Guinea	Tunisia
Guinea Bissau	Uganda
Kenya	Zambia
Lesotho	Zimbabwe
Liberia	

## African Development Bank ("AfDB")

- Established in 1964
- Subscribed capital US\$ 34 billion
- 53 African and 24 non-African countries

## African Development Fund ("ADF")

- Established in 1972
- Subscription US\$ 24 billion

## Nigeria Trust Fund ("NTF")

- Established in 1976 by Nigeria for a 30 year period
- Total resources US\$ 432 million
- Agreement reached with Nigeria to extend the life of NTF to 2018

**Turkey and Luxembourg expected to become members of the Bank Group**

## Europe

Austria	Netherlands
Belgium	Norway
Denmark	Portugal
Finland	Spain
France	Sweden
Germany	Switzerland
Italy	UK

## North & South America

Argentina	Canada
Brazil	USA

## Middle East

Kuwait	Saudi Arabia
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## Asia

China	India
Korea	Japan



# The African Development Bank is the key stone of the Bank Group

## HIGHEST CREDIT RATINGS

Aaa Moody's

AAA  
Japan Credit Rating Agency

AAA  
Fitch Ratings

AAA  
Standard & Poor's

## CREDIT RATING DRIVERS

Committed shareholders

Preferred creditor status

Prudent financial management and policies

Strong liquidity and capital position

Franchise value

## GROWING OPERATIONAL IMPACT

Increase in operations and relevance to member countries

Lead and contribute to development initiatives in the continent

## ROBUST FINANCIAL APPROACH

Strike a careful balance between maximizing development impact and maintaining long-term financial soundness

**Risk weighting under Basel II: 0%**



# Strong commitment from members

## African Development Bank

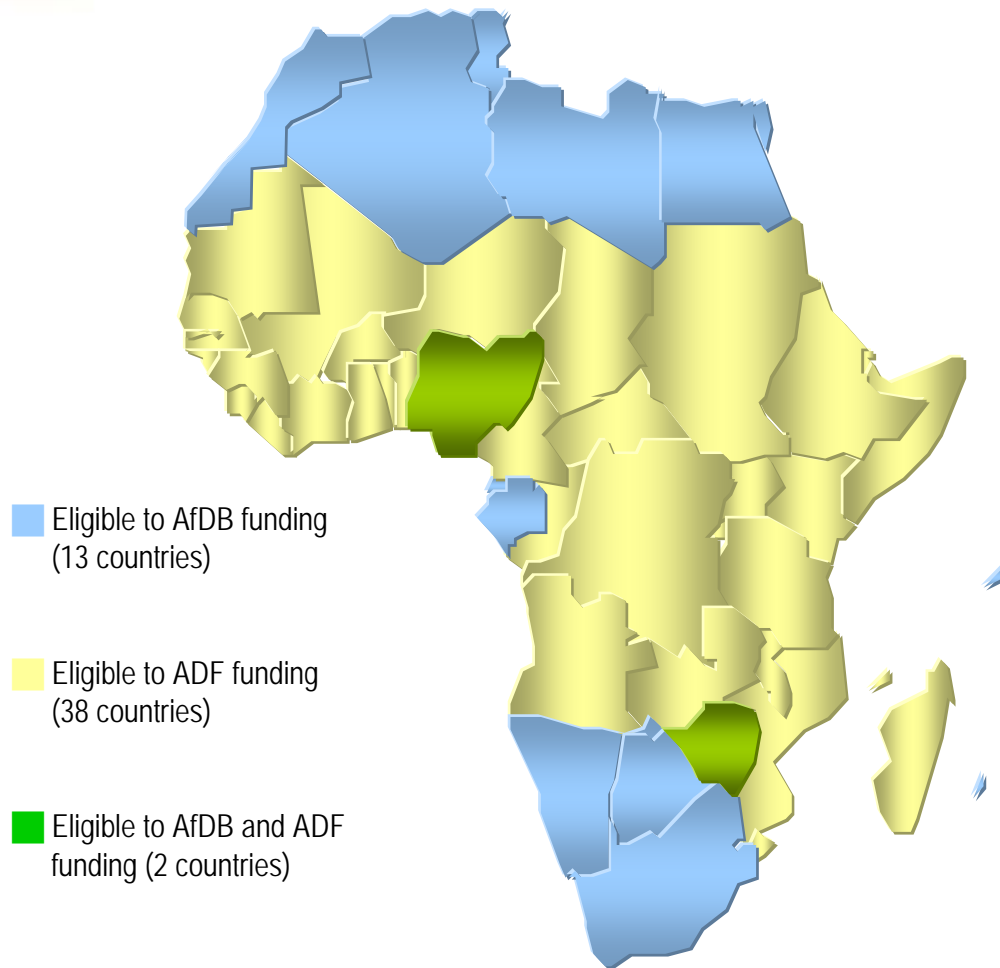
- African countries shareholding: 60%
- Non-African countries shareholding: 40%
- Five capital increases
- Preferred creditor status

Rank	Top 10 Shareholders
1	Nigeria
2	USA
3	Japan
4	Egypt
5	South Africa
6	Germany
7	Algeria
8	Libya
9	Canada
9	France

## African Development Fund

- Resources provided primarily by the non-regional member countries
- Complements AfDB's efforts by providing concessional funds for development projects to the poorest countries
- Replenished every 3 years
- Eleventh replenishment in 2007 for an amount of US\$ 8.9 billion against US\$ 5.4 billion for the tenth replenishment
- Significant increase in the ADF replenishment level demonstrates support of the donor community to Africa
- **ADF is financially independent of AfDB**

# The Bank Group addresses the diverse needs of African countries

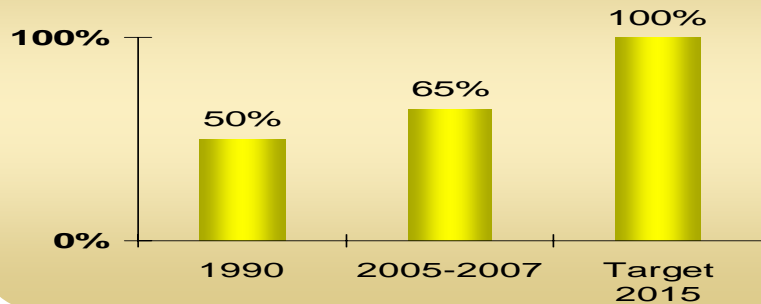


## Millennium Development Goals

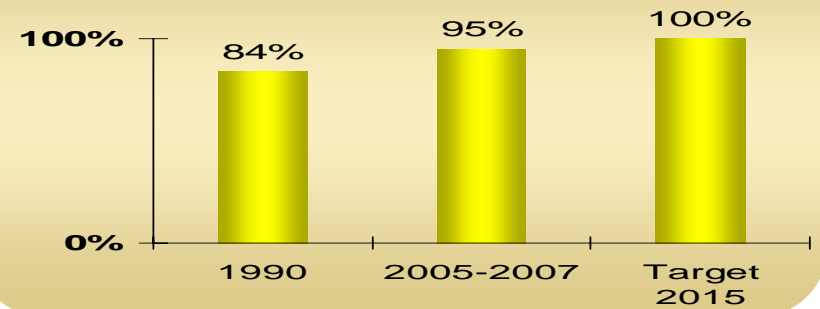
1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

# Snapshot of status of some MDGs

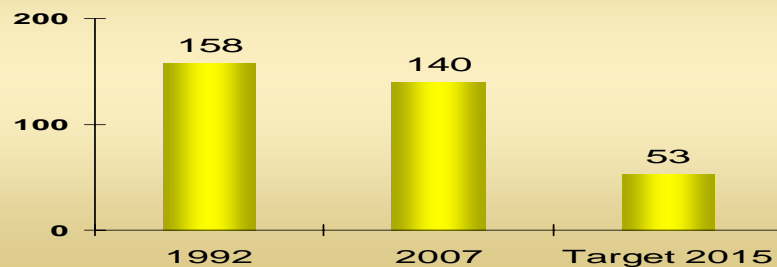
## Percentage of Cohort Reaching Grade 5



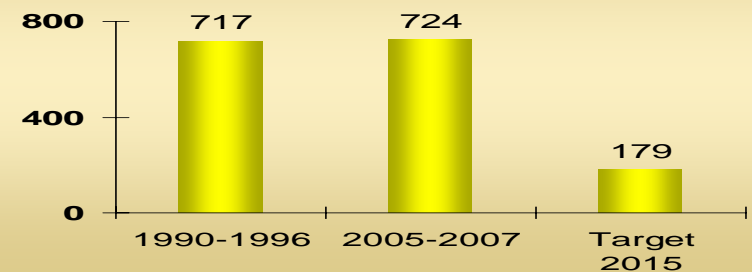
## Girls to Boys Ratio at Primary School



## Under Five Mortality Rate (per 1,000 Live Births)



## Maternal Mortality Rates (per 100,000 Live Births)



Population with access to improved water 2007 **63%**

# The Bank Group champions key development initiatives in the continent

**NEPAD**

**Infrastructure  
Project  
Preparation  
Facility**

**Infrastructure  
Consortium  
For Africa**

**Debt Relief  
HIPC  
MDRI  
PCCF**

**Rural Water  
Supply &  
Sanitation  
Initiative**

**Africa Water  
Facility**

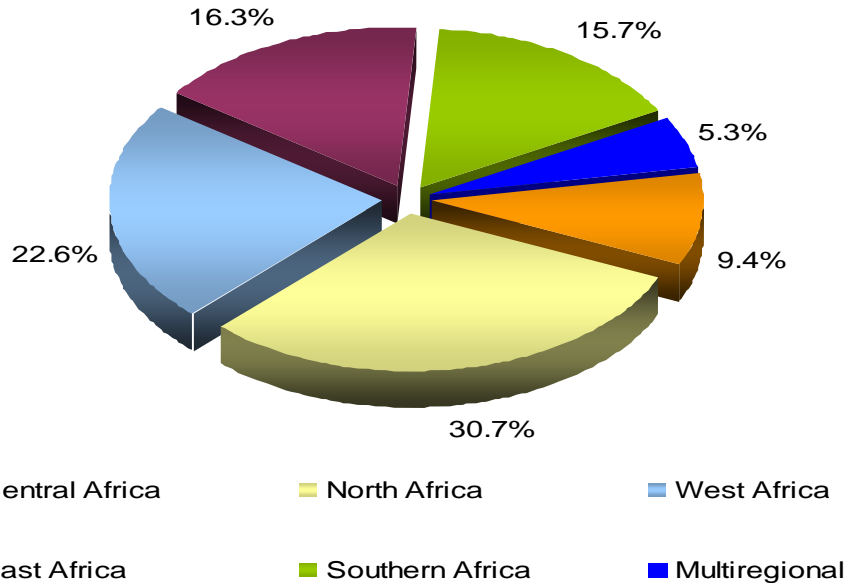
**Multi Donor  
Water  
Partnership  
Program**

**Connect  
Africa Initiative  
to bridge gaps  
in ICT  
infrastructure**

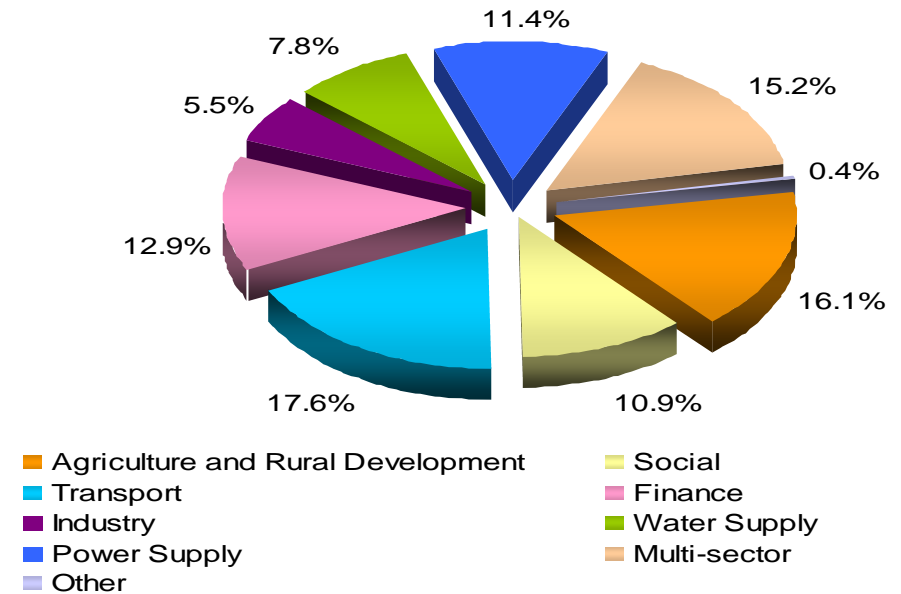
**Making Finance  
Work for Africa**

# Coverage of regions and critical sectors is well diversified

## By Region



## By Sector



**Total Approvals since inception:**  
US\$ 69 billion

**Total Bank Group Approvals**  
2008 : US\$ 5.44 bn    2007: US\$ 4.9 bn

**Total Bank Group Disbursements**  
2008: US\$ 2.8 bn    2007: US\$ 2.5 bn



# Core Operational Focus

**INFRASTRUCTURE**  
Critical for economic growth

**GOVERNANCE**  
Strengthen transparency and  
accountability

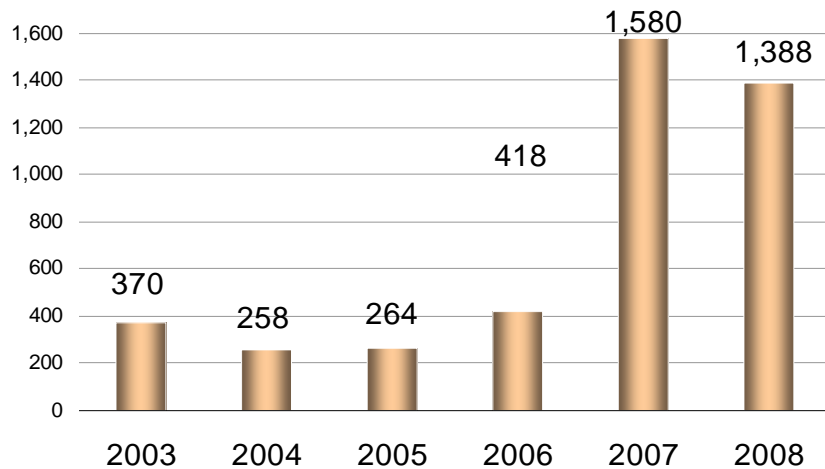
**REGIONAL INTEGRATION**  
Increase competitiveness and productivity

**PRIVATE SECTOR  
INVESTMENTS**  
Engine to accelerate development

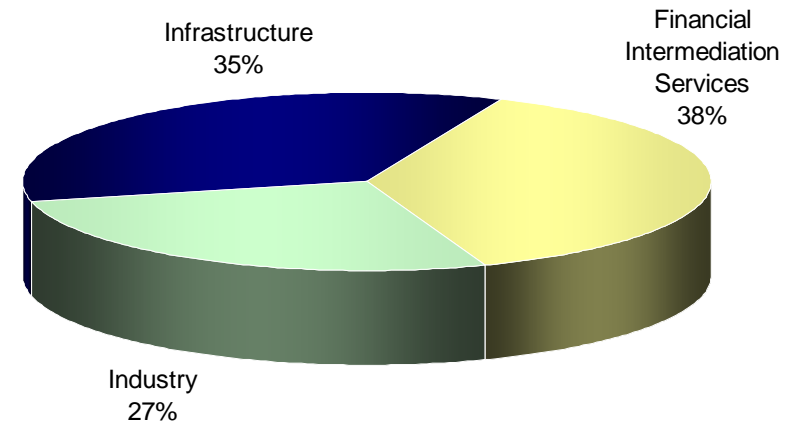


# Private sector operations are the engine of growth for African economies in the drive to accelerate development

## Approvals (in US\$ million)



## 2008 Operations by Sector



**Support private enterprises**

**Strengthen financial systems**

**Build competitive infrastructure**

**Promote regional integration and trade**

**Improve investment climate**



# The Bank's response to the financial crisis aims to avert the danger of economic contraction and consequent increased human suffering in the continent

## Four Initiatives to respond to the immediate needs

- **Emergency Liquidity Facility:** USD 1.5 billion designed to alleviate the current liquidity crunch, Will provide bridge financing with a fast-track approval approach
- **Trade Finance Initiative:** USD 1 billion initiative that will be implemented in phases;
- **Accelerated Resource Transfer to ADF Countries:** To address RMCs needs for (i) budget support; (ii) infrastructure financing; and (iii) supporting private sector development through leveraging of ADF
- **Enhanced Policy Advisory Support**



# Financial Profile



# AfDB Summary Financial Information

(In US\$ million)	2003	2004	2005	2006	2007	2008
<b>Assets</b>	<b>14,911</b>	<b>16,760</b>	<b>16,581</b>	<b>18,552</b>	<b>19,093</b>	<b>19,363</b>
-Loans	8,339	8,759	7,878	7,960	8,755	8,987
-Investments	6,146	6,888	7,368	9,166	8,382	7,048
<b>Borrowings</b>	<b>8,617</b>	<b>8,757</b>	<b>8,490</b>	<b>8,831</b>	<b>9,796</b>	<b>10,331</b>
<b>Equity</b>	<b>5,277</b>	<b>6,605</b>	<b>6,257</b>	<b>6,699</b>	<b>7,440</b>	<b>7,178</b>
-Paid in Capital net of CEAS*	3,006	3,209	3,018	3,230	3,439	3,365
-Reserves	2,239	3,396	3,239	3,468	4,001	3,813
<b>Income before transfers</b>	<b>144**</b>	<b>223</b>	<b>316</b>	<b>292</b>	<b>511</b>	<b>469</b>
<b>Subscribed Capital</b>	<b>32,043</b>	<b>33,541</b>	<b>31,040</b>	<b>32,788</b>	<b>34,281</b>	<b>33,524</b>

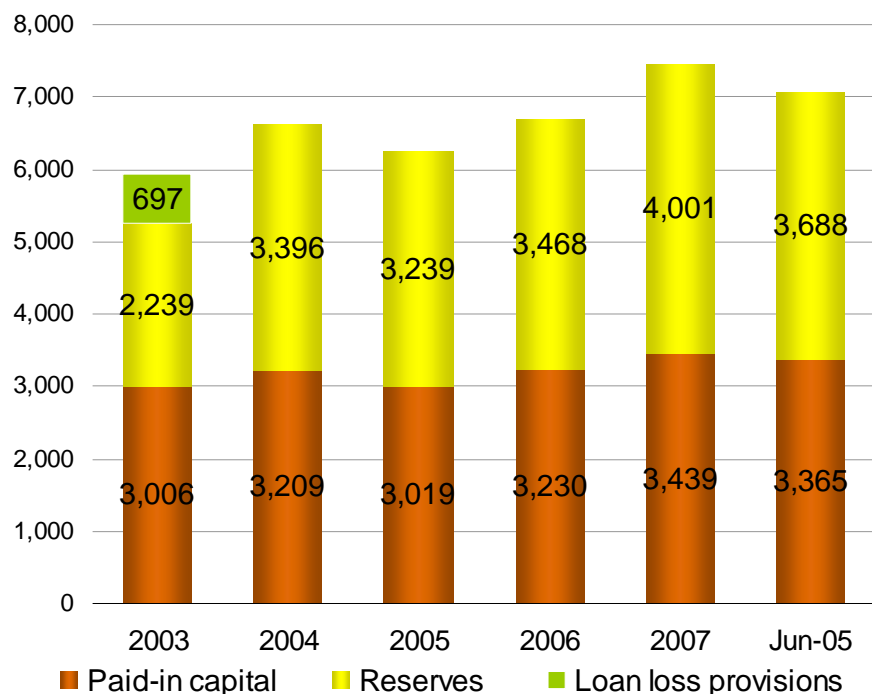
\*Cumulative Exchange Adjustment on Subscriptions

\*\*Not restated and is the net income for 2003

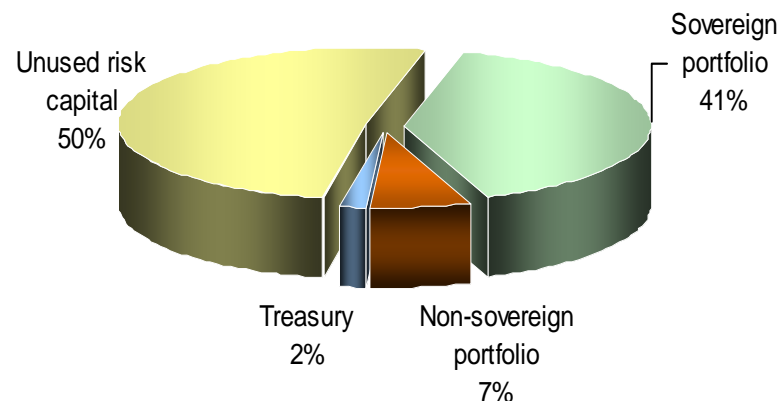


# Significant transfers to reserves have reinforced the risk bearing capacity and strengthened financial performance

## Risk Capital (in US\$ million)



## Uses of Risk Capital

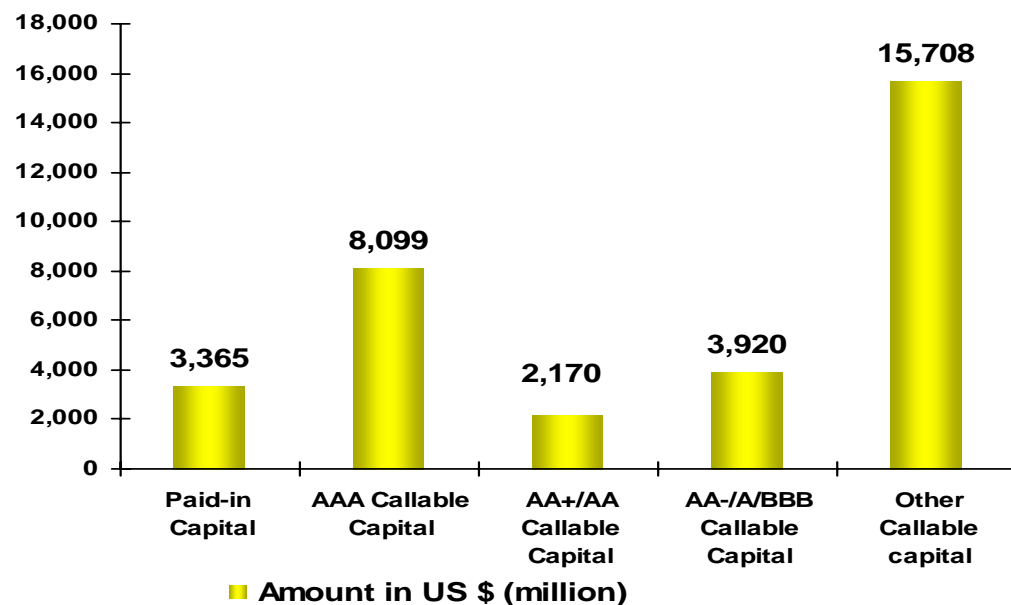


**Solid foundation which allows the Bank to support its current risk and the expected expansion of its development financing activities**

Based on the effects of the revised IFRS, effective 1 January 2005, the nature of loan loss provisions has changed from 'general' to 'specific'; accordingly, loan loss provisions represent a reduction in the exposure to the relevant country, not a source of risk capital. Therefore, the main components of the Total Risk Capital are Paid-in Capital and Reserves



## Strong equity base buttressed by callable capital



Callable capital is the commitment by each shareholder to make additional capital available to the institution in case of financial distress

There has never been a call on the capital of the Bank

As at 31 December 2008



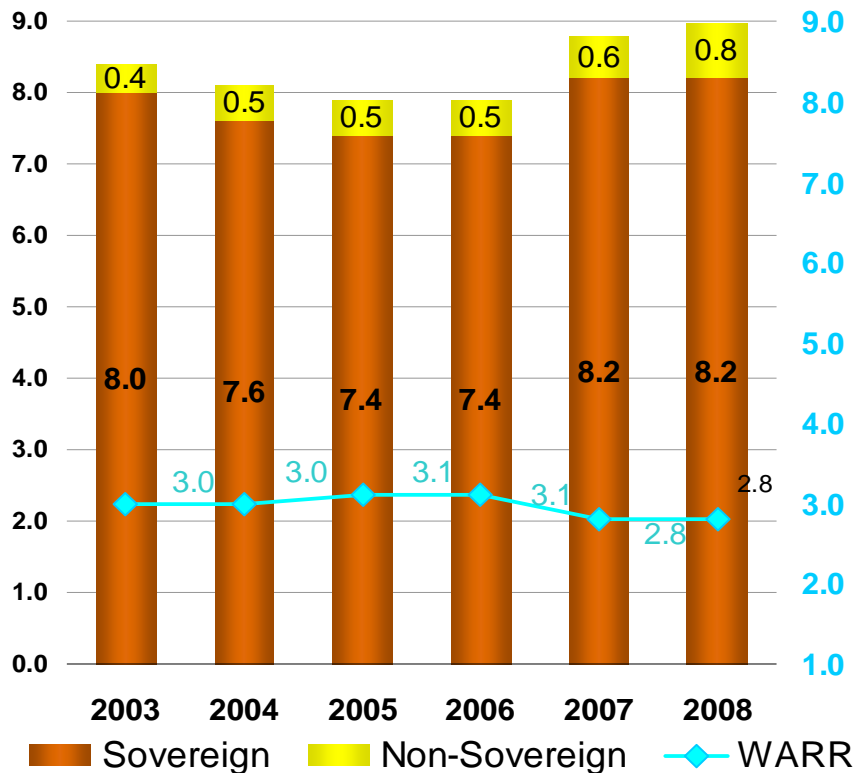
# Quality of the operational portfolio continues to improve

Risk is managed within an integrated framework of credit policies, guidelines and processes through a systematic credit assessment based on a uniform internal credit risk rating scale

In 2009, the Bank reviewed its capital adequacy framework using the Basel II Internal Ratings Based approach as reference.

ADB Risk Classes	ADB Internal Rating 1-10	Credit Quality	Current Risk Charge	Sovereign Risk Charges
Very Low Risk	1	Excellent	25%	3%
Low Risk	2	Strong	28%	7%
Moderate Risk	3	Good	35%	15%
	4	Fair	35%	35%
High Risk	5	Acceptable	50%	57%
	6	Marginal	50%	89%
Very High Risk	7	Special Attention	75%	98%
	8	Substandard	75%	100%
	9	Doubtful	75%	100%
	10	Known loss	75%	100%

Outstanding Loans in US\$ billion Risk Rating



Note: WARR: Weighted Average Risk Rating



# Minimize exposure to risks not essential to core business of providing development finance and related assistance

## Counterparty credit risk

Credit ratings, exposure limits and other risk mitigation measures

## Exchange rate risk

Match the currency composition of assets with that of liabilities and hedge the net asset position to minimize currency translation risk

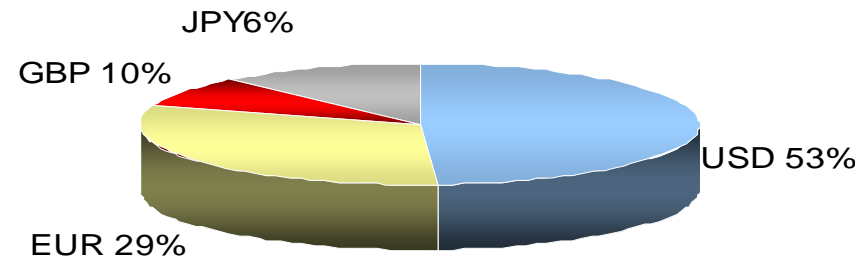
## Investment portfolio of US\$ 7.05 billion

## Liquidity risk

Safety cushion of at least one year against market disruption in the capital markets

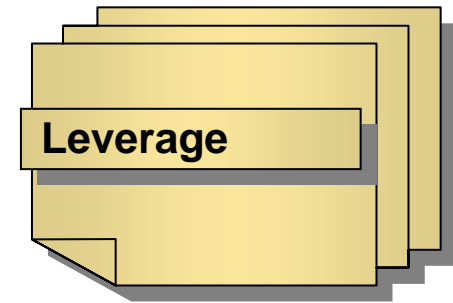
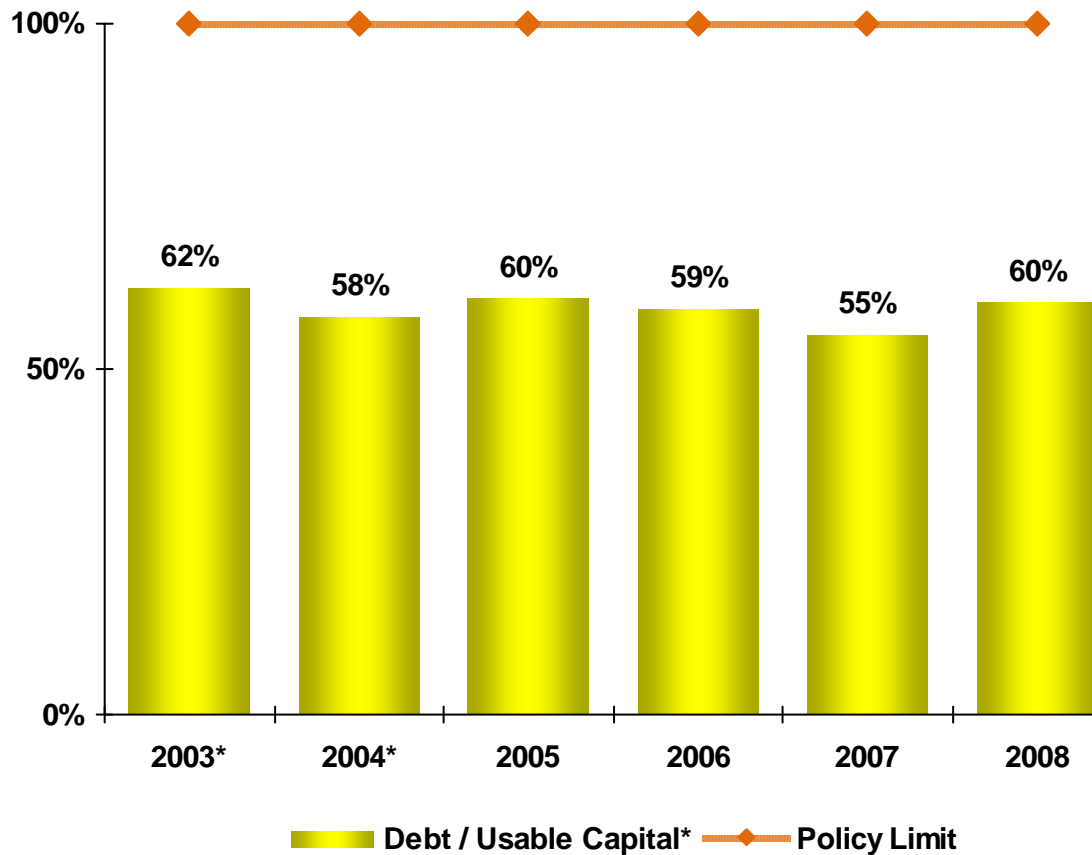
## Interest rate risk

Protect the Bank's net interest margin from fluctuations in interest rates



As at 31 December 2008

# The Bank's low leverage protects its bondholders

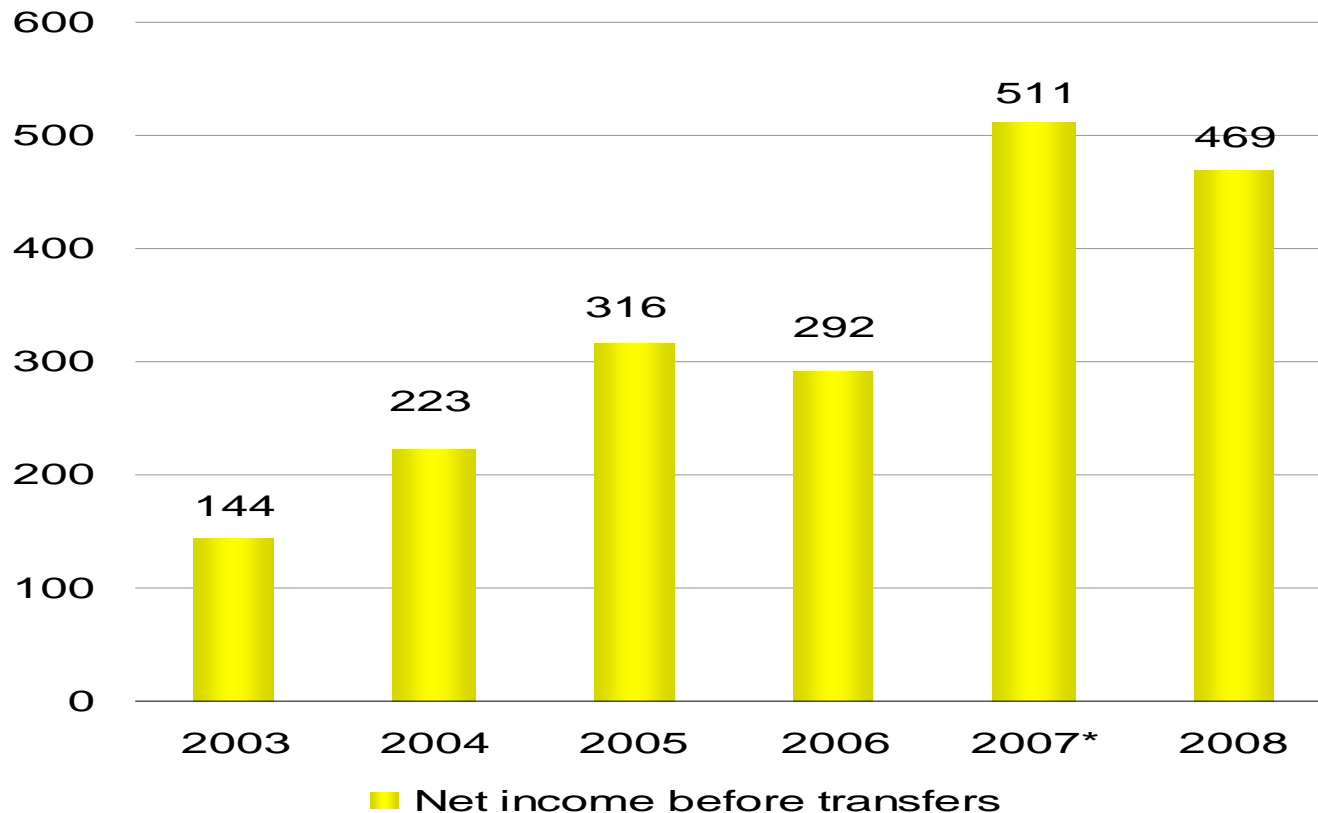


\*Not restated. The Bank defines "usable capital" as the sum of paid-in capital, reserves, and callable capital of countries rated double-A and above









# Strong results and a sound financial base allow for higher income distribution to development initiatives

Net income before transfers (US\$ million)



\*Includes US\$ 133 million equivalent relating to clearance of arrears for Liberia and Comoros

# Financial ratios allow for portfolio expansion

	AfDB Aaa/AAA	ADB Aaa/AAA	EBRD Aaa/AAA	IBRD AAA/Aaa	IADB Aaa/AAA	CEB Aaa/AAA	
							
<b>A</b>	Gross debt / adj. shareholders' equity + AAA callable capital(%)	61	92	77	74	77	379
	Broad Risk bearing capacity ( <sup>1</sup> )/Development Related Exposure	177	106	145	120	125	27
<b>B</b>	Usable capital ( <sup>2</sup> ) / Risk asset( <sup>3</sup> ) (%)	109	80	300	82	47	245
<b>C</b>	5 largest exposure to equity (%)	84	196	5	108	171	-
	Liquid assets & marketable debt securities / debt < 1year	258	324	204	105	169	262

**Sources:** **A** Standard & Poor's, data as of 31 December 2007, except IBRD, FY2008

**B** Moody's, data as of December 2007, except IBRD, FY 06/2007 and ADB as of December 2006

**C** Fitch, data as of December 2007, except IBRD, FY 06/2007

(1). Defined as reserves for losses plus adjusted shareholders' equity and "AAA" callable capital

(2). Moody's define usable capital as paid-in capital (paid in freely convertible currencies) + reserves + retained net income after allocation minus any amount required to maintain the level of currency holdings.

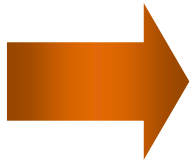
(3). Risk assets are defined as loans to countries considered below investment grade by Moody's



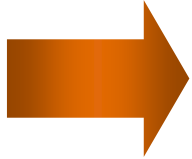
# Capital Markets Activities



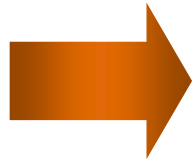
# The Bank's borrowing strategy provides African countries with cost-effective resources



- **Debt Programs provide flexibility and responsive to investor needs**
  - Global Debt Issuance Facility
  - Euro 1 billion Commercial Paper



- **Currencies**
  - Tap a variety of currencies and markets to get the most attractive funding
  - Actively use the swap market to meet client requirements



- **Instruments**
  - Public issues in global and domestic markets
  - Private placements and Uridashi transactions
  - Issues in African currencies



# Established track record that allows access to funds at lowest possible cost

## GLOBAL

- Track record of 7 US\$ global bond issues since 2002 facilitating convergence in pricing to peer group
- Latest in January 2009 achieved broad investor distribution and marks the return of the Bank to the US\$ 1 billion benchmark market
- Recent FRN positioned the Bank in line with its immediate peer group

## DOMESTIC MARKETS

- Strategically important as the Bank can issue in benchmark size
- Issues in AUD, CAD, CHF, GBP and ZAR domestic bond market
- Kauri bond issue in New Zealand in February 2008 has reinforced this strategy
- Increasing focus on African currencies

## PRIVATE PLACEMENTS

- Arbitrage driven market
- Strong investor recognition established over the years through demonstrated responsiveness and flexibility

## URIDASHIS

- Transactions targeted at retail Japanese investors
- The Bank is working closely with Japanese securities houses to increase flow of such transactions

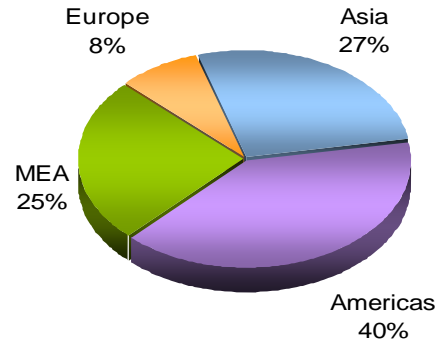


# Selected bond issues

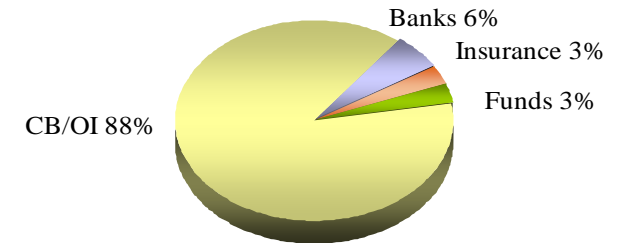
## GLOBAL

- US\$ 500 Million Global Notes Due July 2005
- US\$ 1 Billion Global Notes Due August 2008
- US\$ 500 Million Global Notes Due January 2010
- US\$ 500 Million Global Notes Due January 2009
- US\$ 500 Million Global Notes Due December 2009
- US\$ 500 Million Global Notes Due February 2011
- **US\$ 1 Billion Global Notes Due January 2012**

### By geography



### By investor

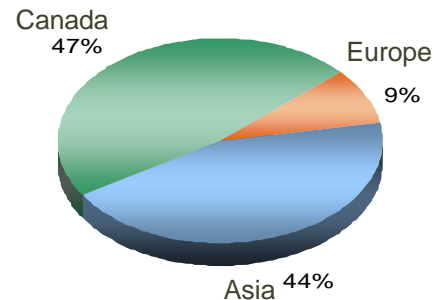


US\$ 1 Billion Global Notes Due January 2012

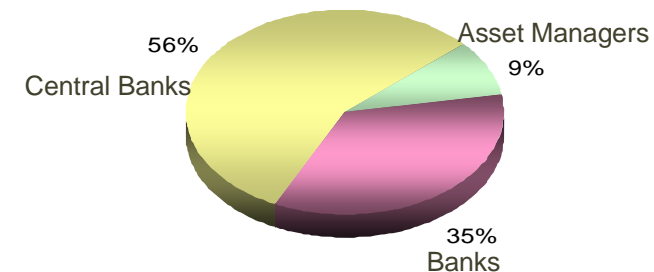
## DOMESTIC MARKET

- CHF 300 Million Notes Due April 2008
- AUD 300 Million Notes Due February 2011
- CAD 400 Million Notes Due July 2012
- **CAD 300 Million Notes Due June 2013**
- NZD 200 Million Notes Due February 2013

### By geography



### By investor



CAD 300 Million Notes Due June 2013

# The Bank's achievements in these markets reinforce confidence of investors and act as catalyst for other issuers

2006



- **BWP** 300 million Eurobond The first ever transaction that made the Botswana Pula a settlement currency through International clearing houses
- US\$ 10 million linked to **TZS** The first ever transaction by a supranational issuer linked to the Tanzanian Shilling
- US\$ 45 million linked to **GHC** The first ever transaction by a supranational issuer linked to the Ghanaian Cedi

2007



- US\$ 100 million linked to **NGN** due Jan 08
- US\$ 100 million linked to **NGN** due May 10
- US\$ 15 million linked to **TZS** due May 09
- US\$ 10 million linked to **KES** due May 08
- US\$ 40 million linked to **GHS** due May 09
- **ZAR** 1.2 billion bond in the domestic South African market due December 2012 – first ever transaction by a supranational and also the Bank's first transaction in a African domestic bond market

2008



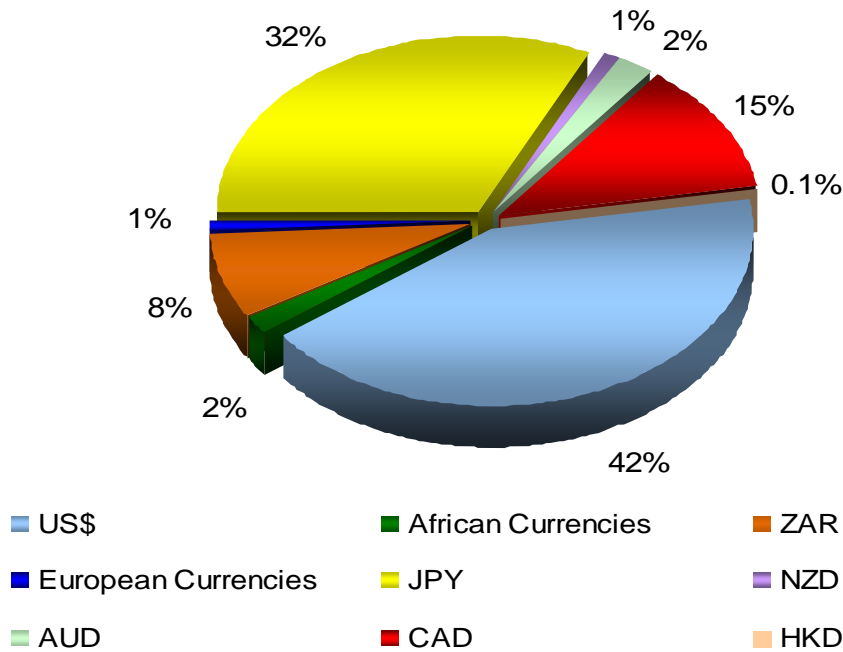
- **ZAR** 2 billion due April 2013
- US\$ 15million linked to **UGX** due May 11

Transactions must make economic sense for all parties –  
off-shore transactions remain dependent on international investors' risk appetite

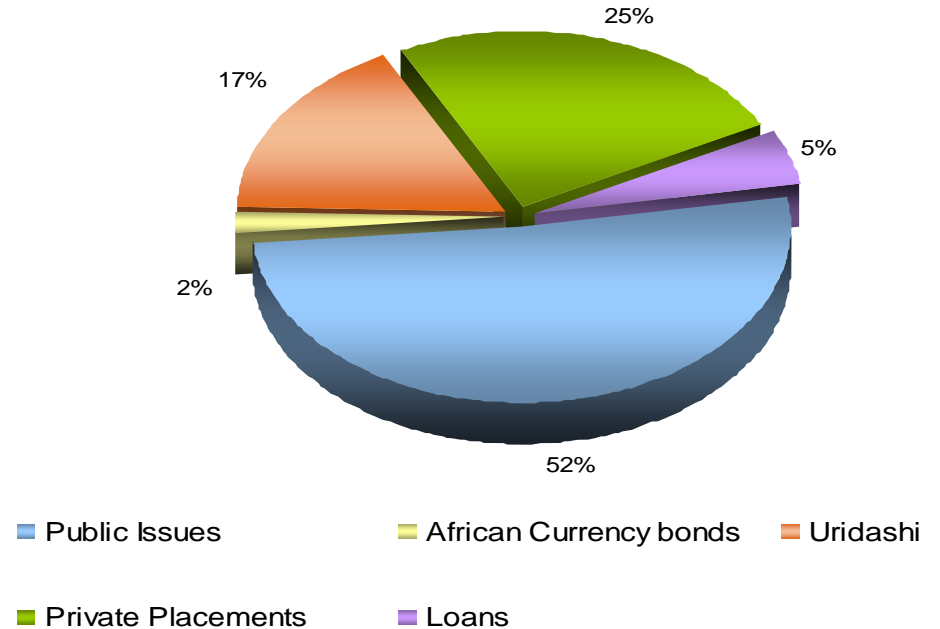


# Outstanding borrowing portfolio

## By currency



## By market segments



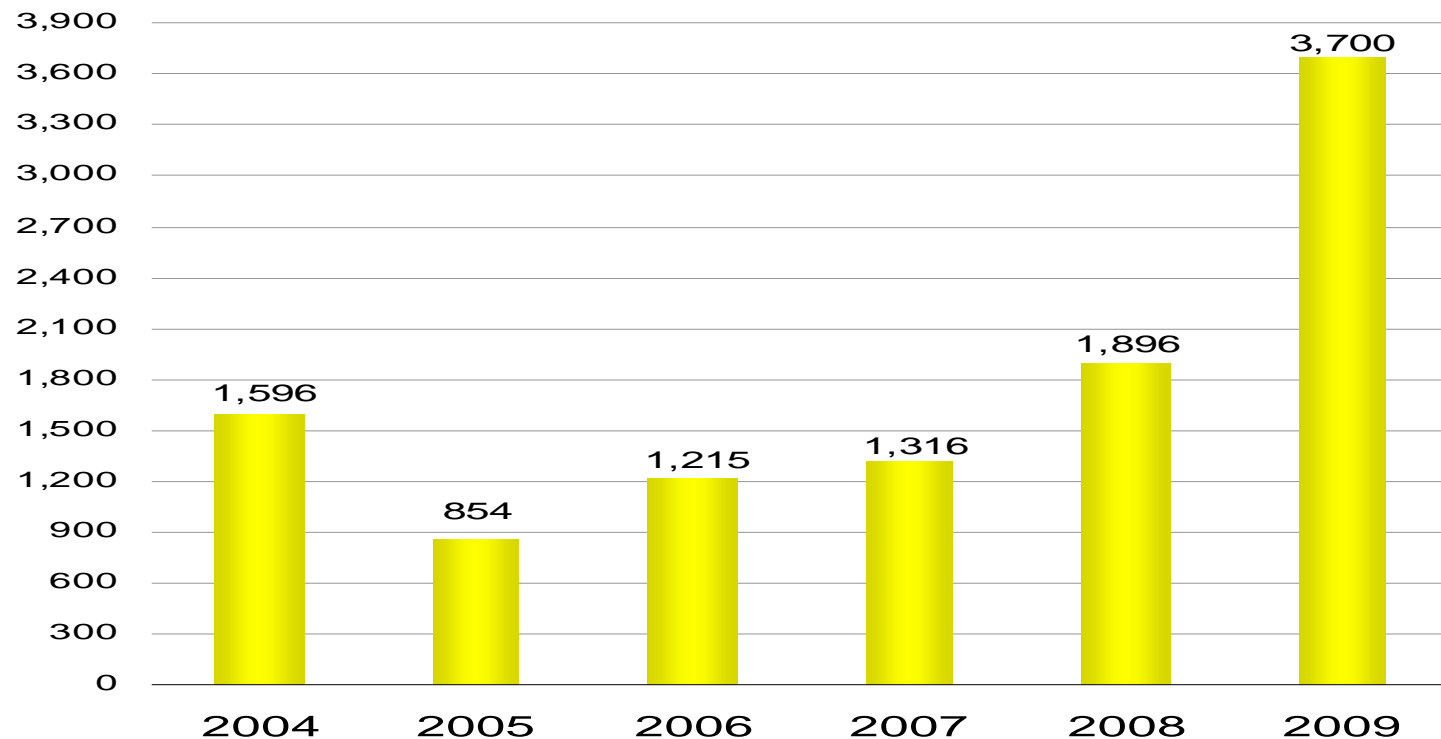
**Diversified currency strategy to raise resources and active use of the swap market to meet client requirements**

**Outstanding borrowings of US\$ 10.3 billion as of 31 December 2008**



# Growth in operations expected to lead to increased funding requirement

in US\$ million



AfDB Borrowing Program in US\$ million



Capital Markets Activities



# The Bank – AAA rated supranational organization leading continent-wide initiatives to promote development in Africa

- **Committed shareholders**

- **Preferred creditor status**

- **Strong risk bearing capacity**

Consistently strong financial results

Prudent risk management policies

- **Highest ratings**

Aaa / Moody's

AAA / Japan Credit Rating Agency

AAA / Fitch Ratings

AAA / Standard & Poor's

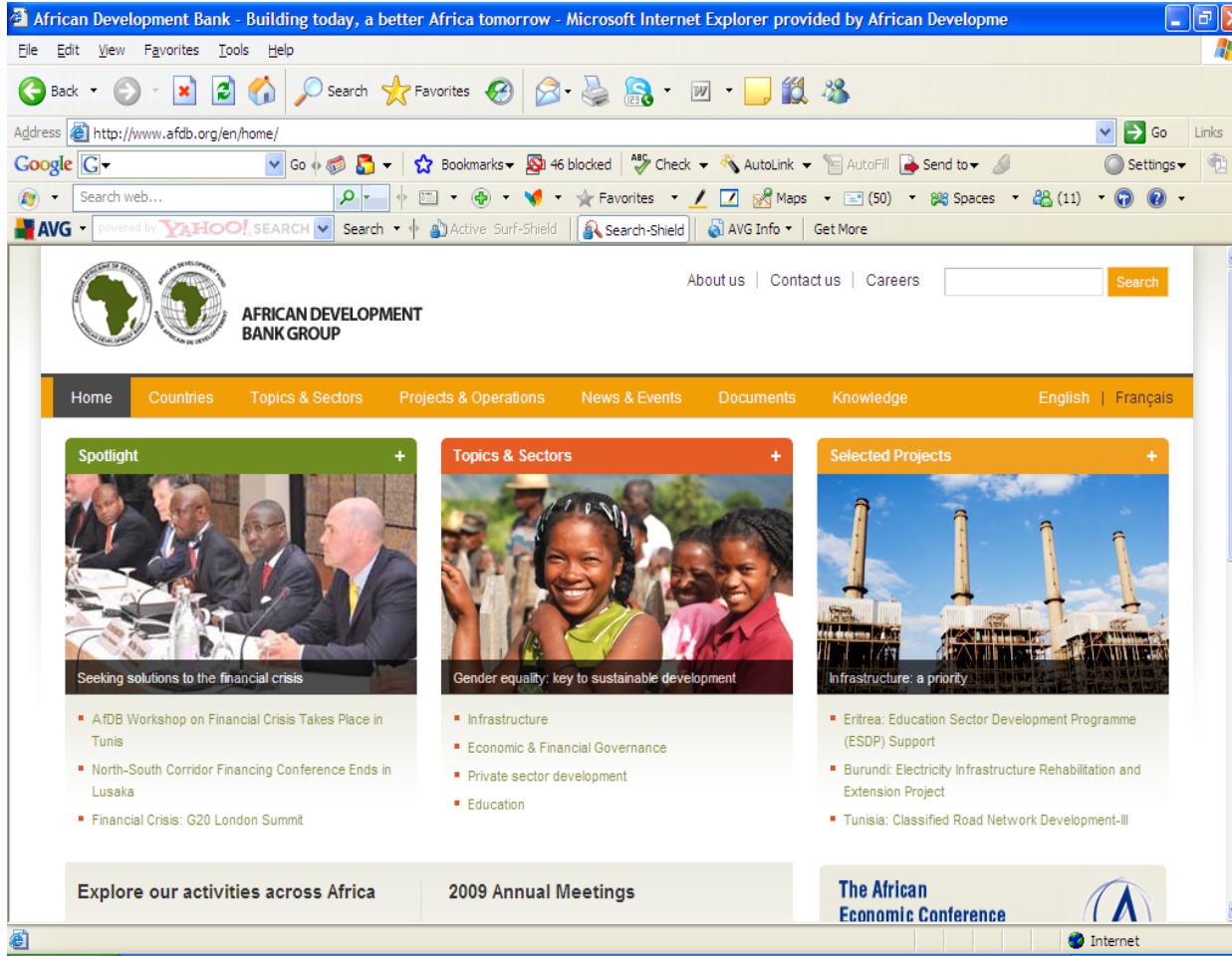
- **Rare issuer status and safety with yield**

- **Funding needs in capital markets**

2009 - US\$ 3.7 billion



# More information on the Bank Group is available at [www.afdb.org](http://www.afdb.org)



- Financial and Operational Analysis
- Documentation for Debt Programs
- Rating Agency Reports
- Financial Products for Borrowers
- Annual Report

Investor Contact: [mtndesk@afdb.org](mailto:mtndesk@afdb.org)  
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[s.jain@afdb.org](mailto:s.jain@afdb.org)  
[b.silue@afdb.org](mailto:b.silue@afdb.org)

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## **Appendix:** Bank's Financial Statements

# AfDB: Statement of income and expenses (UA million)

Years Ended 31 December	2008	2007	2006	2005 <sup>(1)</sup>	2004 <sup>(2)</sup>	2003 <sup>(2)</sup>
<b>Operational Income and Expenses</b>						
Income from Loans	352.28	341.94	329.03	324.23	323.11	325.46
Income from Investments and Related Derivatives	214.06	238.40	213.82	155.37	123.57	99.77
Income from Others debt securities	9.29	4.97	-	-	-	-
Total Income from Loans and Investments	575.63	585.31	542.85	479.60	446.68	425.23
Interest and Amortized Issuance Costs	(251.83)	(268.02)	(245.41)	(218.52)	(230.75)	(219.59)
Net Interest on Borrowing Related Derivatives	(65.79)	(62.71)	(35.14)	1.40	33.67	-
Unrealized Gain/(Loss) on Fair Valued Borrowings and Related Derivatives	12.43	21.24	10.67	(30.77)	(7.70)	(81.65)
Unrealized Gain/(Loss) on Non-Fair Valued Borrowings and Others	(16.68)	34.77	21.07	7.22	(10.35)	-
Provision for Impairment on Loan Principal and Charges Receivables	163.28	69.95	(51.69)	13.85	(53.86)	21.51
Provision for Equity Investments	(67.77)	(7.22)	(34.74)	0.75	3.31	(1.68)
Translation (Losses)/Gains	(9.17)	(8.89)	4.10	1.58	-	-
Other Income	18.65	7.32	23.74	15.73	7.40	2.61
<b>Net Operational Income</b>	<b>358.76</b>	<b>371.75</b>	<b>235.45</b>	<b>270.84</b>	<b>188.39</b>	<b>146.43</b>
Administrative Expenses	(46.78)	(42.22)	(36.86)	(41.67)	(37.61)	(45.14)
Depreciation – Property, Equipment and Intangible Assets	(5.20)	(5.37)	(6.23)	(7.10)	(6.42)	(5.57)
Sundry (Expenses)/Gains	(2.11)	(493)	1.68	(0.74)	(0.84)	0.98
Total Other Expenses	(54.09)	(48.09)	(41.41)	(49.52)	(44.87)	(49.73)
Income Before Transfers of Income Approved by the Board of Governors	304.66	323.67	194.03	221.32	143.52	-
Transfer of Income Approved by the Board of Governors	(257.30)	(119.90)	(139.20)	(144.00)	(114.64)	-
<b>Net Income</b>	<b>47.36</b>	<b>203.77</b>	<b>54.83</b>	<b>77.32</b>	<b>28.88</b>	<b>96.70</b>

1 UC = 1 SDR = 1.48597 USD (2003) = 1.55301 USD (2004) = 1.42927 USD (2005) = 1.50440 USD (2006) = 1.58025 USD (2007) = 1.54027 USD (2008)

## Notes

1. 2005 has been restated
2. The information presented above for 2004 and prior years have not been restated and therefore are not comparable to 2005 and 2006

# AfDB: Balance sheet highlights (UA million)

Years Ended 31 December	2008	2007	2006	2005	2004 <sup>(1)</sup>	2003 <sup>(1)</sup>
<b>Assets</b>						
Due from Banks	592.64	95.53	129.33	70.34	43.80	66.54
Demand Obligations	3.80	3.80	3.80	3.80	3.91	3.80
Investments	4,575.76	5,303.54	6,093.36	5,155.05	4,435.42	4,135.88
Derivative Asset	736.09	425.34	273.31	285.93	274.79	253.90
Non-Negotiable Instruments	11.86	15.38	20.38	25.90	31.18	41.81
Accounts Receivable	649.02	595.87	600.97	556.38	397.48	203.91
Outstanding Loans	5,834.62	5,540.09	5,290.95	5,512.44	5,640.43	5,612.24
Accumulated Provision for Loan Losses	(102.64)	(196.02)	(214.18)	(194.60)	(213.59)	(469.09)
Equity Participations, Net	188.78	189.25	119.12	168.70	160.60	164.22
Other Debt Securities	68.80	94.62	-	-	-	-
Other Assets	12.23	15.03	14.95	16.98	18.14	21.34
	<b>12,570.95</b>	<b>12,082.44</b>	<b>12,332.00</b>	<b>11,600.90</b>	<b>10,792.16</b>	<b>10,034.55</b>
<b>Liabilities, Capital and Reserves</b>						
Accounts Payable	843.12	584.34	648.96	498.22	377.17	194.77
Securities Sold Under Agreements to Repurchase and Payable for Cash Collateral Received		0.00	877.83	466.96	9.30	113.91
Derivative Liability	360.30	591.05	481.94	317.25	513.89	396.09
Borrowings	6,707.28	6,198.87	5,870.47	5,940.40	5,638.89	5,799.11
Capital	2,345.80	2,336.46	2,303.06	2,263.45	2,213.51	2,168.50
Cumulative Exchange Adjustment on Subscriptions	(161.03)	(160.07)	(155.74)	(151.76)	(147.20)	(145.33)
Reserves	2,475.47	2,531.80	2,305.48	2,266.39	2,654.58	1,959.21
Cumulative Currency Translation Adjustment Reserve		-	-	-	(467.97)	(451.71)
	<b>12,570.95</b>	<b>12,082.44</b>	<b>12,332.00</b>	<b>11,600.90</b>	<b>10,792.16</b>	<b>10,034.55</b>

1 UC = 1 SDR = 1.48597 USD (2003) = 1.55301 USD (2004) = 1.42927 USD (2005) = 1.50440 USD (2006) = 1.58025 USD (2007) = 1.54027 USD (2008)

## Notes

1 The information presented above for 2004 and prior years have not been restated and therefore are not comparable to 2005 and 2006