

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 11	31 Dec 10
Total assets (XDRm)	20,258.5	19,139.7
Equity (XDRm)	4,878.9	4,815.8
Net income (XDRm)	51.5	67.3
ROA (%)	0.26	0.37
ROE (%)	1.06	1.41
Equity/assets (%)	24.1	25.2
Usable capital/required capital (x)	16.3	11.0

Key Rating Drivers

Strong Capitalisation: The ratings of the African Development Bank (AfDB) are primarily based upon its high level of capitalisation. The bank's equity-to-asset ratio, at 24.1% at end-2011, is one of the strongest among regional multilateral development banks. This ratio declined over the last four years as a result of the rapid increase in lending, but will be strengthened in 2012 as the first instalment of the 200% capital increase approved in 2010, 6% of which is paid-in capital, is disbursed by member countries.

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's liquidity must cover the next 12 months net cash requirements, resulting in a large cushion of liquid assets that largely covers debt redemptions and expected disbursements.

Substantial Risk Concentration: Risk concentration remains high, with the largest single counterparty Morocco ('BBB-'), accounting for 40.4% of equity at end-2011. It also has substantial exposure to Tunisia ('BBB-') and Egypt ('B+') representing 30.3% and 18.5% of equity respectively; Fitch has assigned Negative Outlooks to the sovereign ratings of these two countries. The bank intends to reduce risk concentration in the coming years, and the share of the five largest exposures to total loans was reduced in H112.

Improvement in Asset Quality: AfDB's asset quality is improving; the average rating of the loan portfolio increased to 'BB+' in 2011 from 'BB' in 2010, and the share of non-investment grade exposure declined to 37.7% of the total portfolio in 2011 from 47.7% in 2010. This is largely attributable to the bank's preferred creditor status. The treasury portfolio has not been affected by the EU crisis, as the bank has no exposure to the lower-rated EU countries. The share of assets rated 'AA-' or above accounted for 90.7% of the treasury portfolio at end-2011.

Rapid Growth in Lending: The bank has significantly increased its lending since 2009, particularly to the private sector, which accounted for 18.7% of the portfolio in 2011 compared to 8.3% in 2008. Thanks to the capital increase approved in 2010, the bank intends to maintain a high growth rate in operations in coming years; outstanding loans are expected to increase by 40% to 50% between 2011 and 2014.

Strong Shareholders' Support: The AfDB's capital is held by 77 member countries, 53 of which are African. Support takes the form of callable capital, 47.6% of which has been subscribed by countries rated 'AA-' or higher. The substantial capital increase approved in 2010 demonstrates the strong willingness of member countries to provide support. However, the share of paid-in to subscribed capital is on a decreasing trend (6.9% at end-2011 from 9.9% in 2010), and will decline in 2012.

What Could Trigger a Rating Action

Portfolio Credit Quality Decline: AfDB has a substantial exposure to Northern African sovereign borrowers, in particular Tunisia and Egypt, whose rating outlook is negative, and would be affected by a rapid deterioration of the credit quality of these countries.

Private Sector Operations' Growth: The rapid development of private sector activities is a source of concern. Loans impairment has been well contained for private sector operations, but as the portfolio matures, its overall quality may deteriorate.

Related Research

[Multilateral Development Banks Receive Fresh Capital due to Fast Growth in Lending \(March 2011\)](#)

Analysts

Eric Paget-Blanc
+33 1 44 29 91 33
eric.pagetblanc@fitchratings.com

Carmen Altenkirch
+44 203 530 1511
carmen.altenkirch@fitchratings.com

**African Development Bank
Balance Sheet**

	31 Dec 2011			31 Dec 2010			31 Dec 2009		31 Dec 2008	
	Year End USDm Original	Year End XDRm Original	As % of Assets Original	Year End XDRm Original	As % of Assets Original	Year End XDRm Original	As % of Assets Original	Year End XDRm Original	As % of Assets Original	
A. LOANS										
1. To / Guaranteed by Sovereigns	11,453.0	7,559.0	37.31	6,694.0	34.97	6,166.0	35.90	5,331.5	42.45	
2. To other public institutions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
3. To Private Sector	2,749.2	1,814.5	8.96	1,599.0	8.35	1,372.2	7.99	503.1	4.01	
4. Of which Trade Financing Loans (memo)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
6. Loan Loss Reserves (deducted)	178.8	118.0	0.58	283.4	1.48	227.4	1.32	218.3	1.74	
TOTAL A	14,023.5	9,255.5	45.69	8,009.6	41.85	7,310.8	42.56	5,616.3	44.72	
B. OTHER EARNING ASSETS										
1. Deposits with Banks	2,153.5	1,421.3	7.02	1,264.7	6.61	1,169.2	6.81	1,176.7	9.37	
2. Securities held for Sale & Trading	4,884.7	3,223.9	15.91	3,177.5	16.60	3,332.6	19.40	1,282.6	10.21	
3. Investment Debt Securities - (incl. other invest.)	4,997.6	3,298.4	16.28	3,306.8	17.28	3,262.3	18.99	2,754.4	21.93	
4. Equity Investments	469.4	309.8	1.53	272.2	1.42	234.5	1.37	188.8	1.50	
5. Derivatives (incl. Fair-value of guarantees)	2,570.8	1,696.7	8.38	1,421.5	7.43	764.0	4.45	736.1	5.86	
TOTAL B	15,075.9	9,950.1	49.12	9,442.7	49.34	8,762.6	51.02	6,138.6	48.88	
C. TOTAL EARNING ASSETS (A+B)	29,099.4	19,205.6	94.80	17,452.3	91.18	16,073.4	93.58	11,754.9	93.60	
D. FIXED ASSETS	19.1	12.6	0.06	12.0	0.06	11.2	0.07	11.7	0.09	
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	113.5	74.9	0.37	163.8	0.86	41.5	0.24	27.4	0.22	
2. Other	1,462.7	965.4	4.77	1,511.6	7.90	1,050.4	6.12	765.1	6.09	
F. TOTAL ASSETS	30,694.7	20,258.5	100.00	19,139.7	100.00	17,176.5	100.00	12,559.1	100.00	
G. SHORT-TERM FUNDING										
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
2. Securities Issues (< 1 Year)	4,497.0	2,968.0	14.65	2,454.7	12.83	2,300.1	13.39	2,009.2	16.00	
3. Other (incl. Deposits)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
TOTAL G	4,497.0	2,968.0	14.65	2,454.7	12.83	2,300.1	13.39	2,009.2	16.00	
H. OTHER FUNDING										
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
2. Other Borrowings (incl. Securities Issues)	13,512.6	8,918.3	44.02	9,526.0	49.77	8,280.5	48.21	4,698.1	37.41	
3. Subordinated Debt	1,539.5	1,016.1	5.02	n.a.	-	n.a.	-	n.a.	-	
4. Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
TOTAL H	15,052.1	9,934.4	49.04	9,526.0	49.77	8,280.5	48.21	4,698.1	37.41	
I. OTHER (Non-Int Bearing)										
1. Derivatives (incl. Fair value of guarantees)	761.1	502.3	2.48	328.3	1.72	477.1	2.78	360.3	2.87	
2. Fair value portion of debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
3. Other (Non-Int Bearing)	2,992.3	1,974.9	9.75	2,014.9	10.53	1,385.7	8.07	843.1	6.71	
TOTAL I	3,753.3	2,477.2	12.23	2,343.2	12.24	1,862.8	10.85	1,203.4	9.58	
J. GENERAL PROVISIONS & RESERVES	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
L. EQUITY										
1. Preference Shares	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
2. Subscribed Capital	55,363.8	36,540.1	180.37	23,905.5	124.90	21,817.6	127.02	21,756.7	173.23	
3. Callable Capital	-51,565.0	-34,032.9	-167.99	-21,549.0	-112.59	-19,458.3	-113.28	-19,409.1	-154.54	
4. Arrears/Advances on Capital	-249.4	-164.6	-0.81	-168.0	-0.88	-179.2	-1.04	-174.7	-1.39	
5. Paid in Capital (memo)	3,798.5	2,507.0	12.38	2,356.5	12.31	2,352.8	13.70	2,347.6	18.69	
6. Reserves (incl. Net Income for the year)	3,995.5	2,637.0	13.02	2,623.1	13.71	2,556.4	14.88	2,460.2	19.59	
7. Fair-value revaluation reserve	-152.6	-100.7	-0.50	4.2	0.02	-3.4	-0.02	15.3	0.12	
TOTAL L	7,392.3	4,878.9	24.08	4,815.8	25.16	4,733.1	27.56	4,648.4	37.01	
M. TOTAL LIABILITIES & EQUITY	30,694.7	20,258.5	100.00	19,139.7	100.00	17,176.5	100.00	12,559.1	100.00	

Exchange rate

USD1 = XDR0.66000

USD1 = XDR0.64930

USD1 = XDR0.63788

USD1 = XDR0.67734

Related Criteria

[Rating Multilateral Development Banks
\(May 2012\)](#)

African Development Bank Income Statement

	31 Dec 2011			31 Dec 2010		31 Dec 2009		31 Dec 2008	
	Year End USDm Original	Year End XDRm Original	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets
1. Interest Received	741.2	489.2	2.55	519.4	2.98	515.2	3.21	560.8	4.77
2. Interest Paid	345.5	228.0	1.19	190.5	1.09	226.0	1.41	314.9	2.68
3. NET INTEREST REVENUE	395.8	261.2	1.36	328.9	1.88	289.2	1.80	245.9	2.09
4. Other Operating Income	35.3	23.3	0.12	13.8	0.08	-3.3	-0.02	1.4	0.01
5. Other Income	209.4	138.2	0.72	165.0	0.95	184.6	1.15	146.9	1.25
6. Personnel Expenses	272.9	180.1	0.94	179.0	1.03	170.6	1.06	141.2	1.20
7. Other Non-Interest Expenses	96.4	63.6	0.33	65.0	0.37	55.6	0.35	50.5	0.43
8. Impairment charge	26.8	17.7	0.09	26.8	0.15	11.3	0.07	-163.2	-1.39
9. Other Provisions	-9.4	-6.2	-0.03	-17.7	-0.10	-1.1	-0.01	56.7	0.48
10. PRE-DERIVATIVE OPERATING PROFIT	253.8	167.5	0.87	254.6	1.46	234.1	1.46	309.0	2.63
11. Net gains / (losses) on non-trading derivative instruments	-4.5	-3.0	-0.02	-40.9	-0.23	-2.9	-0.02	-4.3	-0.04
12. POST-DERIVATIVE OPERATING PROFIT	249.2	164.5	0.86	213.7	1.22	231.2	1.44	304.7	2.59
13. Other income and expenses	-171.2	-113.0	-0.59	-146.4	-0.84	-162.7	-1.01	-257.3	-2.19
14. NET INCOME	78.0	51.5	0.27	67.3	0.39	68.5	0.43	47.4	0.40
15. Fair value revaluations recognised in equity	-288.8	-190.6	-0.99	7.0	0.04	9.0	0.06	-103.7	-0.88
16. FITCH'S COMPREHENSIVE NET INCOME	-210.8	-139.1	-0.72	74.3	0.43	77.5	0.48	-56.3	-0.48

**African Development Bank
Ratio Analysis**

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	1.06	1.41	1.46	1.01
2. Net Income/Total Assets (av.)	0.26	0.37	0.46	0.38
3. Net Interest Revenue + Commitment Fees/Gross Loans (av.) + Liquid Assets (av.) + Average Guarantees (av.)	1.55	2.08	2.21	2.26
4. Non-int. Exp./Net Interest Rev. + Other Operating Income	85.66	71.20	79.12	77.52
5. Income from Equity Investment/Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provision on Loans & Equity Part. & Guarantees/Gross Loans (av.) + Equity Investment (av.) & Guarantees (av.)	0.13	0.11	0.15	-1.80
II. CAPITAL ADEQUACY (year end)				
1. Internal Capital Generation	1.06	1.41	1.46	1.01
2. Outstanding Loans + Net Equity Invest. + Net Guarantees /Subscribed Capital + Reserves	24.44	31.23	30.97	23.98
3. Equity/Total Assets	24.08	25.16	27.56	37.01
4. Equity ex. fair-value revaluations/Assets	24.58	25.14	27.58	36.89
5. AAA-AA- Callable Capital/Callable Capital	47.64	41.46	37.77	37.67
7. Usable Capital/Required Capital	1,626.29	1,098.52	1,182.45	1,395.35
III. LIQUIDITY				
1. Liquid Assets & Marketable Debt Securities/Debt < 1 Year	270.17	322.35	339.36	260.86
2. Liquid Assets & Marketable Debt Securities/Total Assets	39.58	41.34	45.44	41.73
3. Liquid Assets + Marketable Debt Securities/Undisbursed Loans and Equity	151.26	162.97	156.03	205.30
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	3.27	3.78	3.58	4.72
2. Loan Loss Reserves / Gross Loans	1.26	3.42	3.02	3.74
3. Equity Loss Reserves /Equity Investment	n.a.	6.46	6.35	9.92
4. Total reserves / Gross Loans, Equity Investment & Guarantees	1.22	3.52	3.12	3.96
5. Loan Loss Reserves/Non Accrual Loans	38.47	90.31	84.16	79.30
6. Loans to Investment Grade Borrowers/Gross Loans Loans	62.73	52.34	56.07	48.25
V. LEVERAGE				
1. Debt/Equity	264.45	248.78	223.54	144.29
2. Debt/Subscribed Capital + Reserves	32.93	45.16	43.41	27.70
3. Debt/Callable Capital	37.91	55.60	54.38	34.56
4. Net Income + Interest Paid/Interest Paid	122.59	135.33	130.31	115.05

**African Development Bank
Spread Sheet Annex**

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
	XDRm	XDRm	XDRm	XDRm
	Original	Original	Original	Original
1. LENDING OPERATIONS				
1. Loans outstanding	9,373.5	8,293.0	7,538.2	5,834.6
2. Growth in loans outstanding (%)	13.0	10.0	2.0	6.3
3. Undisbursed Loans	5,301.0	4,855.3	5,002.5	2,552.9
4. Approved Loans	2,458.0	2,236.1	5,312.2	1,509.3
5. Disbursed Loans	1,868.8	1,339.8	2,352.3	727.5
6. Loan Repayments	617.2	568.6	718.8	496.7
7. Net disbursements	1,251.6	771.2	1,633.5	230.8
2. OTHER BANKING OPERATIONS				
1. Equity participations	309.8	291.0	250.4	209.6
2. Guarantees	10.4	2.3	2.2	1.2
3. LCs and other off BS credit commitments	n.a.	n.a.	n.a.	n.a.
4. Total banking exposure (BS & off BS)	9,693.7	8,586.3	7,790.8	6,045.4
3. CAPITAL				
1. Usable Capital	23,020.2	14,663.1	12,347.1	12,435.4
2. Required Capital	1,415.5	1,334.8	1,044.2	891.2
3. Usable Capital / Required Capital	16.3	11.0	11.8	14.0
4. Share of AAA / AA in callable capital	47.6	41.5	37.8	37.7
5. Share of A / BBB in callable capital	22.7	19.1	18.6	18.6
6. Share of Speculative Grade in callable capital	29.6	39.4	43.7	43.8
7. Average Rating of callable capital	A-	BBB+	BBB+	BBB+
4. BREAKDOWN OF BANKING PORTFOLIO				
1. Loans to Sovereigns / Total Loans & Equity participations	78.1	78.0	79.2	88.2
2. Loans to Private Sector / Total Loans & Equity Participation	18.7	18.6	17.6	8.3
3. Equity participation / Total Loans & Equity Participation	3.2	3.4	3.2	3.5
4. Private Sector Exposure/Total Loans & Equity (exc. guarantees)	21.9	22.0	20.8	11.8
5. Private Exposure (inc. guarantees)/Loans, equity & guarantees	22.0	22.0	20.9	11.8
6. Average Rating of loans	BB+	BB	BB	BB
5. CONCENTRATION MEASURES				
1. Largest exposure	1,971.3	1,827.6	1,824.2	1,444.8
2. Five largest exposures	6,084.8	5,250.3	5,100.7	4,224.9
3. Largest exposure / Equity (%)	40.4	38.0	38.5	31.1
4. Five largest exposures/ Equity (%)	124.7	109.0	107.8	90.9
5. Five largest exposures / Total Loans (%)	64.9	63.3	67.7	72.4

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Copyright © 2012 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.