



# Investor Presentation

The African Development Bank Group  
January 2017



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# The African Development Group



*Africa is a continent of contrast, rich in natural resources yet its people are among the poorest in the world. The image of Africa that gets projected in the world is that of a continent with disease, hunger, corruption and the need for aid beyond foreseeable future. But, there is another story that is less told which acknowledges the challenges faced by the continent but also recognizes the progress made in terms of more children going to school, less war, growing quest for better governance and an expanding middle class. The African Development Bank is part of that story.*

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## Overview of the Bank Group



# Africa's premier development financial institution

The AfDB Group: three constituent institutions, separate legally and financially, with a common goal...



## African Development Bank ("AfDB")

- Established in 1964
- 80 member countries
- Authorized capital: USD 92 billion
- Resources raised from capital markets
- 0% risk weighting under Basel II
- Level 1 under Basel III



## African Development Fund ("ADF")

- Concessional financing, established in 1972
- Financed by 27 State participants and 4 regional donors
- Subscription: USD 36 billion
- Focus on low income countries
- Replenished every 3 years



## Nigeria Trust Fund ("NTF")

- Established in 1976 by Nigeria
- Targeted at the Bank's needier countries
- Maturing in 2018
- Total resources: USD 235 million

## Governance and Oversight

- Board of Governors:
  - Highest decision making body,
  - Composed of Ministers of Finance and Ministers of Cooperation of the Bank's member countries
- Board of Directors :
  - 20 Executive Directors elected by the Board of Governors
  - Oversees the general operations of the Bank
- Decisions by both Boards require two third majority or 70% should any member require so

...focused on combating poverty, and improving living conditions on the continent





# 50 years of partnership for the development of Africa

## Americas

|           |       |
|-----------|-------|
| USA       | 6.56% |
| Canada    | 3.87% |
| Brazil    | 0.37% |
| Argentina | 0.09% |

G-7 Shareholding: 28%

## Europe

|             |       |
|-------------|-------|
| Germany     | 4.14% |
| France      | 3.75% |
| Italy       | 2.41% |
| UK          | 1.74% |
| Sweden      | 1.57% |
| Switzerland | 1.47% |
| Denmark     | 1.18% |
| Norway      | 1.17% |
| Spain       | 1.07% |
| Netherlands | 0.87% |
| Belgium     | 0.64% |
| Finland     | 0.49% |
| Austria     | 0.45% |
| Portugal    | 0.24% |
| Luxembourg  | 0.20% |

## Africa

|                 |       |                 |       |
|-----------------|-------|-----------------|-------|
| Nigeria         | 8.91% | Guinea          | 0.40% |
| Egypt           | 5.53% | Burkina Faso    | 0.40% |
| South Africa    | 5.06% | Namibia         | 0.34% |
| Algeria         | 4.22% | Sudan           | 0.33% |
| Cote d'Ivoire   | 3.73% | Sierra Leone    | 0.29% |
| Morocco         | 3.59% | Malawi          | 0.26% |
| Libya           | 3.31% | Niger           | 0.25% |
| Ghana           | 2.13% | Burundi         | 0.24% |
| Zimbabwe        | 2.06% | Benin           | 0.19% |
| Ethiopia        | 1.57% | Liberia         | 0.19% |
| Kenya           | 1.44% | Eq. Guinea      | 0.16% |
| Tunisia         | 1.40% | Togo            | 0.16% |
| Dem. Rep. Congo | 1.29% | Gambia          | 0.15% |
| Zambia          | 1.17% | Rwanda          | 0.13% |
| Angola          | 1.15% | Swaziland       | 0.11% |
| Gabon           | 1.09% | Cape Verde      | 0.08% |
| Cameroon        | 1.08% | Sao Tome & P.   | 0.07% |
| Botswana        | 1.07% | Chad            | 0.07% |
| Senegal         | 1.04% | Lesotho         | 0.06% |
| Tanzania        | 0.76% | Mauritania      | 0.06% |
| Mauritius       | 0.65% | Cent. Afr. Rep. | 0.04% |
| Madagascar      | 0.64% | Eritrea         | 0.03% |
| Mozambique      | 0.59% | Somalia         | 0.03% |
| South Sudan     | 0.49% | Seychelles      | 0.03% |
| Congo           | 0.45% | Guinea-Bissau   | 0.02% |
| Uganda          | 0.45% | Djibouti        | 0.02% |
| Mali            | 0.43% | Comoros         | 0.01% |

## Middle East

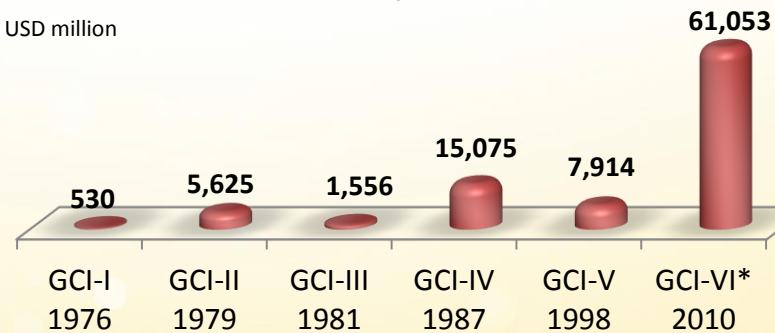
|              |       |
|--------------|-------|
| Kuwait       | 0.45% |
| Turkey       | 0.33% |
| Saudi Arabia | 0.19% |

## Asia

|       |       |
|-------|-------|
| Japan | 5.49% |
| China | 1.14% |
| Korea | 0.48% |
| India | 0.26% |

## General Capital Increases

In USD million



Shareholding as of 30 September 2016

\* 2 countries did not participate

# The Bank Group addresses the diverse needs of the continent

## Preserving the long-term financial integrity of the AfDB

### AfDB Sovereign Operations

16 middle-income countries eligible to receive AfDB funding

#### Criteria :

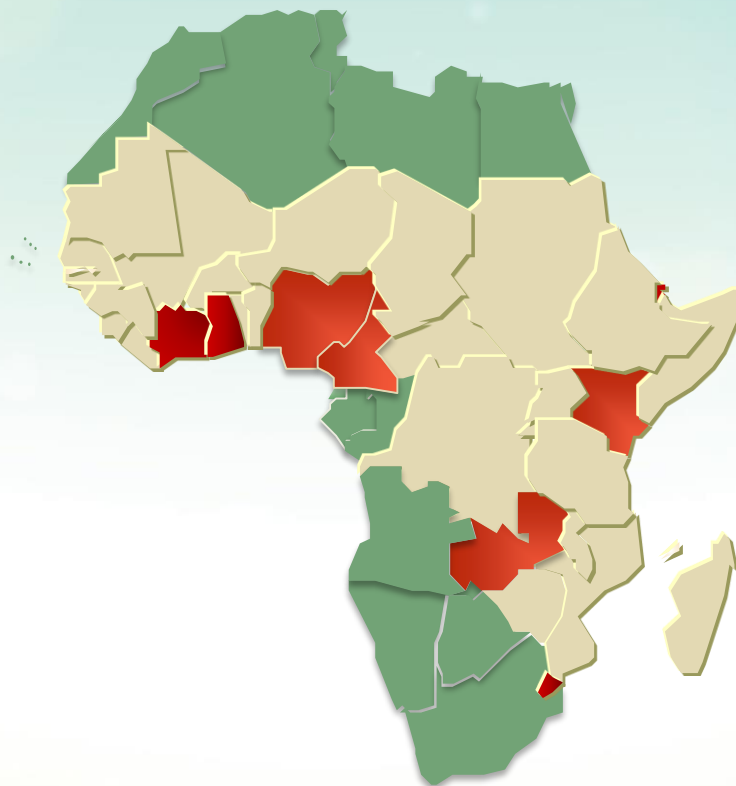
- GNI per capita
- Country's creditworthiness

### ADF Concessional Financing

34 low-income countries eligible to loans and grants, of which 5 are gap countries\* (Côte d'Ivoire, Djibouti, Ghana, Lesotho and Sao Tomé) and 29 are ADF-Only

### Access to both AfDB and ADF

4 countries eligible for both AfDB and ADF Funding: Cameroon, Kenya, Zambia and Nigeria\*\*



### Additionality and Development Outcome Assessment-Core indicators

- Job creation
- Government revenues
- Financial return
- Foreign currency earnings

### Private Sector Operations

Viable enterprises and multinational projects, additionality and development outcome

- Direct loans
- Lines of credits
- Equity participation
- Guarantees

### Enclave Finance

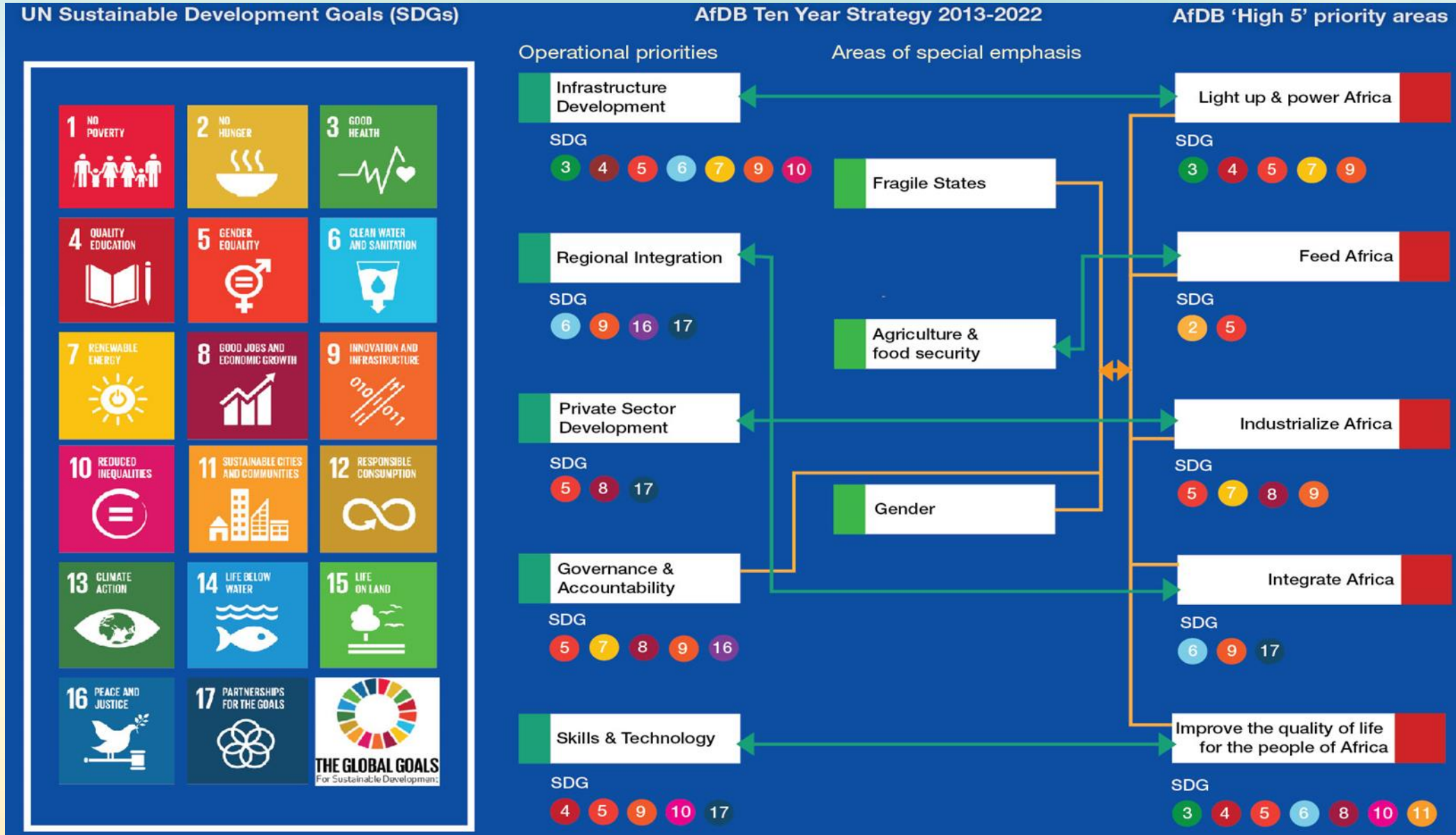
Self-sustaining, export oriented project, located in an ADF-eligible country

\* Gap countries are countries that have accessed the ADB window through the policy proposal on "Diversifying the Bank's Products to provide eligible ADF-only countries access to the ADB Sovereign window"

\*\* Nigeria graduated to the AfDB-only category in 2014 and is currently benefiting from a transition period of 5 years which will be concluded on 31 December 2018



# At the center of Africa's transformation





# High 5s - Scaling up implementation of the Ten Year Strategy



## Light up and power Africa

Unlock the continent's energy potential in order to drive much-needed industrialization



## Feed Africa

Transform agriculture to increase productivity, lower food prices, enhance food security, revive rural areas and create jobs for Africans



## Industrialize Africa

Lead other partners in the process of industrializing Africa and developing the private sector to create wealth from natural assets



## Integrate Africa

Address barriers, create regional value chains and leverage complementarities in order to tap the continent's huge market potential



## Improve the quality of life for the people of Africa

Develop innovative flagship programs to open up opportunities for youth employment, improve access to basic services and create economic opportunities for the extreme poor





# Light up and power Africa

Over 640 million Africans lack access to electricity

## Per capita use of electricity

|        |            |
|--------|------------|
| Africa | 613 kWh    |
| Europe | 6,500 kWh  |
| USA    | 13,000 kWh |

## Energy in Africa, a grey picture



Hydropower provides about a fifth of current capacity but not even a tenth of its total potential is harnessed



To provide universal energy access by 2025

- 162 GW electricity generation
- 130 million on-grid connections
- 75 million off-grid connections
- 150 million households with access to clean cooking solutions

## Partnership-driven effort

Work with partners to develop a framework that takes into account different energy sources, geographic conditions, regulation and pricing, technologies and distribution mechanisms

Power shortages estimated to cost 2% GDP annually, undermining economic growth, employment creation and investment

## Insufficient energy access

- Causes hundreds of thousands of deaths annually through the use of wood-burning stoves
- Undermines hospital and emergency services operations
- Compromises educational attainment
- Drives up cost of doing business due to the use of generators

Africa's poorest pay 60 – 80 times more per unit in northern Nigeria than residents of New York and London

AfDB to invest USD 12 billion and leverage about USD 50 billion over 5 years



# Feed Africa

Agriculture employs over 60% of the African workforce and accounts for 33% of the continent's GDP, yet Africa is the world's most food-insecure region

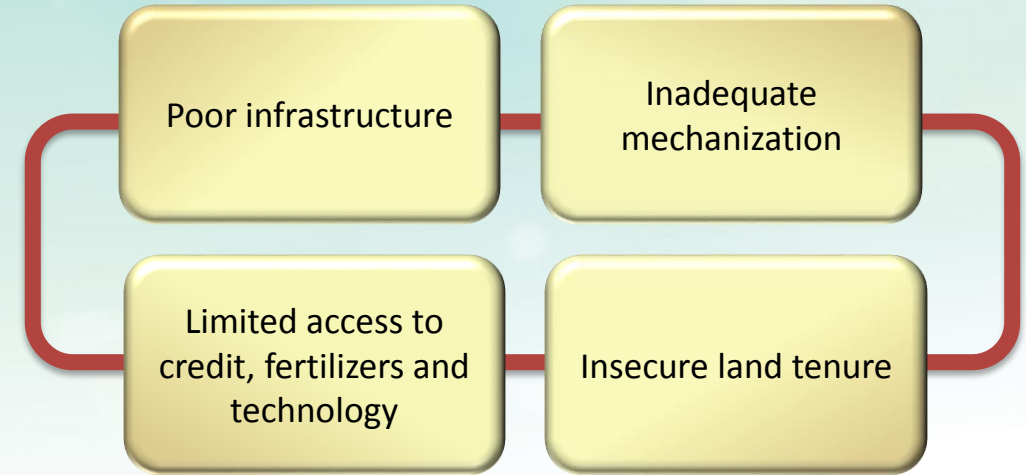
Heavy dependence on food imports (over USD 35 billion)

More than 1 in 4 Africans is malnourished

Droughts, water scarcity and famine are well-known and real

60% of arable land in the world not yet put to production is in Africa

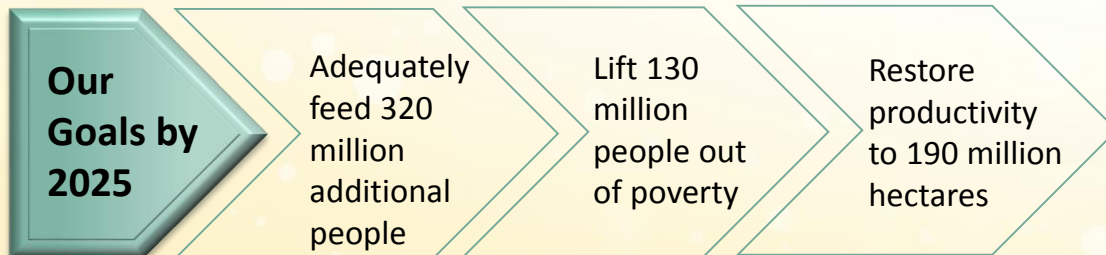
Africa's potential for agricultural production is enormous



## How is AfDB tackling these challenges?

“Feed Africa initiative” will deploy financial resources to enable African countries to boost productivity, which is critical for transforming agriculture on the continent, in order to ensure Africa is able to feed itself but also that agriculture becomes a pathway to long-term growth.

**Accelerate support for massive agricultural transformation across Africa to:**



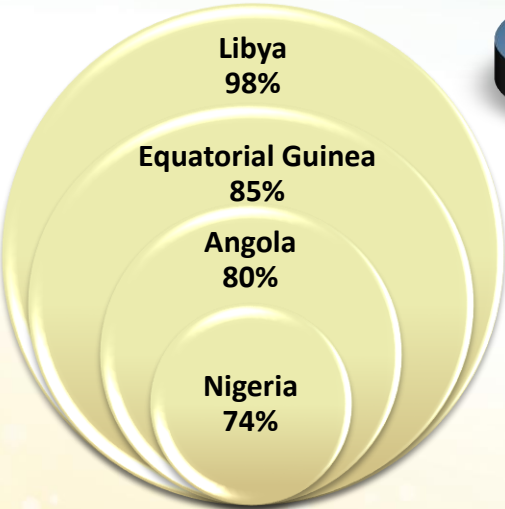
**AfDB's investment to quadruple from a current annual average of USD 612 million to about USD 2.4 billion**

# Industrialize Africa

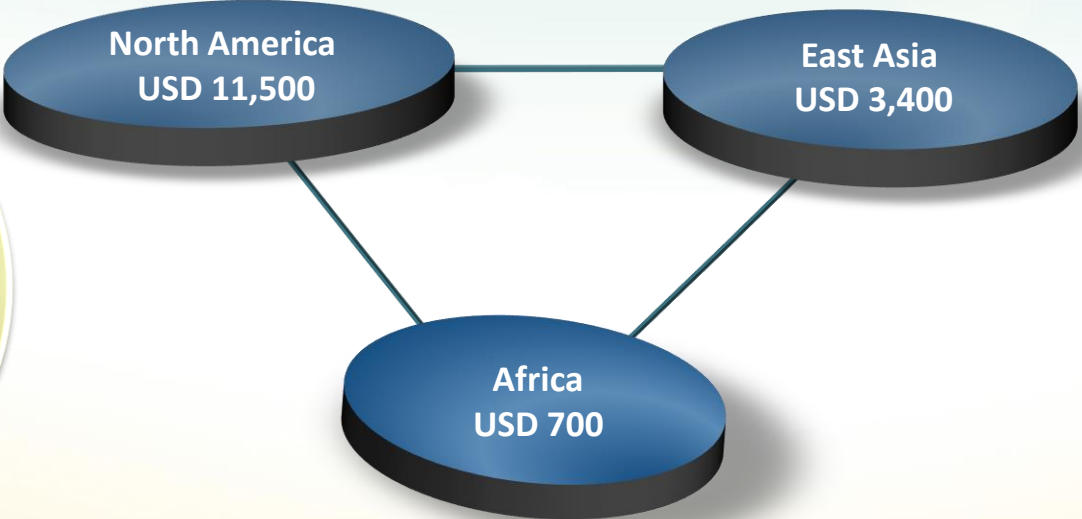
## African economies are largely dependent on sectors with low added value

- Africa's share of global manufacturing at around 1.9%
- 62% of imports and 19% of exports are manufactured

### Commodity dependence (% government revenue)



### Industry GDP per capita



Low value-added activities lead to low GDP/capita

## Our ambition

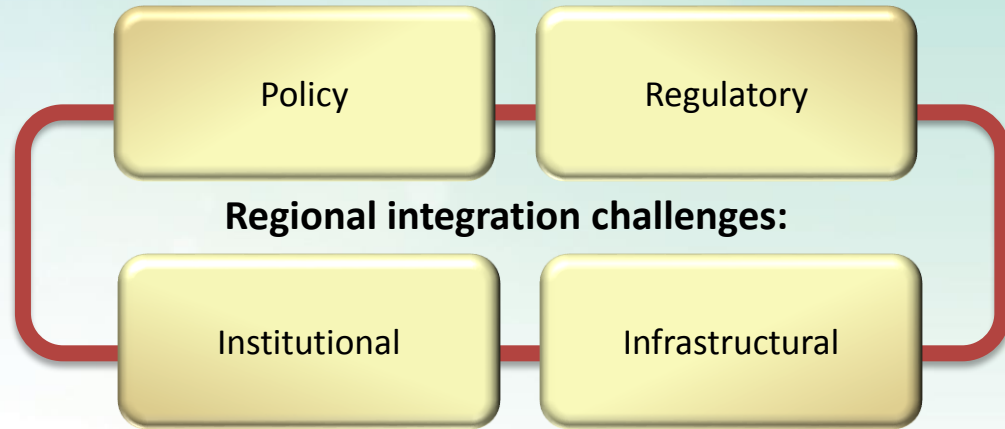
- Move Africa to the top of the value chain
- Increase industrial GDP by 130% to USD 1.55 trillion by 2025
- Develop efficient industry clusters
- Provide policy advisory services, technical assistance to governments and funding to key PPP projects
- Increase investment/financing to lend to small and medium enterprises (SMEs) and increase their capacity
- Improve access to market finance for African enterprises
- Catalyze funding into infrastructure and industrial projects
- Link up African enterprises and major projects with potential partners and investors

**We cannot do it alone!**

AfDB to invest about USD 5.6 billion per year



# Integrate Africa



African countries are losing out on billions of dollars in potential trade every year because of fragmented regional markets and lack of cross-border production networks that can spur economic dynamism

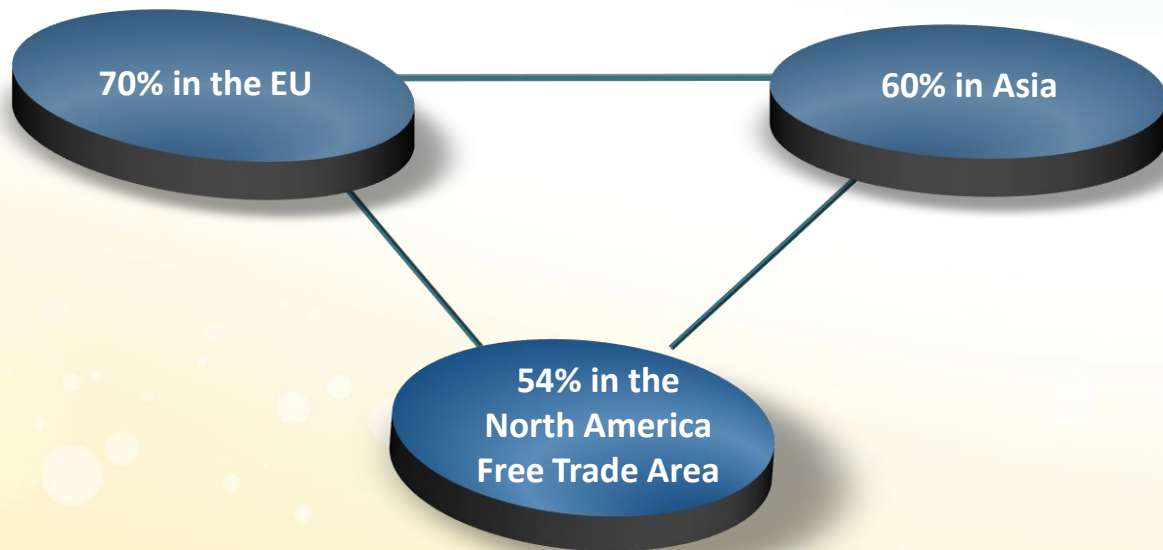
## The Bank Group focus

Building regional infrastructure

Boosting intra-African trade and investment

Facilitating movement of people across borders

Intra-African trade at 15%, lowest globally compared to



**Our ambition.....to lead several continent-wide initiatives targeting both “hard” and “soft” infrastructure**

- Continental Free Trade Area – to address Africa’s low internal and external trade performances
- Comprehensive Africa Agriculture Development Program
- Program for Infrastructure Development in Africa – designed to develop a vision and strategic framework for the development of regional and continental infrastructure
- Sahel and the Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa

AfDB to invest about USD 3.5 billion per year from 2016 to develop high quality regional infrastructure





# Improve the quality of life for the people of Africa

## Our vision

**Widespread inclusive growth, allowing all Africans across different countries to have access to**

- Basic services (education, health care, water and sanitation)
- Productive employment and entrepreneurship opportunities

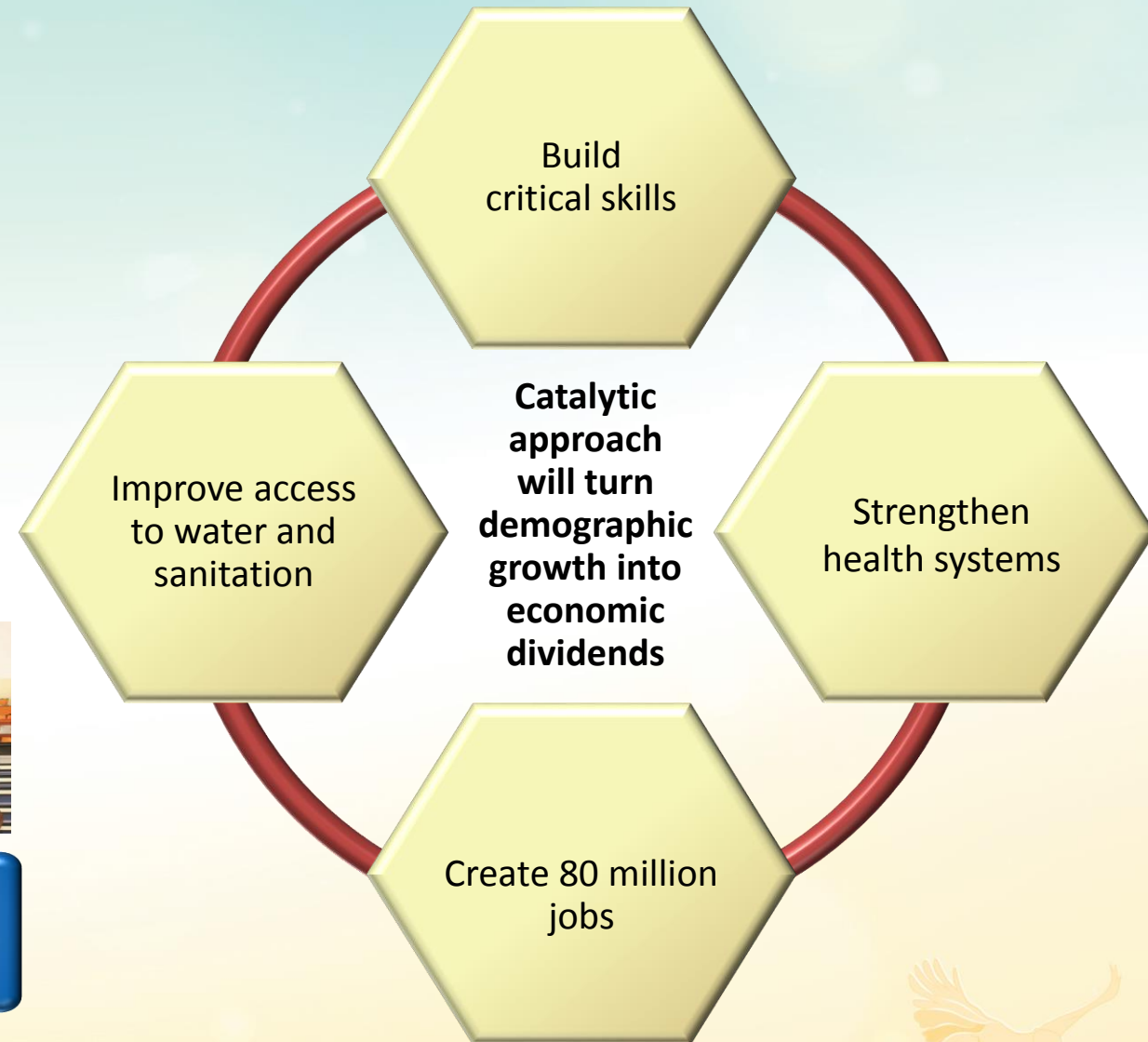
**Ensuring that Africa's demographic growth yields significant economic dividends and contributes to inclusive growth will**



Offer a new hope for younger generations

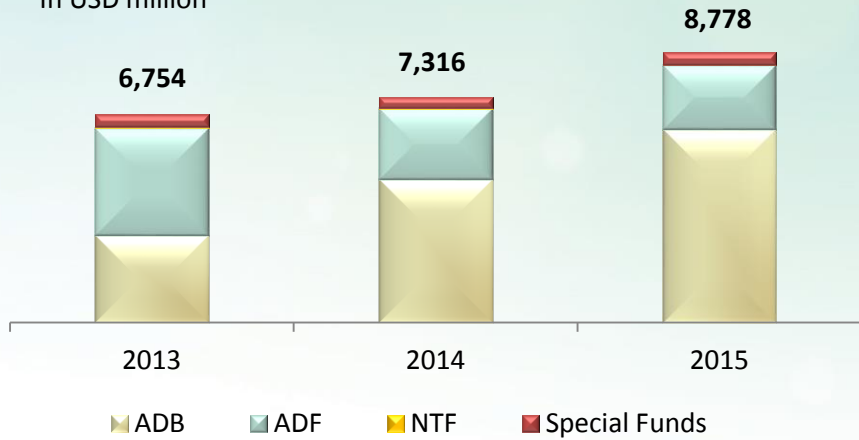
Contribute to halting the migration flows draining African youth

Create millions of jobs

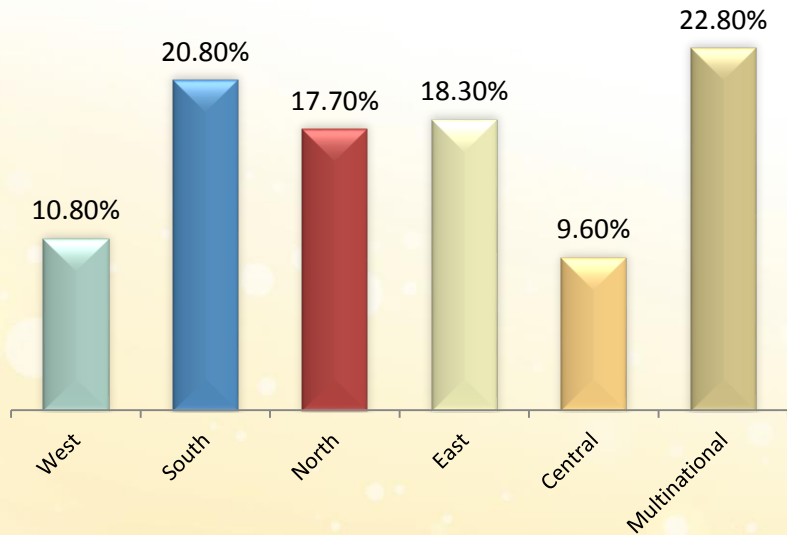


# Delivering on a strong pipeline of projects

In USD million



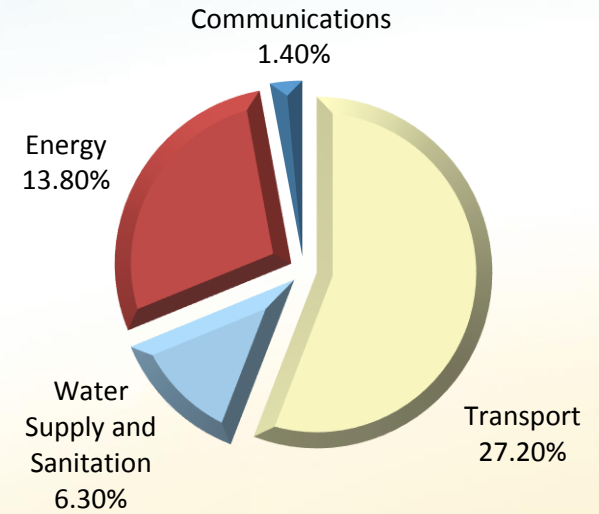
## Approvals by region



## Sectoral distribution of 2015 approvals



## Breakdown of infrastructure approvals



\* Multi-sector includes public finance management and other governance-related operations

# Innovating and crowding-in resources to do more

## Large scale partnerships that enlarge the Bank's footprint in Africa



## Risk transfer instruments improving capital efficiency

### Private Sector Credit Enhancement Facility

- Risk sharing vehicle that enables AfDB to support more private sector projects in lower income countries to increase development impact
- Expected to catalyze USD 1 billion of additional lending over 3 years



# Improving governance in Africa

**Over 100 governance projects completed, resulting in better macroeconomic management, increased tax revenue, more foreign direct investment and less time required to start a business**

## **Mali USD 21 million**

to improve public expenditure management in support of economic recovery

Project will enhance fiscal decentralization, ensure greater efficiency and transparency in public procurement and strengthen internal controls

## **Morocco USD 111 million**

to strengthen the commercial legal system, institute tax reforms and promote Public-Private Partnerships (PPPs) and institutions to combat corruption

Project will support competitiveness and SME growth

## **Tanzania USD 69 million**

for policy reforms in the power utilities sector

Reforms will address governance of state owned enterprises

**29 governance operations  
approved in 25 countries for  
USD 1.1 billion in 2015**

## **Zimbabwe USD 3 million**

to support Civil Society Organizations working in economic and financial governance, women's rights and Parliamentary capacity building initiatives on women's economic empowerment



# Fostering development through Trade Finance

Unmet demand estimated at USD 120 billion annually

## Trade Finance Program provides:

- Guarantees to major international banks
- Trade liquidity support to local banks and soft commodity corporates

Local partners provide finance to SMEs and local corporates, promoting intra-African and international trade

Two-thirds of the transactions benefited SMEs

Benefits countries by facilitating international trade, critical for economic growth

Consistent partner, even in times of market stress

Supported more than 1,000 trade transactions worth USD 3 billion since inception

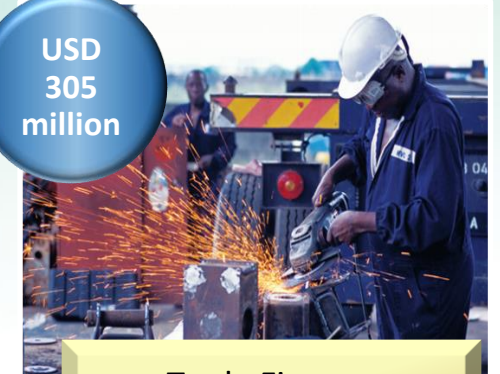
Liquidity and risk mitigation to more than 85 local banks in more than 20 African countries, most of which are in low-income countries and/or fragile and transition states

USD  
1  
billion



Risk Participation  
Agreements

USD  
305  
million



Trade Finance  
Lines of Credit

USD  
110  
million



Soft Commodity  
Finance Facilities

**GTR**  
Global Trade Review

**AfDB 2014  
Best Development  
Financial  
Institution in  
Trade Finance  
in Africa**

# Building resilient health systems

**AfDB made a valuable contribution towards the rapid containment of the Ebola outbreak**

Many lives saved versus the prediction of millions dying

Health systems strengthened, human resources capacity built to respond effectively to Ebola virus disease and other infectious diseases

Communities empowered to effectively respond to Ebola



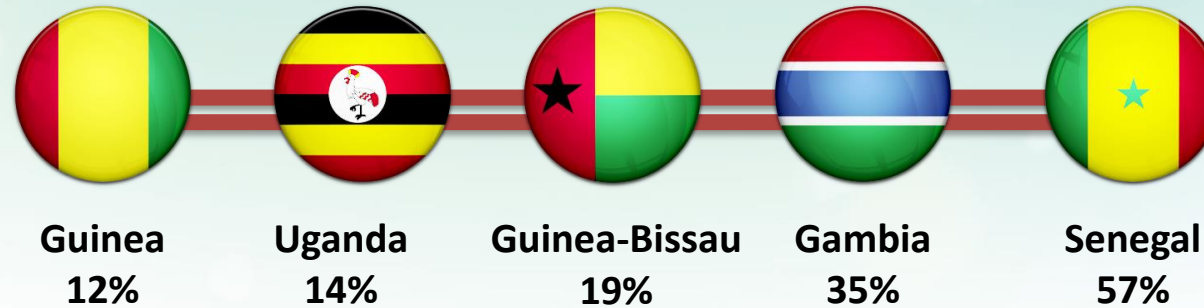
Psychosocial support provided to survivors

An estimated 321 million people in the Economic Community of West African State (ECOWAS) sub region benefited from AfDB Ebola containment projects

Bank now supporting Post Ebola efforts through the Post Ebola Recovery Social Investment Fund project

# Addressing the energy gap

## Low electricity access rates



### Gambia, Guinea, Guinea-Bissau, Senegal

#### The Gambia River Basin Development Organization Energy Project

- Pooling of hydropower to end power shortages
- 1.3 million people will benefit from regular and more affordable electricity
- Interconnection network among the four countries will help share energy from power plants in the area

USD 1 billion with USD 134 million financed by the Bank

### Uganda

#### Rural Electricity Access

- 58,000 rural households in 16 districts representing around 280,000 people will benefit from the investment
- Project will significantly improve public institutions and businesses in the area
- Provide a reliable energy supply to 5,320 business centers and 1,470 public institutions

USD 121 million project with USD 100 million financed by the Bank



# Water, the development nexus

## Currently

**30%**

of people in Africa have no access to reliable water sources

**70%**

do not have access to modern sanitation

**> 30%**

of water points in rural areas are non-functional

## Countries in Africa can lose up to

**5%**

of annual GDP to poor coverage of drinking water and sanitation

**25%**

of annual GDP to droughts and floods in affected countries

**2%**

of annual GDP to frequent power outages

Water is the lifeblood of the High 5s

**Food security**

**Energy security**  
hydropower

**Industrialization**  
water is a key input and facilitator

**Regional integration**  
transboundary waters

**Improving quality of life**  
through impact on health, education, gender equity, employment and livelihoods

## 3 key initiatives hosted by AfDB



Help countries achieve the objectives of the Africa Water Vision 2025

Increase financing for water supply and sanitation in rural areas

Promote effective water management policies and practices

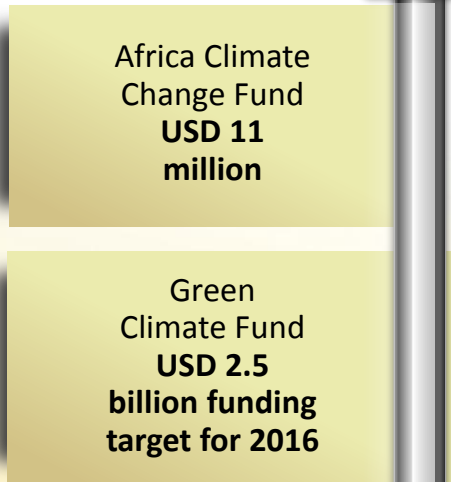
In 2015, **13 projects worth USD 531 million were approved** for development of the water and sanitation sector in Africa





# Path to green growth

Several African countries have already embarked on ambitious programs that integrate climate action with sustainable development



## Rwanda

**National Strategy for Climate Change and Low Carbon Development**

**One of the world's most ambitious renewable energy strategies**

- Combines sustainability, wealth creation and poverty reduction measures
- Power generation from renewable energy to increase to 50% by 2017 from 4% in 2008

## Ethiopia

**Climate Resilient Green Economy Strategy**

**A comprehensive approach to mitigate the impact of climate change**

- Almost all electricity comes from hydropower and generation capacity has tripled since 2005
- 53.5% of the population now enjoying access to electricity compared to 16% eight years ago



# The African Development Bank



*The financial position of the AfDB is very strong. Thanks to its solid capitalization, ample liquidity buffers and prudent risk-management framework the institution has the capacity to absorb potential shocks emanating from the turbulent operating environment. The Bank has substantial headroom in risk-bearing capacity to further expand its lending. Continued financial and operational prudence will remain key.*

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## Financial Profile of the African Development Bank



# Summary financial information

| (in USD million)                    | 2011   | 2012    | 2013    | 2014   | 2015   | September 2016** |
|-------------------------------------|--------|---------|---------|--------|--------|------------------|
| <b>Assets</b>                       | 31,107 | 32,605  | 32,335  | 33,251 | 34,212 | 39,530           |
| <b>Loans</b>                        | 14,210 | 16,928  | 17,842  | 18,324 | 17,405 | 19,335           |
| <b>Investments</b>                  | 11,653 | 9,971   | 9,372   | 10,637 | 10,791 | 14,779           |
| <b>Borrowings</b>                   | 19,810 | 20,408  | 19,939  | 20,828 | 22,173 | 27,458           |
| <b>Equity</b>                       | 7,494  | 8,207   | 8,980   | 8,809  | 8,895  | 9,465            |
| <b>Paid-in Capital net of CEAS*</b> | 3,601  | 4,108   | 4,581   | 4,730  | 4,647  | 5,348            |
| <b>Reserves</b>                     | 3,894  | 4,100   | 4,400   | 4,079  | 4,010  | 3,894            |
| <b>Income before distributions</b>  | 253    | 301     | 278     | 220    | 134    | 217              |
| <b>Subscribed Capital</b>           | 57,300 | 100,230 | 100,424 | 94,366 | 90,255 | 91,925           |

\* Cumulative Exchange Adjustment on Subscriptions

\*\* Unaudited

Note: Data converted from UA (SDR) to USD at period-end exchange rates

Source: AfDB Annual Report/Financial Statements



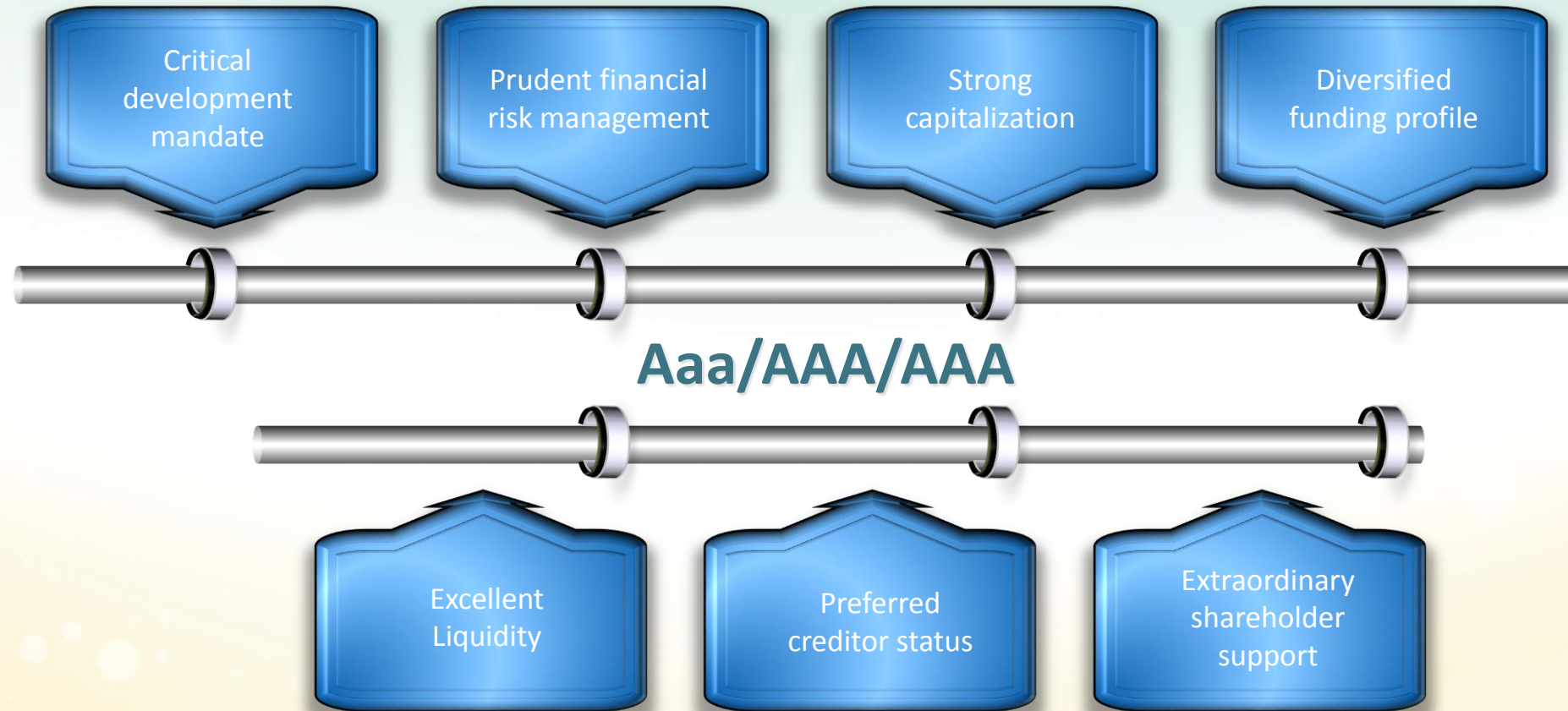
# A solid institution to pursue Africa's development goals

FitchRatings

MOODY'S

STANDARD  
& POOR'S

JCR Japan Credit Rating Agency, Ltd.



Intrinsic financial strength bolstered by shareholders' support

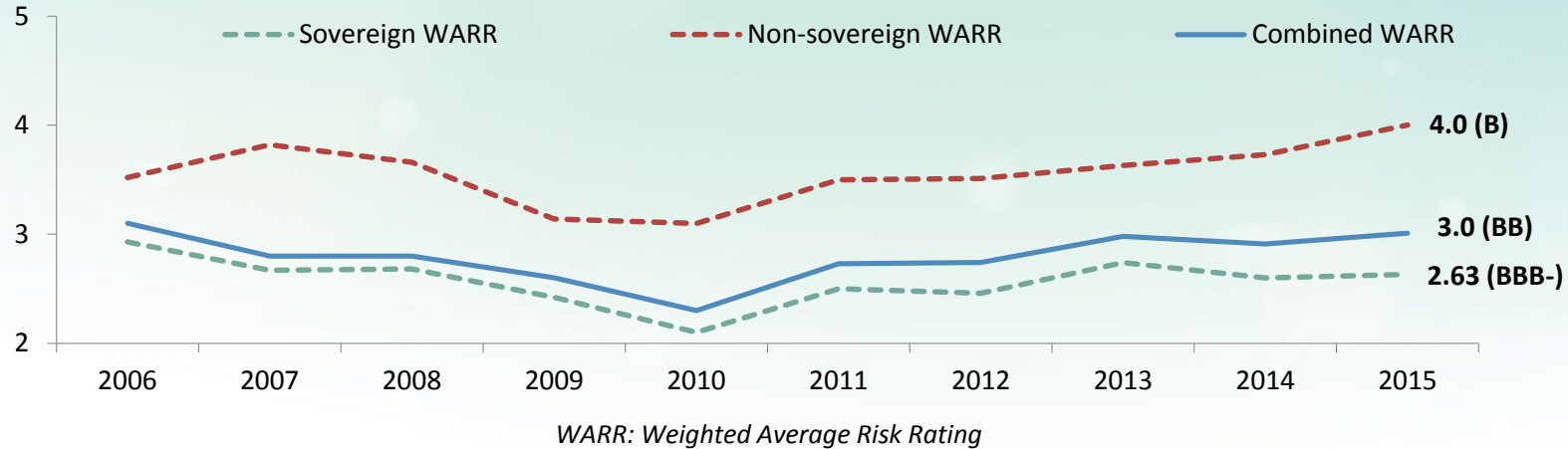




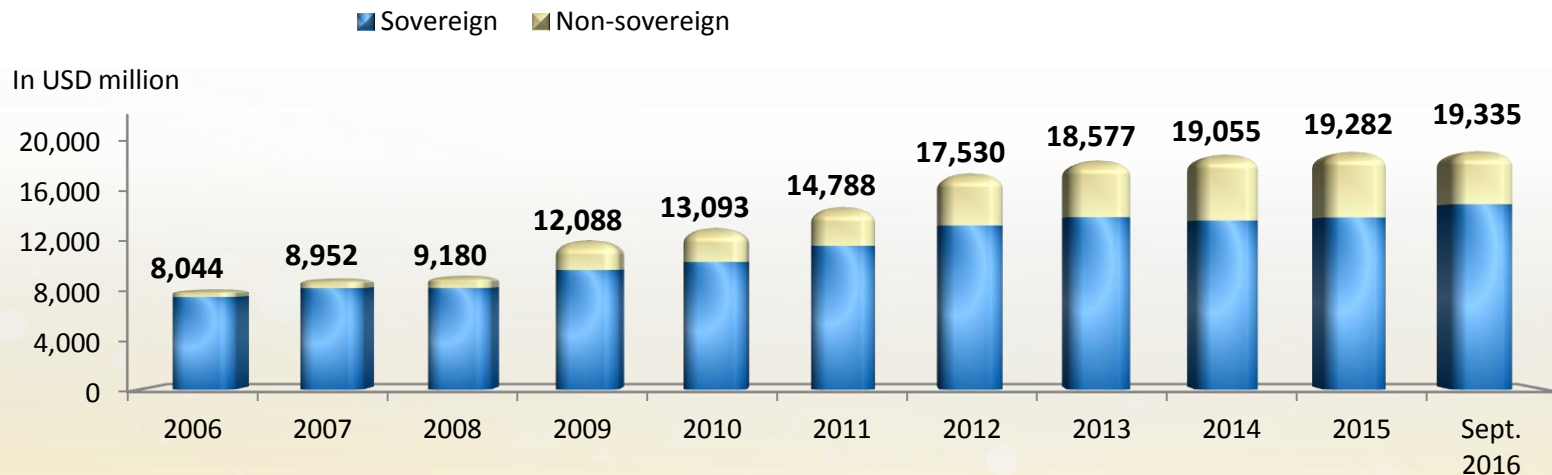
# Managing the Bank's portfolio in a challenging environment

Bank's internal risk rating

## Portfolio risk profile



**A defined risk appetite for the lending portfolio: BB+ to B- (i.e. 3 to 4)**



Falling commodity prices have negatively impacted resource based non-sovereign projects

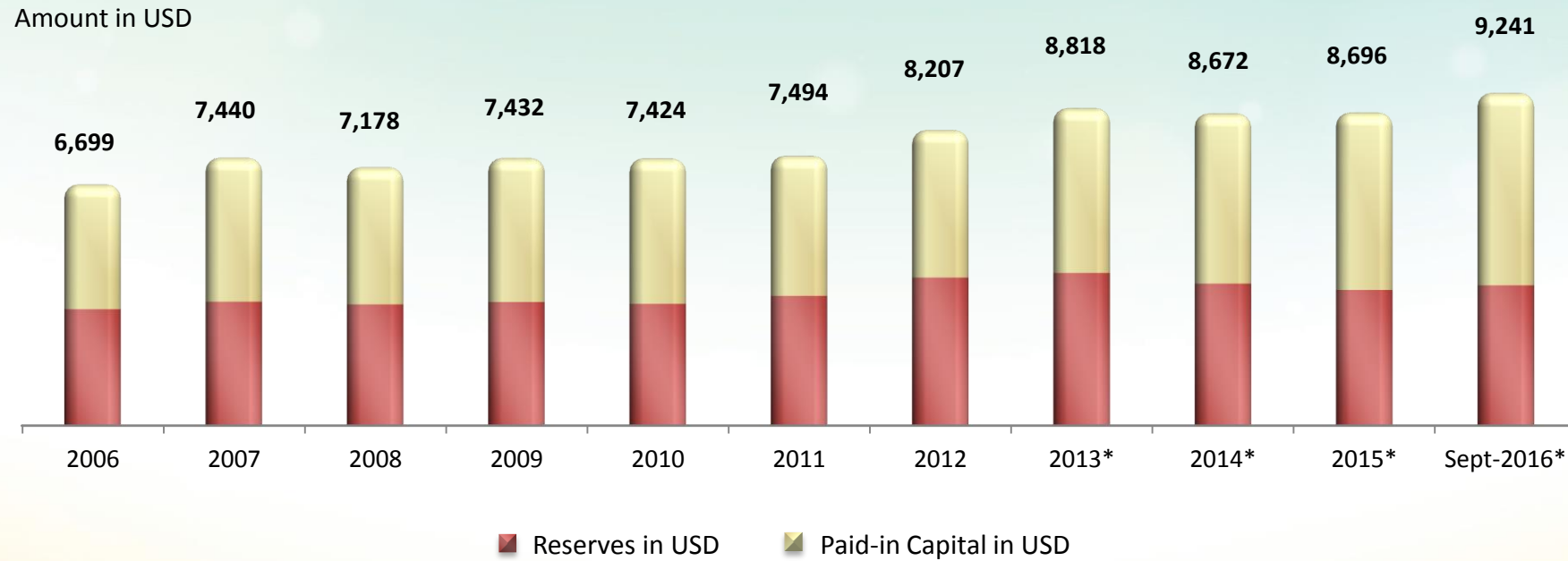
**notwithstanding....**

combined WARR at the stronger end of the targeted risk appetite



# Strong risk bearing capacity to support business growth

Risk capital increased by USD 2 billion since 2006



Adequate portion of earnings incorporated into reserves

Reinforced capital base bolstered by payments received under the sixth general capital increase approved in 2010

\* In 2013, AfDB adopted the economic capital framework and as a result, in computing risk capital, reserves were reduced after taking into account adjustments for valuations of equity investments and borrowings through other comprehensive income

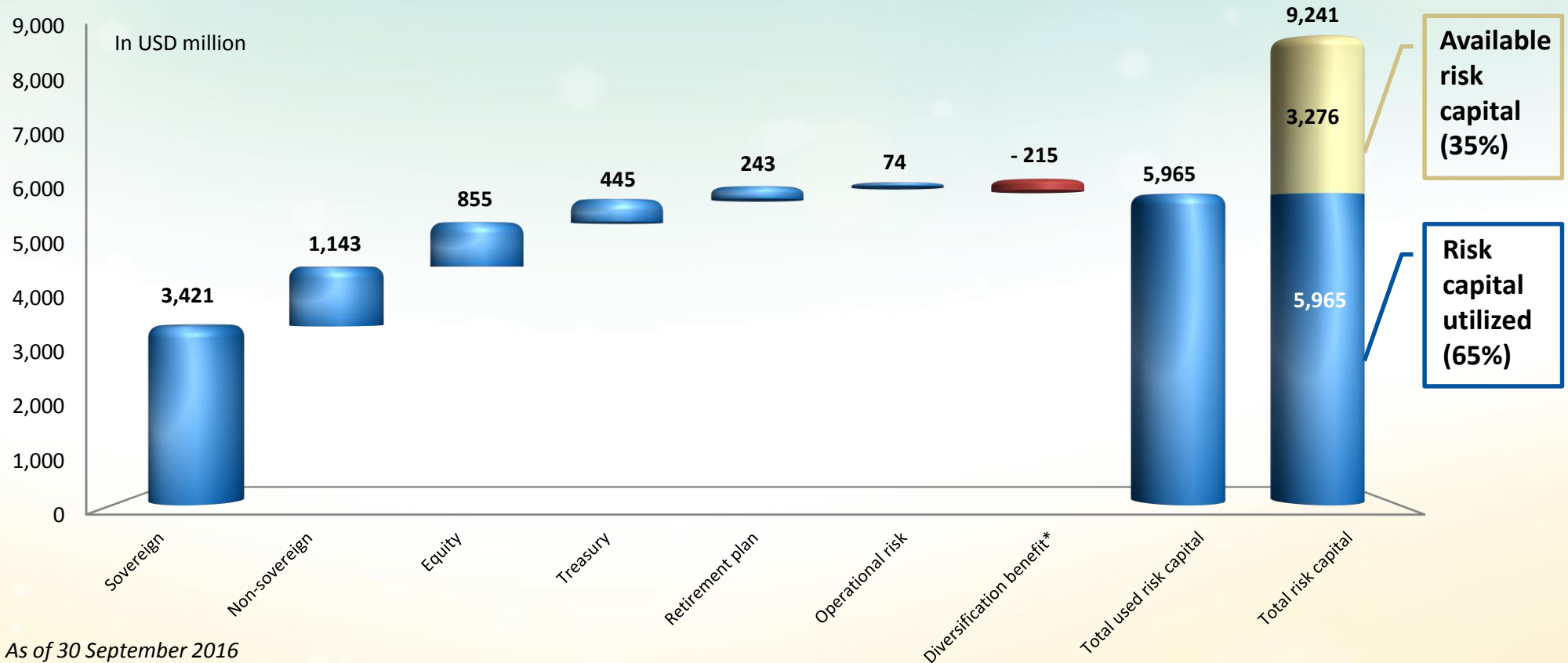
**“Capitalization... remains a key rating strength for the Bank”**  
*Fitch, August 2016*

**USD 1.5 billion of additional paid-in capital expected from 2016 to 2027**



# A comfortable cushion for risk bearing activities

Measuring and monitoring capital requirements for credit, counterparty, market and operational risks



AfDB risk capital supports a USD 19 billion portfolio of sovereign, commercial and equity financing as well as a USD 15 billion treasury portfolio

\* Diversification benefit stems from correlation between risks

Capital utilization driven by the volume and quality of the Bank's various risk exposures



# Safeguarding stakeholders' interests

Key prudential ratios well within statutory limits

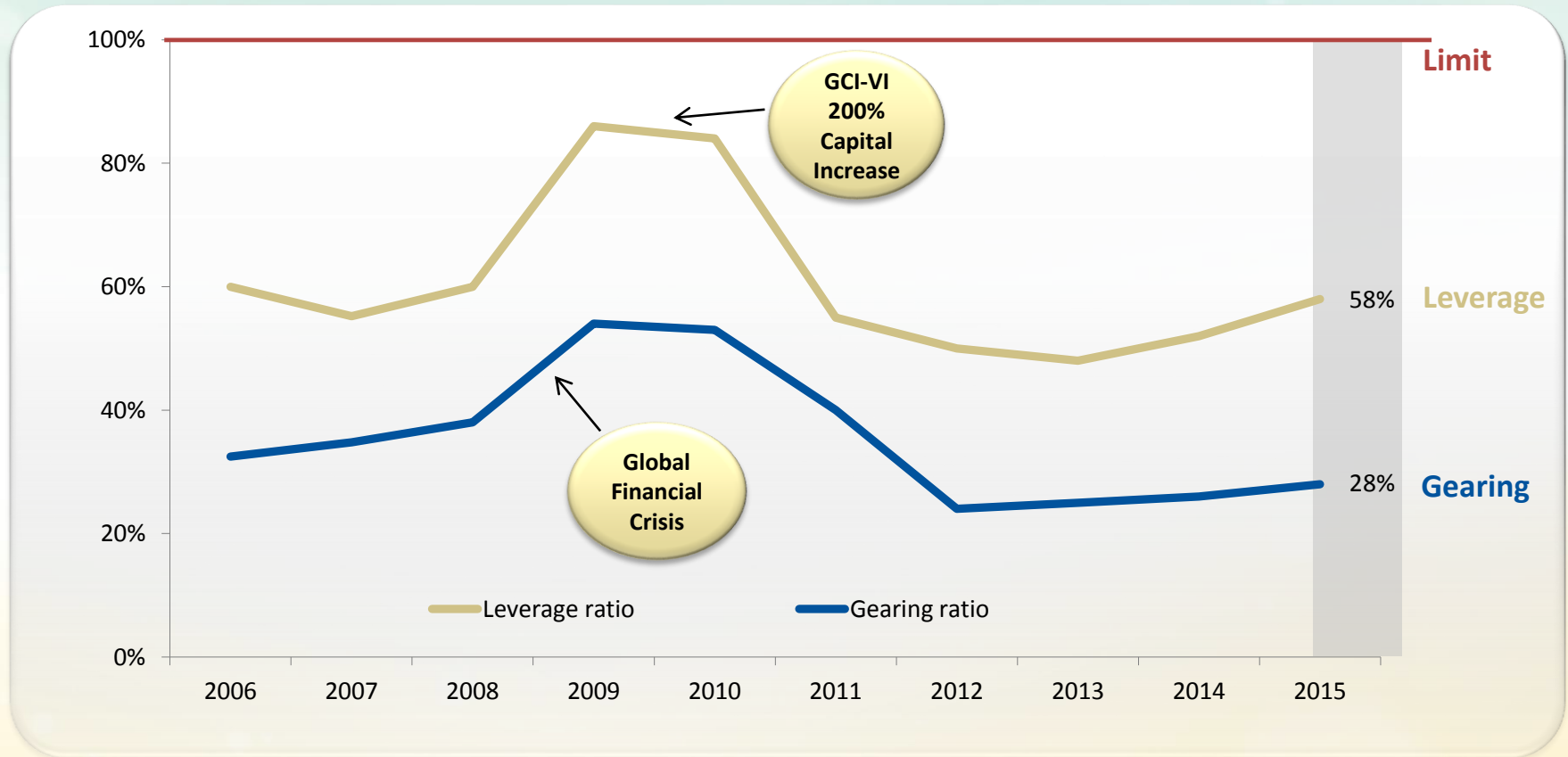
## Leverage

**Debt / usable capital**  
 (usable capital =  
 $\Sigma$  paid-in capital, reserves,  
 callable capital of non-  
 borrowing countries rated  
 A- and above)

## Gearing

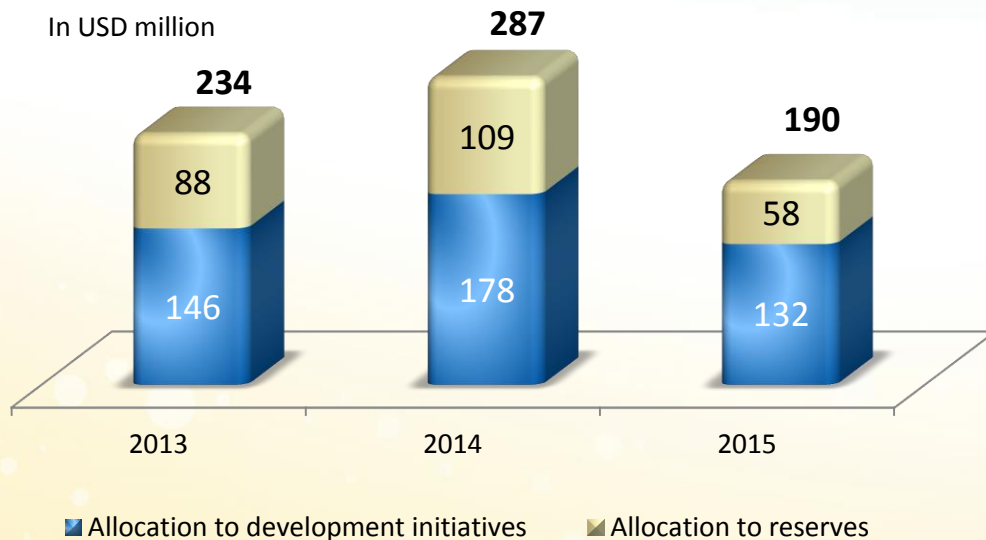
**Loans\* + equity  
 investments +  
 guarantees / subscribed  
 capital\*\* + surplus +  
 reserves**

\*Including undisbursed  
 \*\* Unimpaired





# Positive allocable income in a negative operating environment



- Non-sovereign operations generated a proportionally larger share of revenue but higher profit margins were counterbalanced by slightly higher provision rates
- Increase in non-sovereign operations provisioning resulted from unfavorable operating context
- Low interest rate environment

**AfDB cost-to-income ratio continues to be the lowest among peers**



## 2015 income continues to fund key development initiatives

| <i>(in USD million)</i>                          | 2015       | 2014      | 2013       | 2012       | 2011      |
|--|------------|-----------|------------|------------|-----------|
| Income before distribution approved by the board | 129        | 220       | 278        | 301        | 253       |
| Distribution of income approved by the board     | 172        | 174       | 166        | 169        | 173       |
| <b>Net Income</b>                                | <b>-43</b> | <b>46</b> | <b>112</b> | <b>132</b> | <b>80</b> |

| <i>(in USD million)</i>                                | 2015       | 2014       | 2013       | 2012       | 2011       |
|--|------------|------------|------------|------------|------------|
| Income before distribution approved by the Board       | 129        | 220        | 278        | 301        | 253        |
| Adjusted for:  |            |            |            |            |            |
| - Unrealized (gain)/loss on derivatives and borrowings | 69         | 43         | -53        | 16         | 5          |
| - Translation (gain)/loss                              | -20        | 6          | -21        | 3          | 43         |
| - Fair valuation (gain)/loss of macro hedge swaps      | 13         | 19         | 29         | 15         | -5         |
| <b>Allocable Income (Income - Adjustments)</b>         | <b>190</b> | <b>287</b> | <b>234</b> | <b>335</b> | <b>295</b> |

- The income distributions approved by the Board of Governor for key development initiatives are reported as expenses in the Income Statement in the year such distributions are approved.
- The decisions on income distribution approved by the Board are made on the basis of Allocable Income
- The allocable income represents the income before distribution for the year adjusted with unrealized gain/(loss) on borrowings and related derivatives and translation gain/(Loss).



# Managing market risks

## Mitigating interest rate risk

- Minimized by matching interest rate characteristics of assets and liabilities
- Stabilize net interest margin

## Prohibited from taking foreign exchange rate risk

- Liabilities in any currency matched with assets in the same currency
- Currency composition of net assets aligned with the SDR\* currency basket

\*SDR: Special Drawing Rights



**Conservative  
principles  
underlying  
our asset and  
liability  
management**

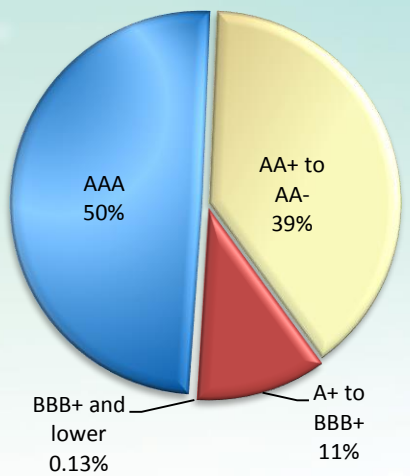
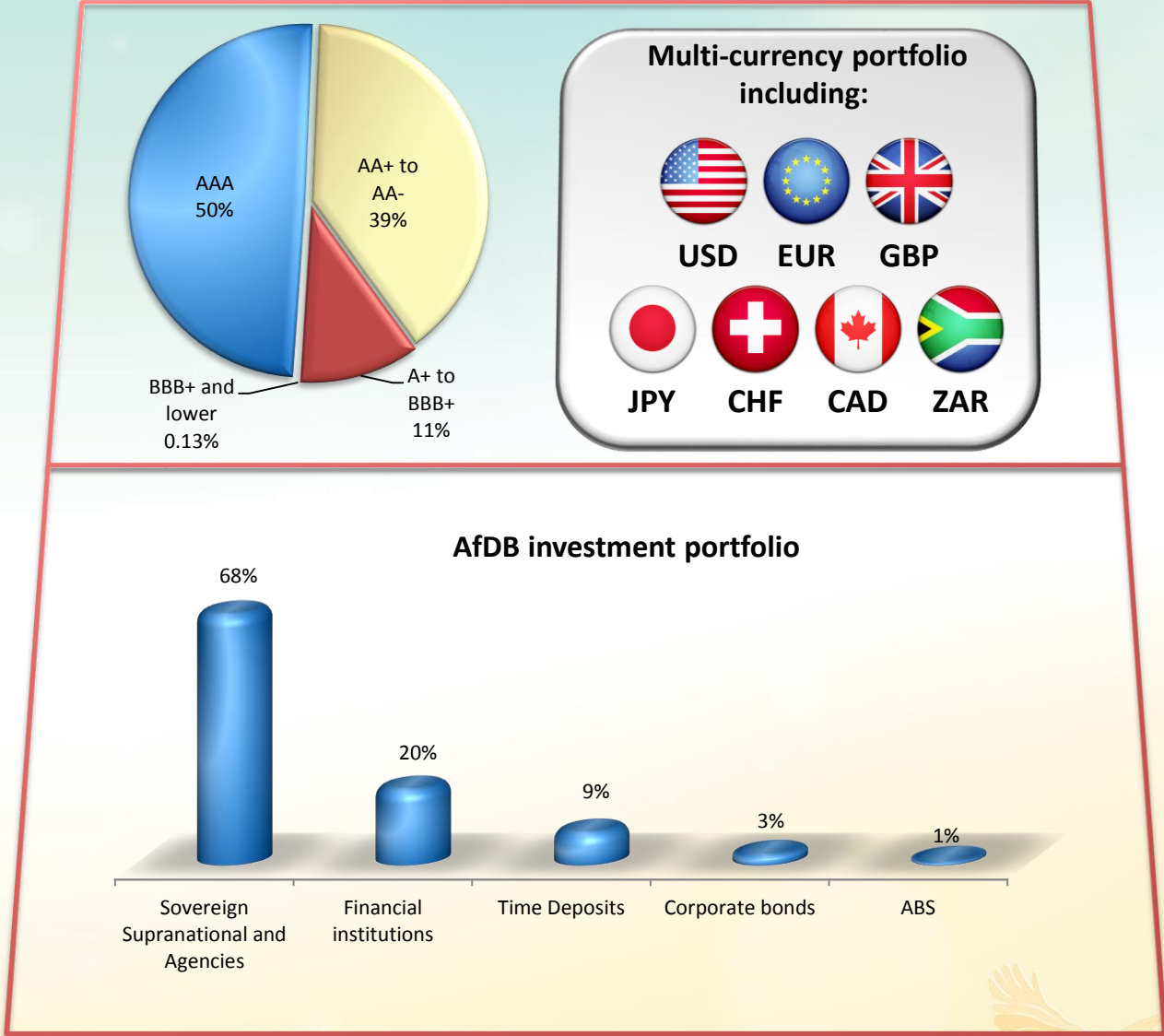
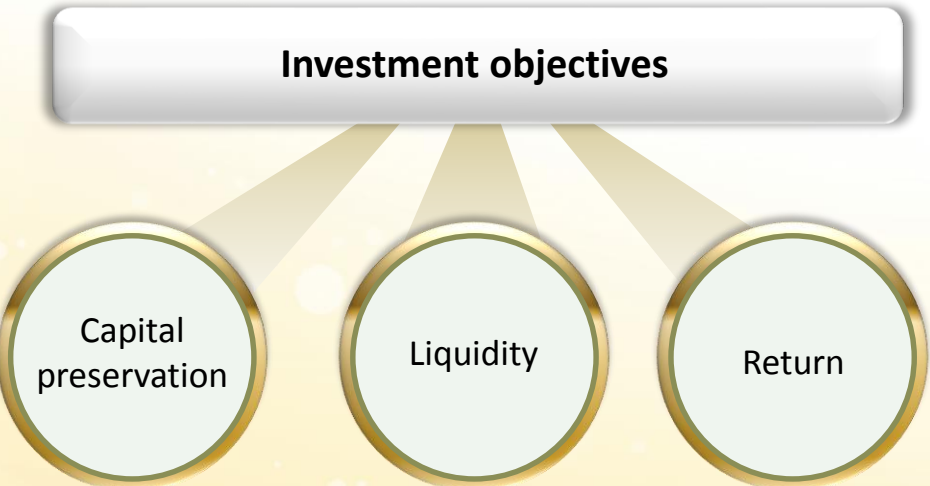
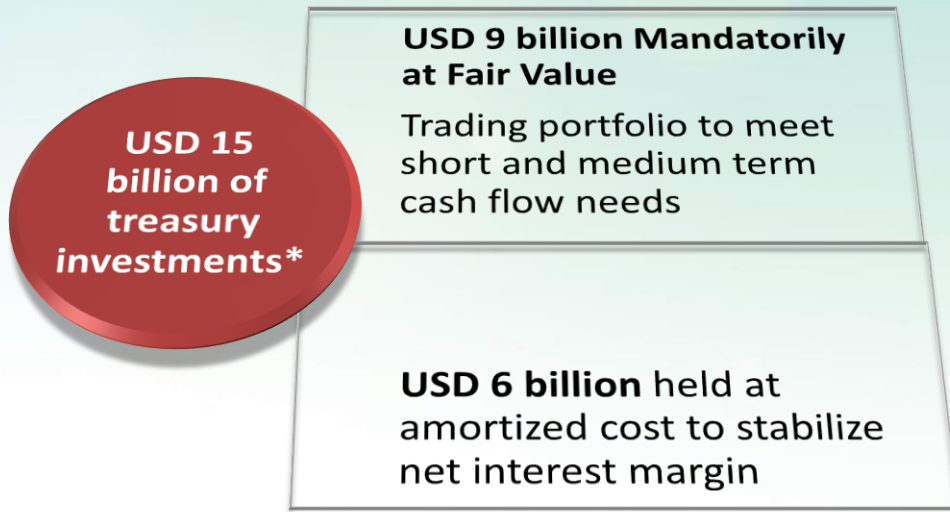
## Minimize credit risk exposure with credit and derivative counterparties

- Minimum credit ratings established for investments (A)
- Minimum ratings for derivative counterparties (A-)

## Relying on our own resources in the face of shocks before shareholders' support materializes

- Ability to meet net cash flow requirements including debt redemption and loan disbursements for 1-year without access to additional resources

# Conservative management of liquidity



\*As of 30 September 2016



# The African Development Bank

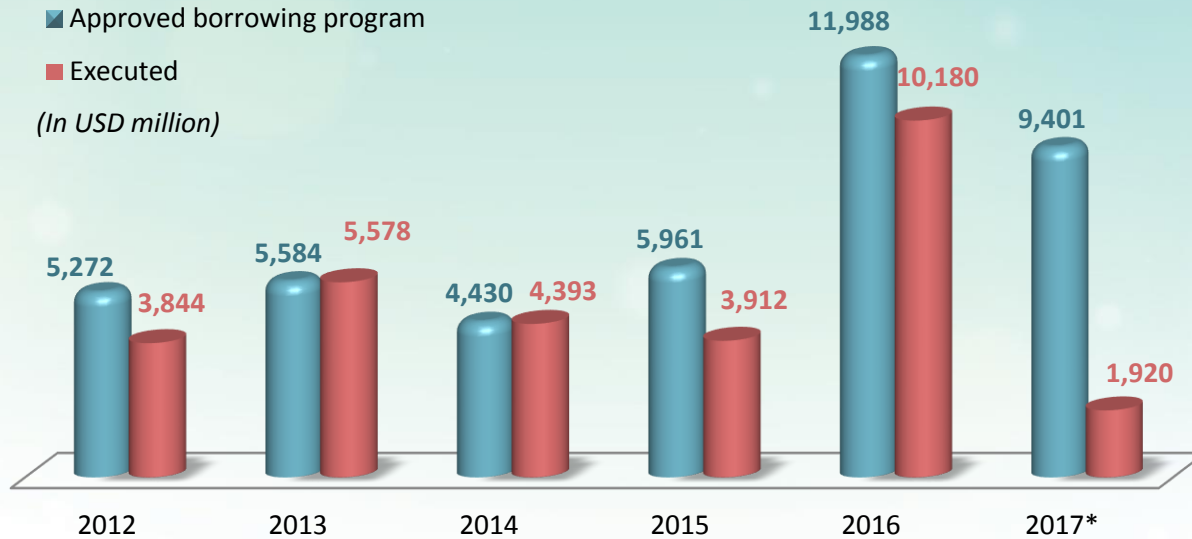


3

**Capital Market Activities**



# Funding needs driven by development financing commitments



Outstanding borrowings of USD 27 billion

## Issuing AAA bonds across continents...

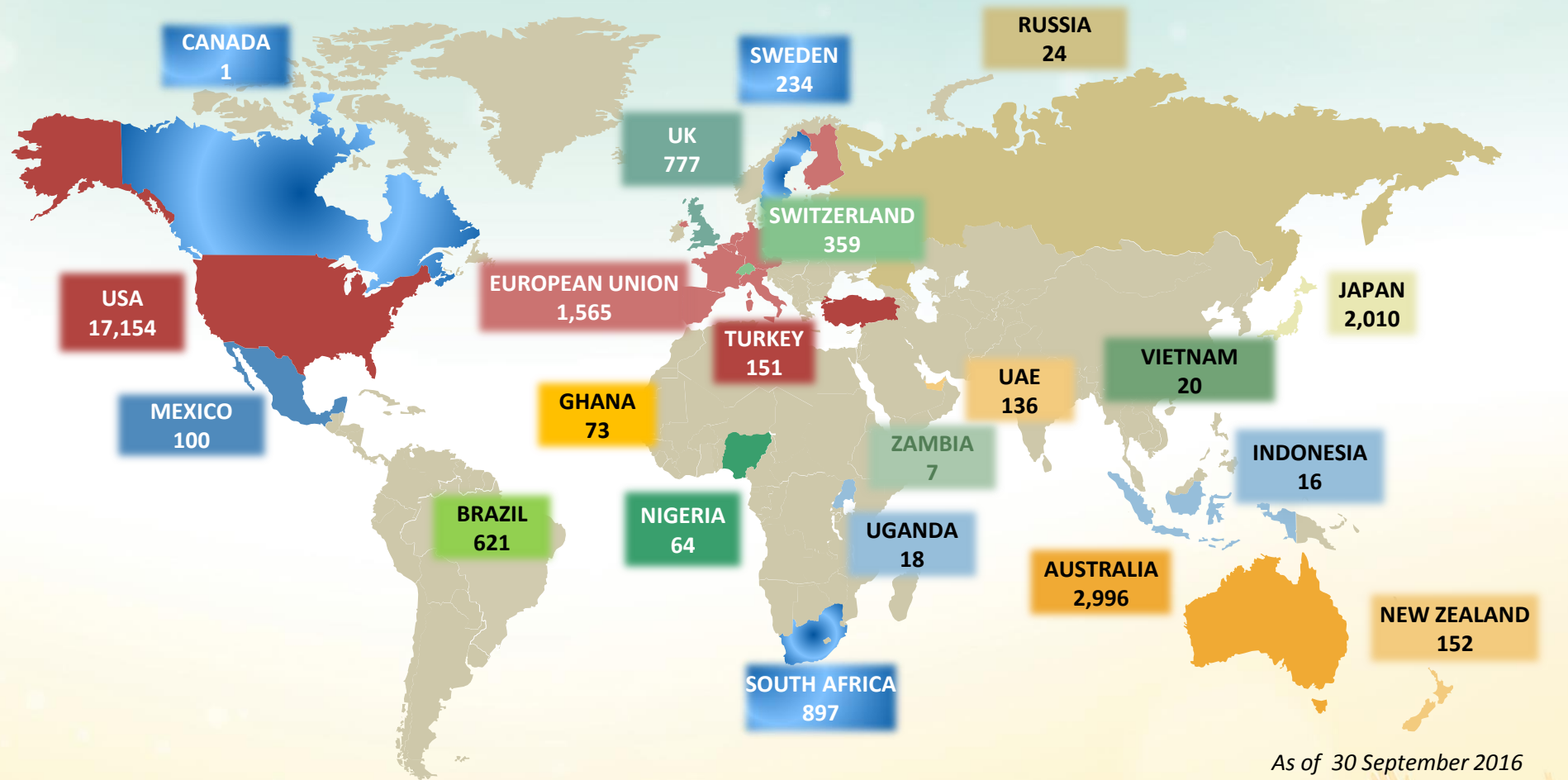
\*As of 20 January 2017



# A global footprint

Sourcing funding opportunities for the Bank and its clients while catering to investor demand

- Diversified funding...
- Global benchmarks
- Public Domestic Issues
- Private Placements
- Uridashis
- Euro commercial paper
- Loans



Outstanding borrowings before swaps

As of 30 September 2016  
(in million USD)

# AfDB global benchmarks

Quality continue to drive successful issuance



April 2016

July 2016

September 2016

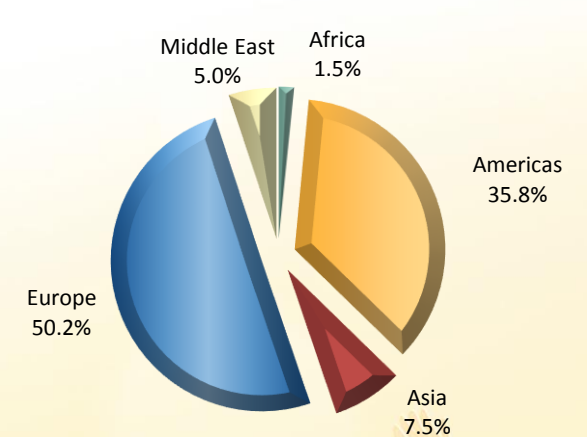
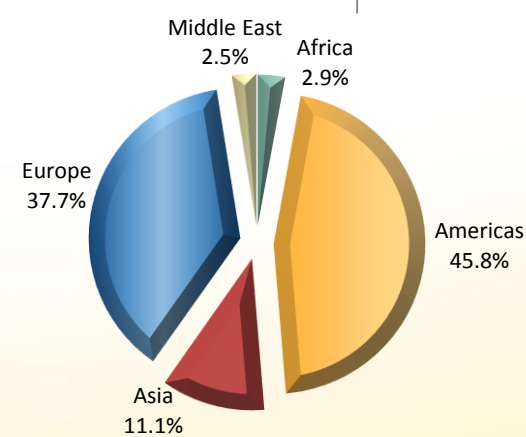
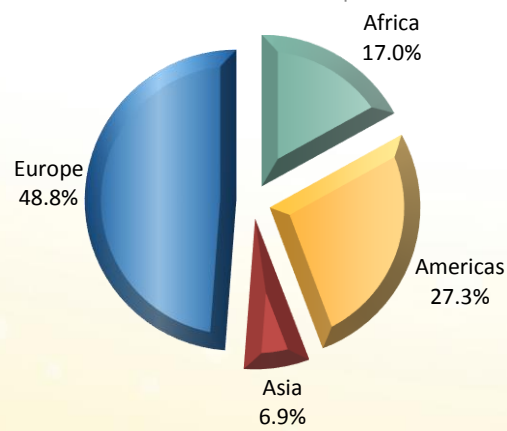
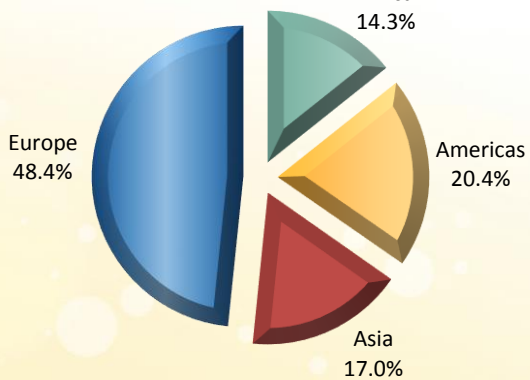
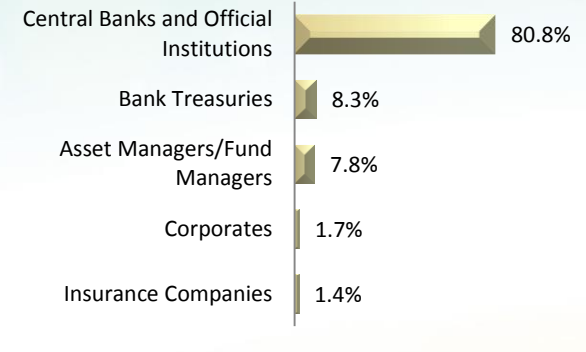
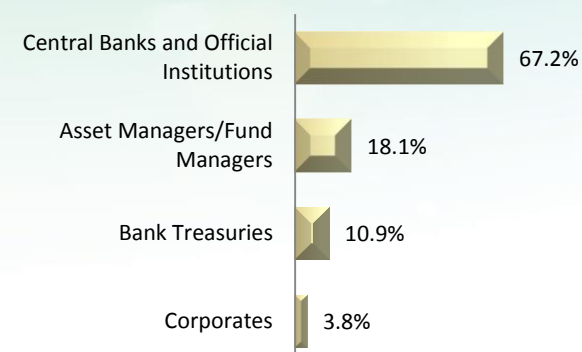
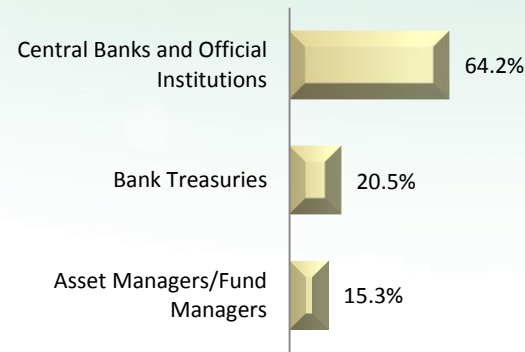
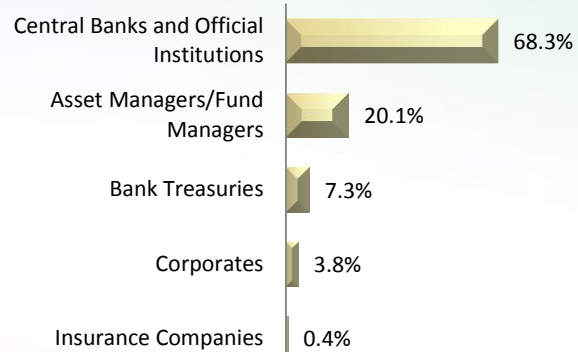
October 2016

**USD 1 billion**  
**1.000% due May 2019**  
 US Treasuries + 20.3bps  
 Midswaps + 13bps

**USD 1 billion**  
**1.250% due July 2021**  
 US Treasuries + 23.2bps  
 Midswaps + 24bps

**USD 1 billion**  
**1.125% due September 2019**  
 US Treasuries + 26.9bps  
 Midswaps + 9bps

**USD 1 billion**  
**1.000% due November 2018**  
 US Treasuries + 27.4bps  
 Midswaps + 4bps



Solid reputation

High quality of execution

Pristine AAA rating and fundamentals

A very strong development mandate and business profile



# Kangaroos, Bulldogs and Euro benchmarks

Building a curve  
in Euro...



October 2016

January 2017



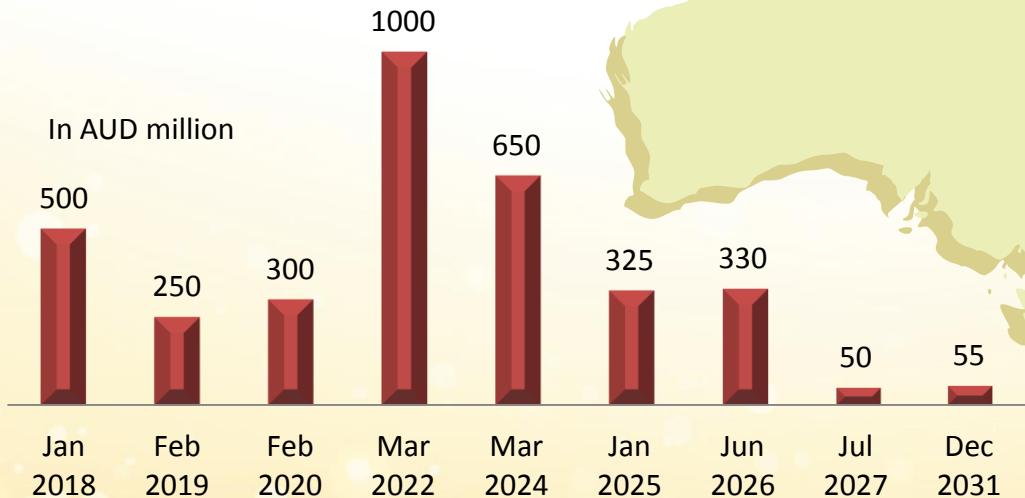
**10-year EUR 750 million**  
0.125% due  
**October 2026**  
Bund+29.5bps  
MS-10bps



**7-year EUR 1 billion**  
0.25% due  
**January 2024**  
Bund+45.5bps  
MS-3bps

5-year GBP 250 million bond issued in 2017

3-year GBP 250 million bond issued in 2016



First Green Bond in AUD

December 2016

January 2017



**15-year AUD 55 million**  
3.50% due  
**December 2031**  
BBSW+53bps  
Nomura



**10-year AUD 50 million**  
3.30% due  
**July 2027**  
BBSW+51bps  
Mizuho

# Socially responsible issuer tapping sustainable markets

Good Environmental, Social and Governance (ESG) credentials

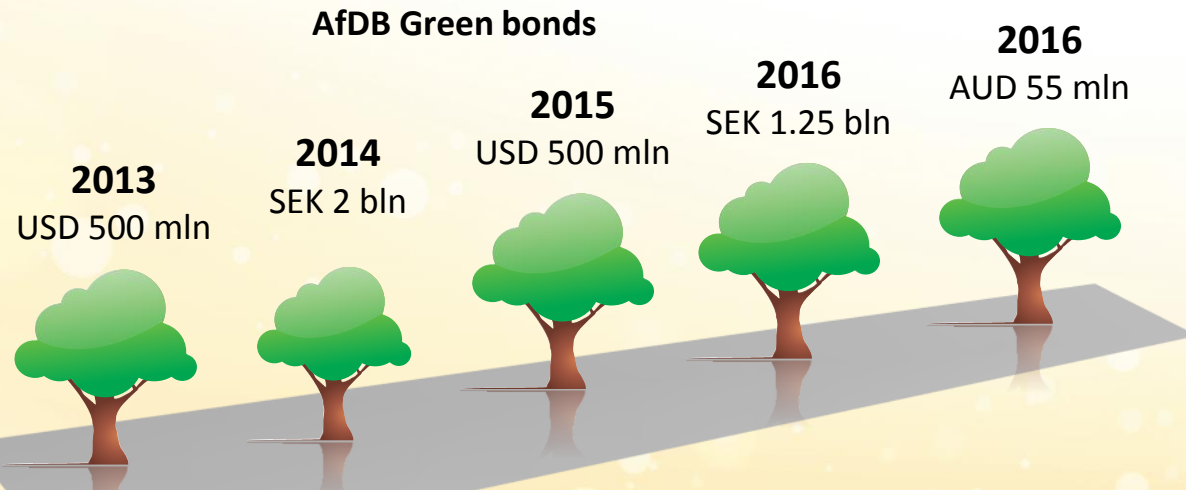
Strong name recognition in Japanese Socially Responsible Investing (SRI) markets

USD 100 million “Improve the quality of life for the people of Africa” bond due December 2026

**A strong and transparent Green Bond Framework underpinned by transformative climate adaptation and mitigation projects**

|  |
|--|
| <b>South Africa</b> - Xina Solar One Concentrated Solar Power Plant                      |
| <b>Nigeria</b> - Urban Water Sector Reform and Port Harcourt Water Supply and Sanitation |
| <b>Kenya</b> - Lake Turkana Wind Farm  |
| <b>Zambia</b> - Ithezi-Tezhi Hydropower Plant  |
| <b>Morocco</b> - Power Transmission and Distribution Development                         |

## AfDB adheres to the Green Bond Principles



## Dedicated AfDB green investors

Blackrock, California State Teachers Retirement System (CalSTRS), Calvert IM, Nordea IM, Pictet AM, Praxis Intermediate Income Fund, Raiffeisen Capital Management, State Street Global advisors, Second, Third and Fourth Swedish National Pension Funds, Teachers Insurance and Annuity Association (TIAA) AM, Trillium AM, Zürcher Kantonalbank AM

DECEMBER 2015

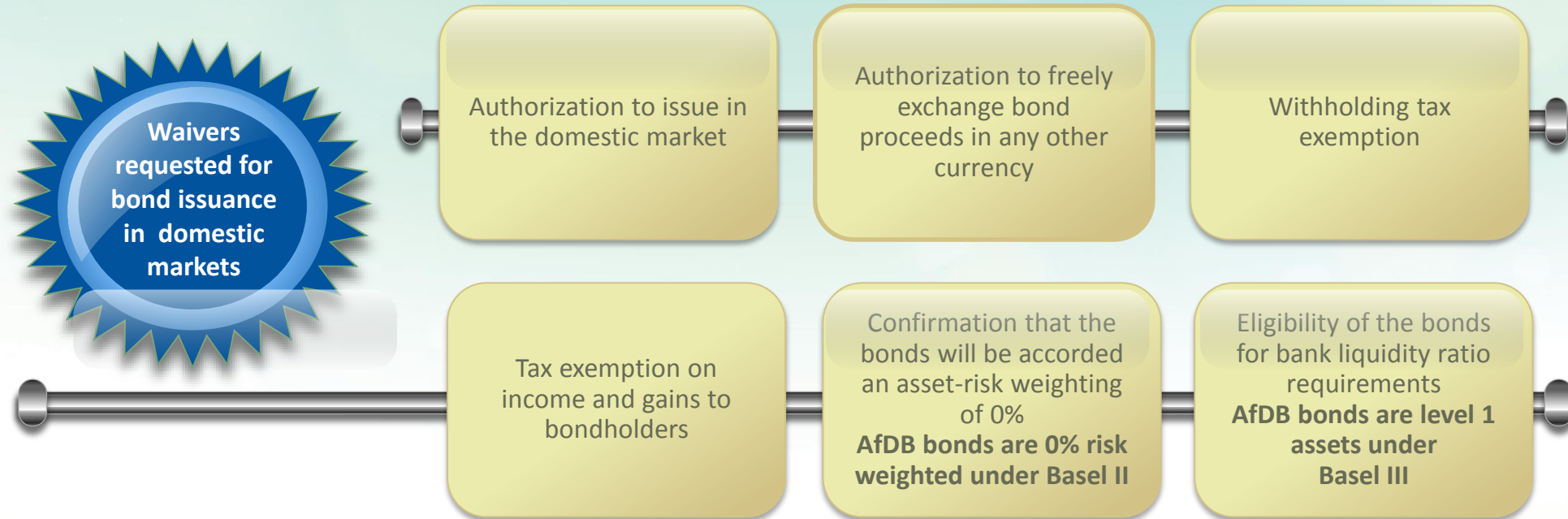
AFRICAN DEVELOPMENT BANK  
**USD 500,000,000**  
 1.375% Green Bond  
 Senior Unsecured Notes  
 Due 2018

“Best Green Bond”  
EMEA Finance



Helping Africa gradually transition to green growth

# Accessing Africa's foremost bond markets



- Landmark NGN 12.95 billion 7-year domestic bond in Nigeria
- First-ever debt program from a supranational issuer



Issuance in Uganda amounting to UGX 25 billion since 2012



ZAR 650 million 3-year Eurobond in 2014

## AfDB and Bloomberg launched the AFMI Bloomberg African Bond Index (ABABI) – 2015

- Transparent and credible benchmark indices to provide investors with a tool with which to measure and track the performance of Africa's bond markets
- Composite index comprised of the Bloomberg South Africa, Egypt, Nigeria and Kenya local currency sovereign indices



# The African Development Bank



4

## Appendix

### A. Financial Statements





# AfDB Income Statement (UA million)

| Year ended 31 December  | 2015           | 2014         | 2013         | 2012         | 2011         |
|---|----------------|--------------|--------------|--------------|--------------|
| Operational Income and Expenses                                   |                |              |              |              |              |
| Income from Loans   | 350.20         | 342.13       | 335.01       | 351.16       | 314.92       |
| Income from Investments and related derivatives                   | 122.21         | 132.41       | 131.24       | 199.35       | 168.85       |
| Income from Other Securities                                      | 3.73           | 3.85         | 3.95         | 4.83         | 5.41         |
| Total income from Loans and Investments                           | 491.20         | 484.73       | 470.20       | 555.34       | 489.18       |
| Interest and amortized issuance costs                             | (346.13)       | (375.96)     | (302.99)     | (356.41)     | (316.82)     |
| Net interest on borrowing-related derivatives                     | 180.22         | 221.21       | 111.85       | 139.16       | 112.16       |
| Unrealized losses on borrowings, related derivatives and others   | (49.51)        | (29.83)      | 34.11        | (10.17)      | (3.04)       |
| Provision for Impairment on Loan Principal and Charges Receivable | (65.43)        | (18.02)      | (41.14)      | (29.69)      | (17.68)      |
| Provision for Impairment on Equity Investments                    | 0.43           | 0.75         | 0.76         | (0.05)       | (0.15)       |
| Provision for Impairment on Investments                           | -              | -            | 9.19         | 0.29         | 6.39         |
| Translation Gains/(Losses)  | 14.60          | (4.07)       | 13.33        | (2.27)       | (27.95)      |
| Other Income  | 4.27           | 3.39         | 3.02         | 15.29        | 4.46         |
| Net Operational Income  | 229.66         | 282.20       | 302.98       | 309.79       | 246.55       |
| Administrative Expenses   | (122.00)       | (123.16)     | (110.97)     | (107.55)     | (79.50)      |
| Depreciation – Property, Equipment and Intangible Assets          | (9.05)         | (7.61)       | (6.70)       | (4.59)       | (4.47)       |
| Sundry (Expenses)/Income  | (5.44)         | 0.26         | (4.98)       | (1.94)       | 1.93         |
| Total Other Expenses  | (136.49)       | (130.50)     | (122.65)     | (114.07)     | (82.04)      |
| Income before Distributions Approved by the Board of Governors    | 93.16          | 151.69       | 180.33       | 195.71       | 164.51       |
| Distributions of Income Approved by the Board of Governors        | (124.00)       | (120.00)     | (107.50)     | (110.00)     | (113.00)     |
| <b>Net Income for the Year</b>                                    | <b>(30.84)</b> | <b>31.69</b> | <b>72.83</b> | <b>85.71</b> | <b>51.51</b> |

1 UA = 1 SDR = 1.53527 USD (2011) = 1.53692 USD (2012) = 1.54000 (2013) = 1.44881 (2014) = 1.38573 (2015)



# AfDB Balance Sheet Highlights (UA million)

| Year ended 31 December                           | 2015             | 2014             | 2013             | 2012             | 2011             |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Assets</b>                                    |                  |                  |                  |                  |                  |
| Due from Banks                                   | 1,214.61         | 406.71           | 954.13           | 881.45           | 344.16           |
| Demand Obligations                               | 3.80             | 3.80             | 3.80             | 3.80             | 3.80             |
| Treasury Investments                             | 8,392.26         | 7,341.62         | 6,058.45         | 6,487.51         | 7,590.47         |
| Derivative Assets                                | 1,454.62         | 1,143.68         | 985.96           | 1,558.33         | 1,696.68         |
| Non-Negotiable Instruments on Account of Capital | 0.27             | 0.74             | 1.20             | 1.97             | 3.04             |
| Accounts Receivable                              | 489.54           | 640.16           | 843.86           | 762.67           | 914.85           |
| Outstanding Loans                                | 12,868.55        | 12,496.52        | 11,440.70        | 10,885.80        | 9,373.52         |
| Hedged Loans – Fair Value Adjustment             | 79.84            | 112.70           | 32.49            | 86.85            | 49.87            |
| Equity Participations                            | 703.27           | 596.82           | 525.01           | 438.56           | 309.76           |
| Other Securities                                 | 46.42            | 94.11            | 82.90            | 76.54            | 79.99            |
| Other Assets                                     | 93.56            | 79.46            | 41.22            | 31.06            | 13.34            |
| <b>Total Assets</b>                              | <b>25,346.74</b> | <b>22,950.83</b> | <b>20,996.72</b> | <b>21,214.55</b> | <b>20,261.45</b> |
| <b>Liabilities, Capital and Reserves</b>         |                  |                  |                  |                  |                  |
| Accounts Payable                                 | 1,332.39         | 1,211.81         | 1,246.11         | 2,083.07         | 1,974.68         |
| Derivative Liabilities                           | 1,084.99         | 853.74           | 971.85           | 512.60           | 502.29           |
| Borrowings                                       | 16,449.26        | 14,375.95        | 12,947.44        | 13,278.80        | 12,902.96        |
| Capital Subscriptions Paid                       | 3,727.69         | 3,438.23         | 3,147.08         | 2,839.48         | 2,505.97         |
| Reserves   | 2,921.25         | 2,815.32         | 2,856.88         | 2,667.44         | 2,536.18         |
| <b>Total Liabilities, Capital and Reserves</b>   | <b>25,346.74</b> | <b>22,950.83</b> | <b>20,996.72</b> | <b>21,214.55</b> | <b>20,261.45</b> |

1 UA = 1 SDR = 1.53527 USD (2011) = 1.53692 USD (2012) = 1.54000 (2013) = 1.44881 (2014) = 1.38573 (2015)



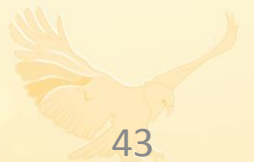
# The African Development Bank



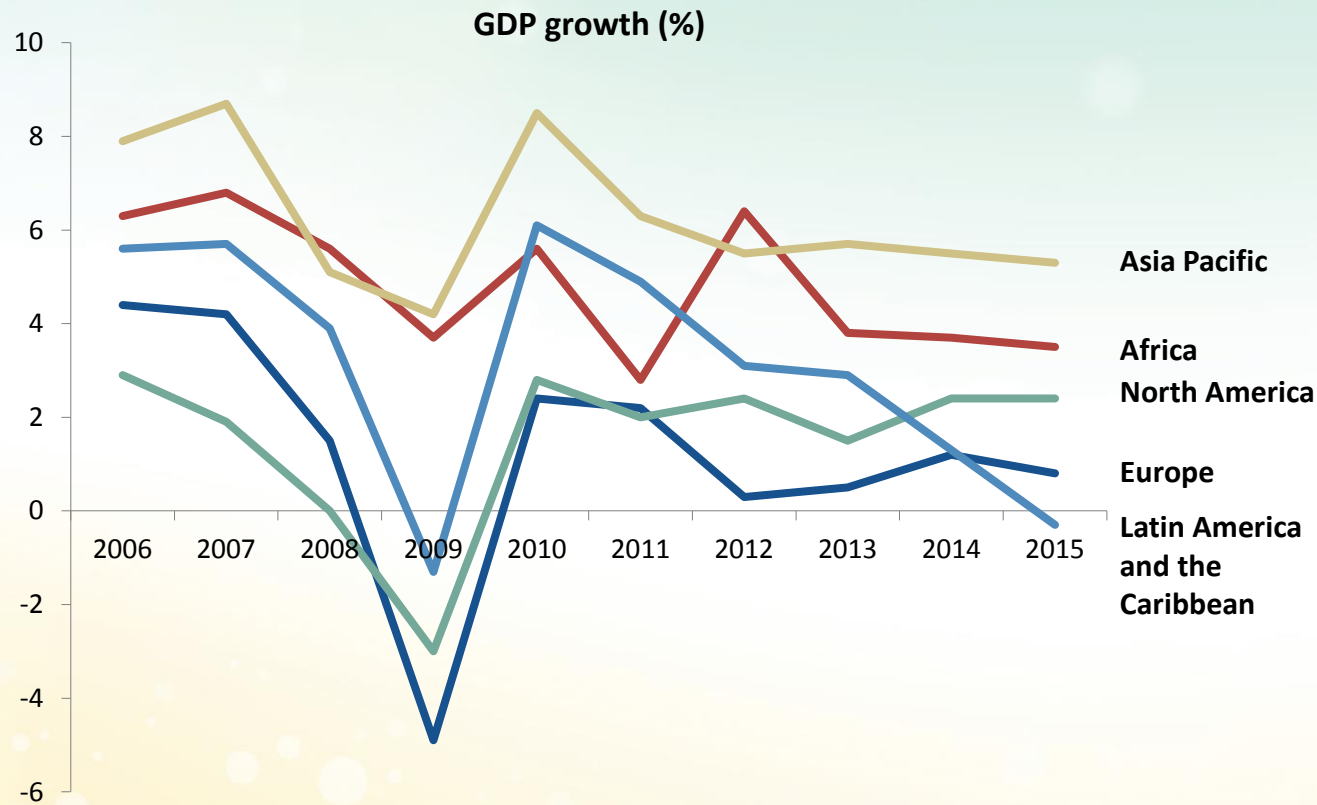
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**Appendix**

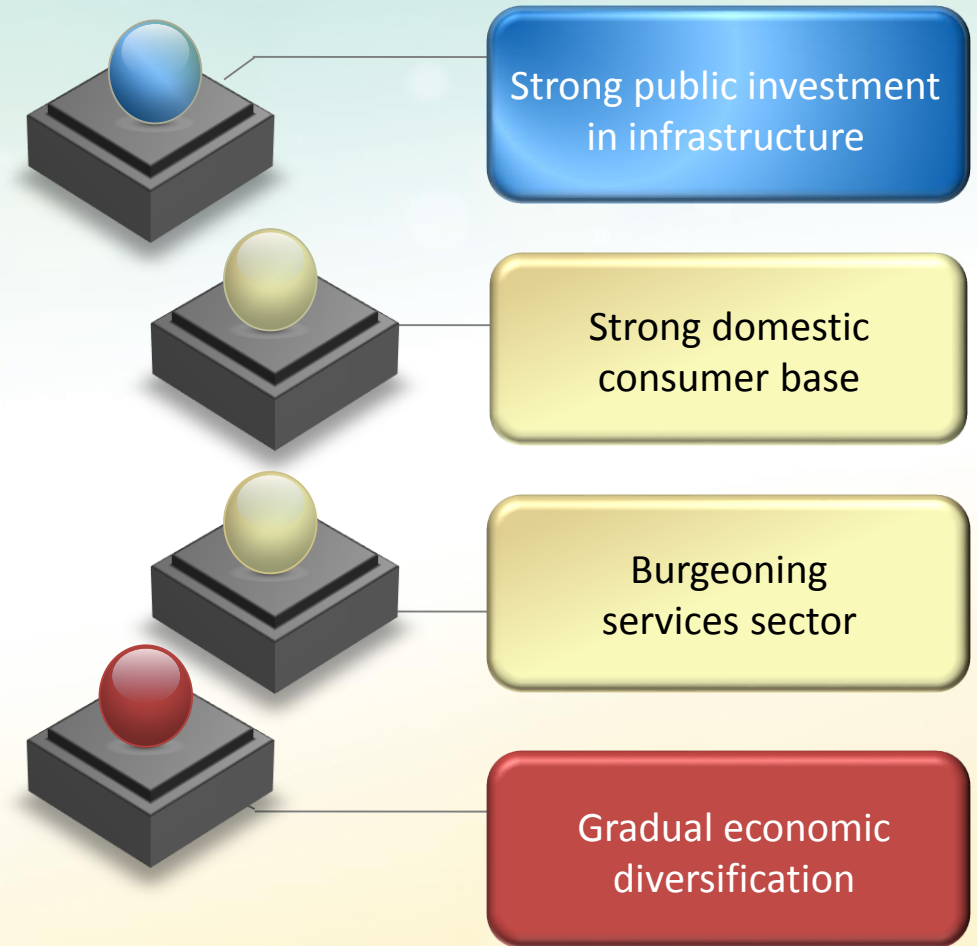
**B. African Economic Overview and Outlook**



# Resilient growth in the face of global and regional headwinds



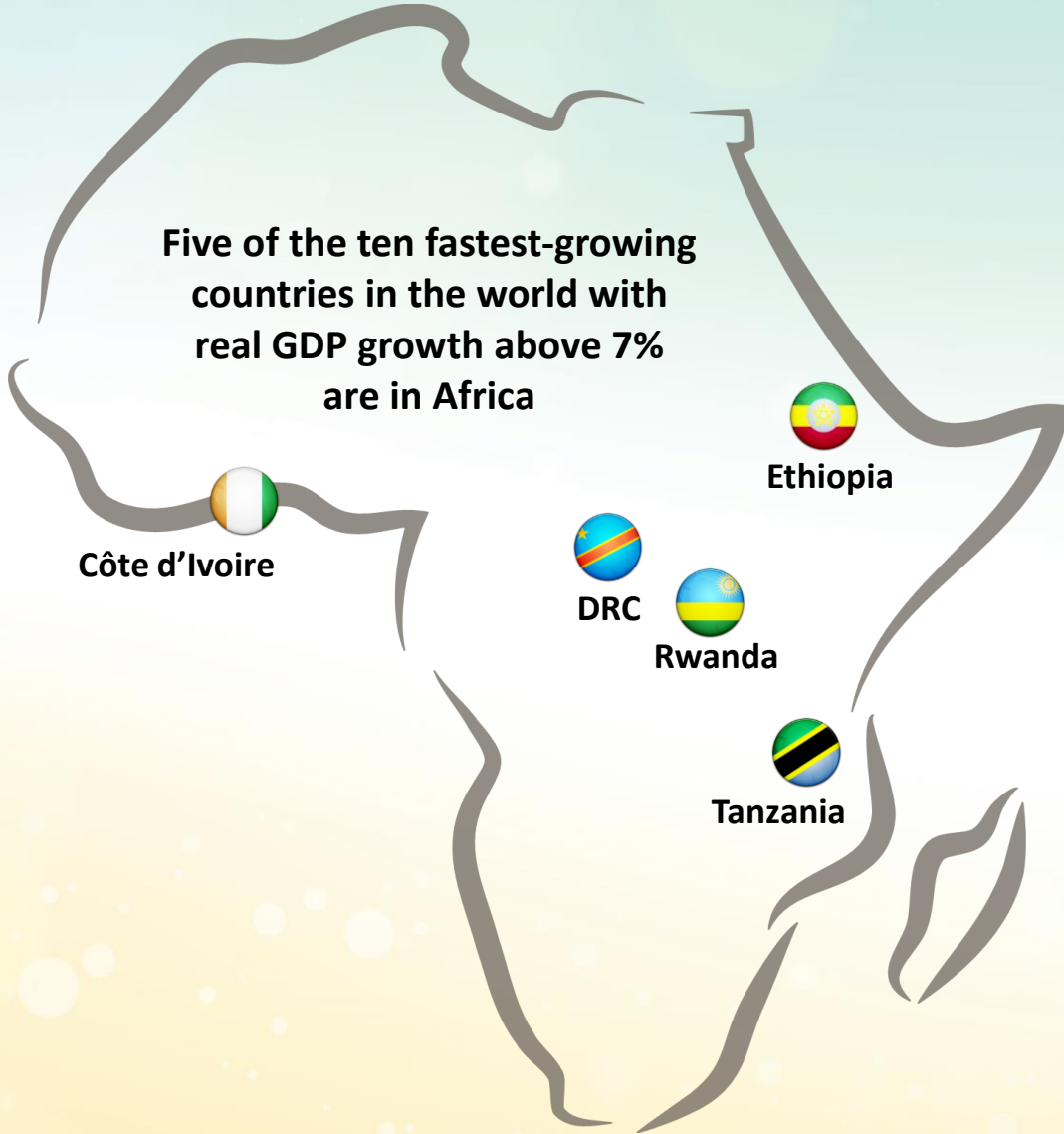
## Drivers of Africa's growth



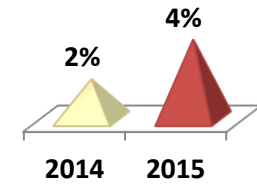


# Diverse country-specific factors driving growth

Five of the ten fastest-growing countries in the world with real GDP growth above 7% are in Africa

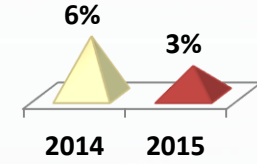


## North Africa



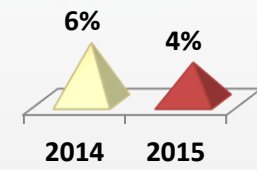
Growth picked-up on the back of improvements in political and economic stability

## West Africa



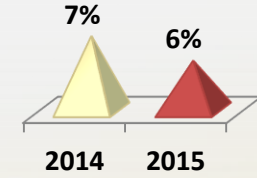
Lower growth due to depressed commodity prices as well as to the impact of the Ebola outbreak

## Central Africa



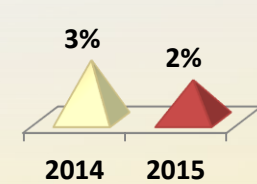
Decline in oil and metal prices adversely affected growth in the region

## East Africa



Political instability in Burundi and South Sudan weighed down on growth in the region

## Southern Africa



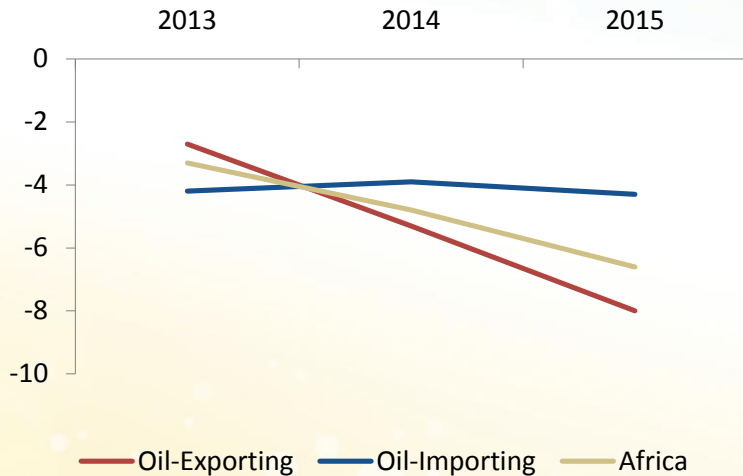
Growth impacted by acute shortages of power, hostile weather conditions and low commodity prices

# Macroeconomic environment remains relatively stable

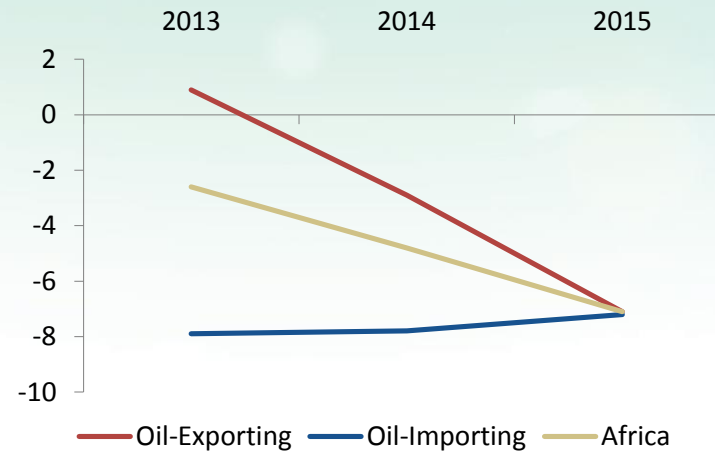
Low commodity prices depressed revenues, contributing to the widening of both fiscal and current accounts

Fiscal and monetary policies have proven prudent, keeping inflation generally stable aided by low fuel prices in importing countries

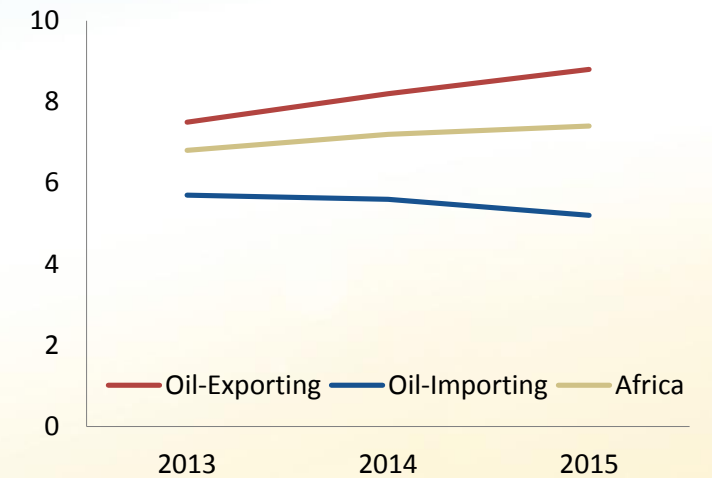
### Fiscal Balance excluding grants (% GDP)



### Current Account Balance (% GDP)



### Inflation (%)



The strengthening of the US dollar also put additional pressure on the exchange rate of a number of countries

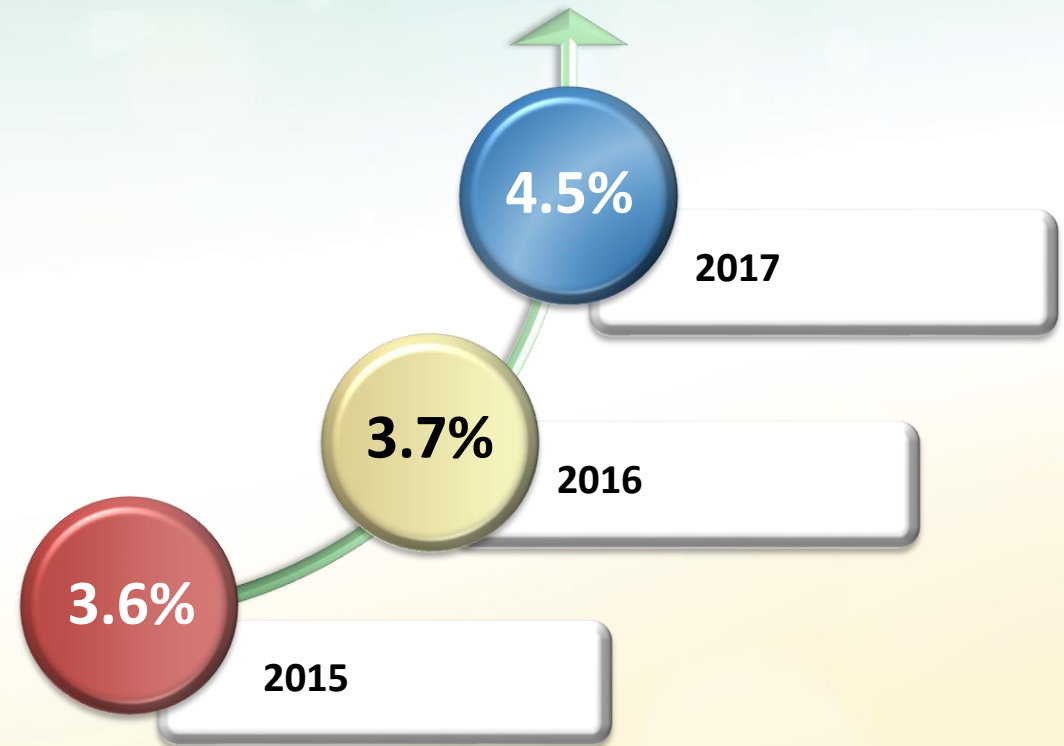


# Africa's growth should remain favorable, in spite of challenges

Africa has shown its resilience and should continue to maintain its position as the second fastest growing region of the world

**Growth prospects** remain positive, underpinned by relatively stable macroeconomic conditions, strong domestic consumer demand, robust public investment in infrastructure and fiscal consolidation in order to contain the commodity price shock

**Downside risks** include a continued decline in commodity prices, power shortages, adverse weather, conflict, political instability and terrorism



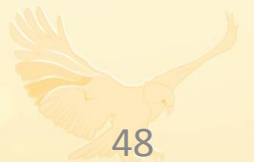
# The African Development Bank



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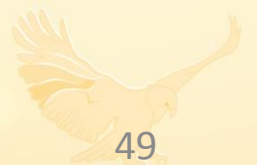
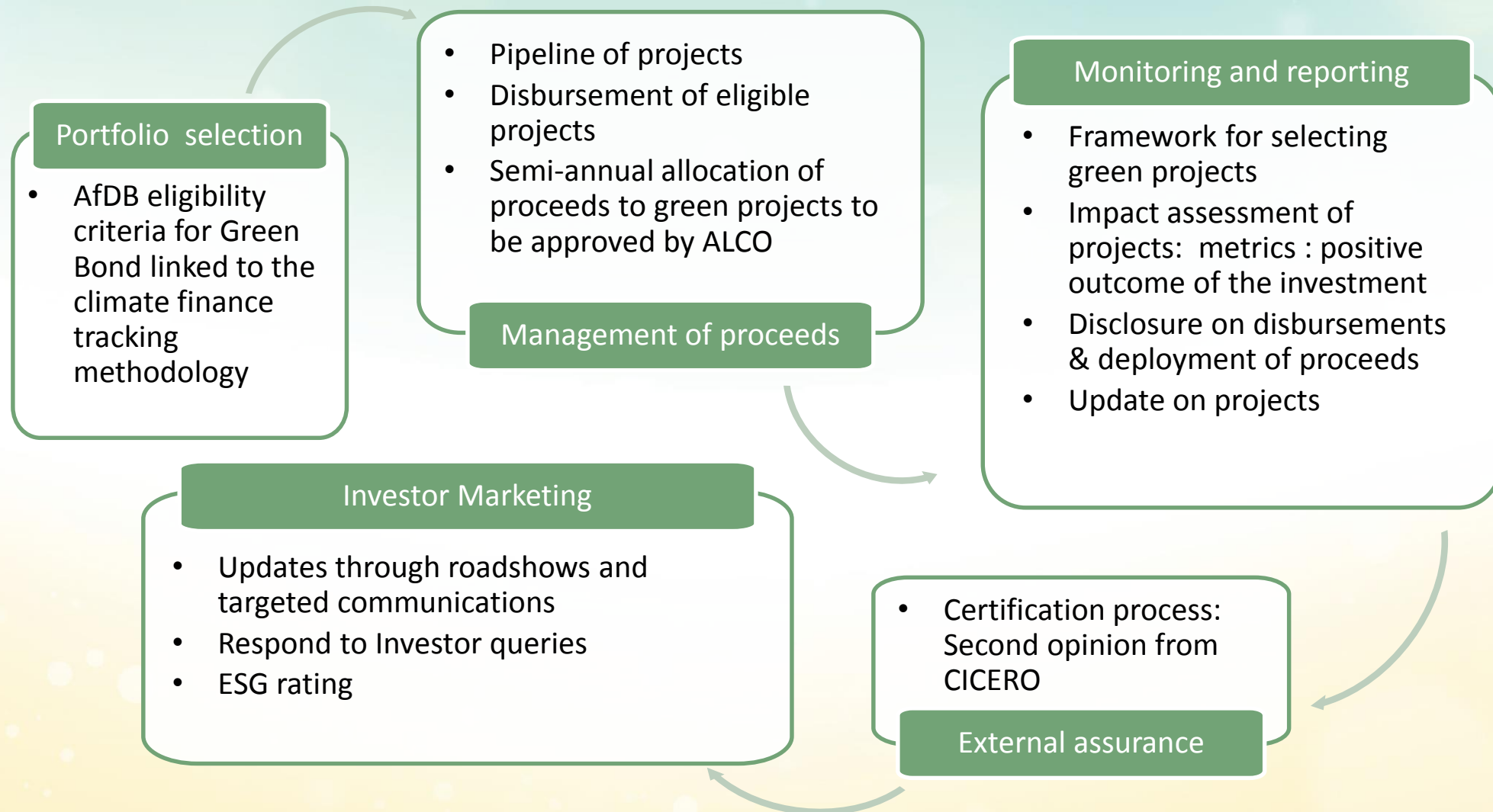
Appendix

C. Green Bonds



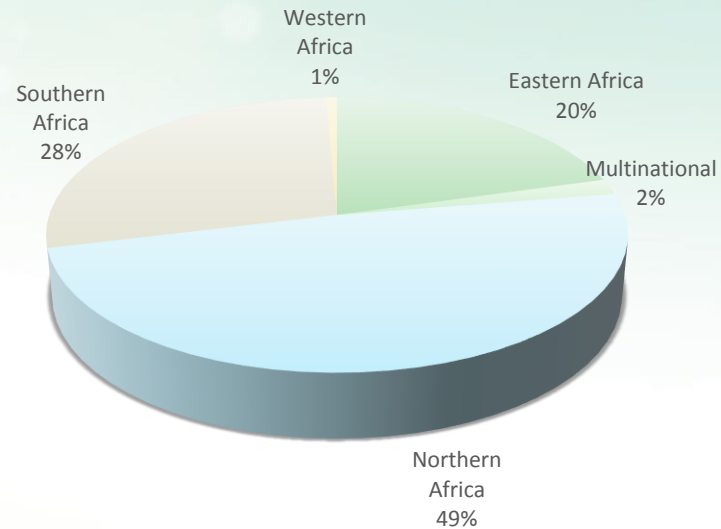


# AfDB's Green Bond framework

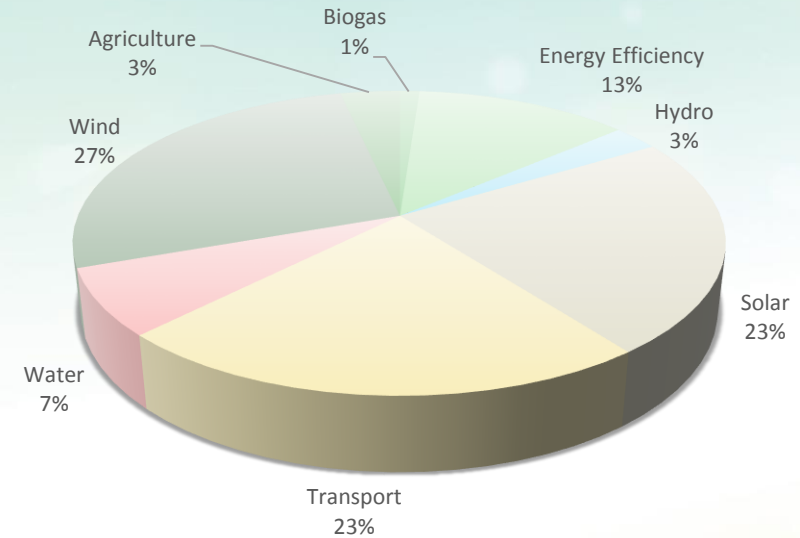


# Outstanding Green Bond project portfolio breakdown

By region



By sector



## Examples of eligible mitigation and adaptation projects

- Renewable energy generation
- Energy efficiency
- Vehicle energy efficiency fleet retrofit or urban transport modal change
- Biosphere conservation projects
- Solid waste management
- Fugitive emissions and carbon capture
- Urban development
- Water supply and access
- Low carbon transport



# AfDB guiding principles for climate change finance tracking



Projects reducing vulnerability of human or natural systems to climate change by maintaining or increasing adaptive capacity and resilience

Projects leading to significant GHG emissions reductions over the lifetime of the asset will also be eligible

Only projects whose financing can be qualified **in full** as promoting either low-carbon or climate resilient development will be considered for the Bank's Green Bond portfolio



# Typology of climate and mitigation for tracking purposes

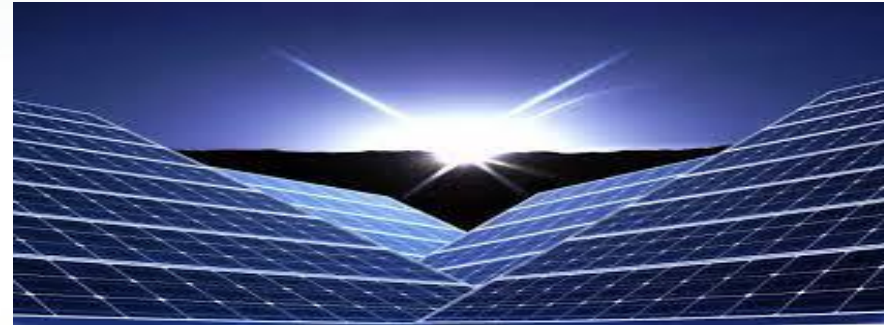
## Wind Energy

## Solar Energy

### Activities with Adaptation Co-benefits

- Improve design of turbines to withstand higher wind speeds as a result of extreme weather events

- Improve design of solar panels to withstand higher intensity storms resulting from CC&CV



- Construct power generation capacity from solar thermal, solar PV and wind

- Strengthen regulatory and institutional framework to support expansion of wind and solar power generation

### Activities with Mitigation Co-benefits

- Support wind and solar energy technology manufacturers





# Typology of climate and mitigation for tracking purposes

## Other Sources of Energy

### Activities with Adaptation Co-benefits

- Secure access to water for crops used as bioenergy source (i.e. biofuel)

### Activities with Mitigation Co-benefits

Construct power generation capacity from other renewable sources (biomass, geothermal and other non-hydro)

- Geothermal power
- Solid biomass power (pellets, sawmill residues, bagasse, forest plantations, etc.) only if biomass resources are residues, or produced in a sustainable manner
- Biogas power (only if the biomass resources used for biogas production are residues, or produced in a sustainable manner)
- Ocean power (wave, tidal, ocean currents, salt gradient)



Support other renewable energy

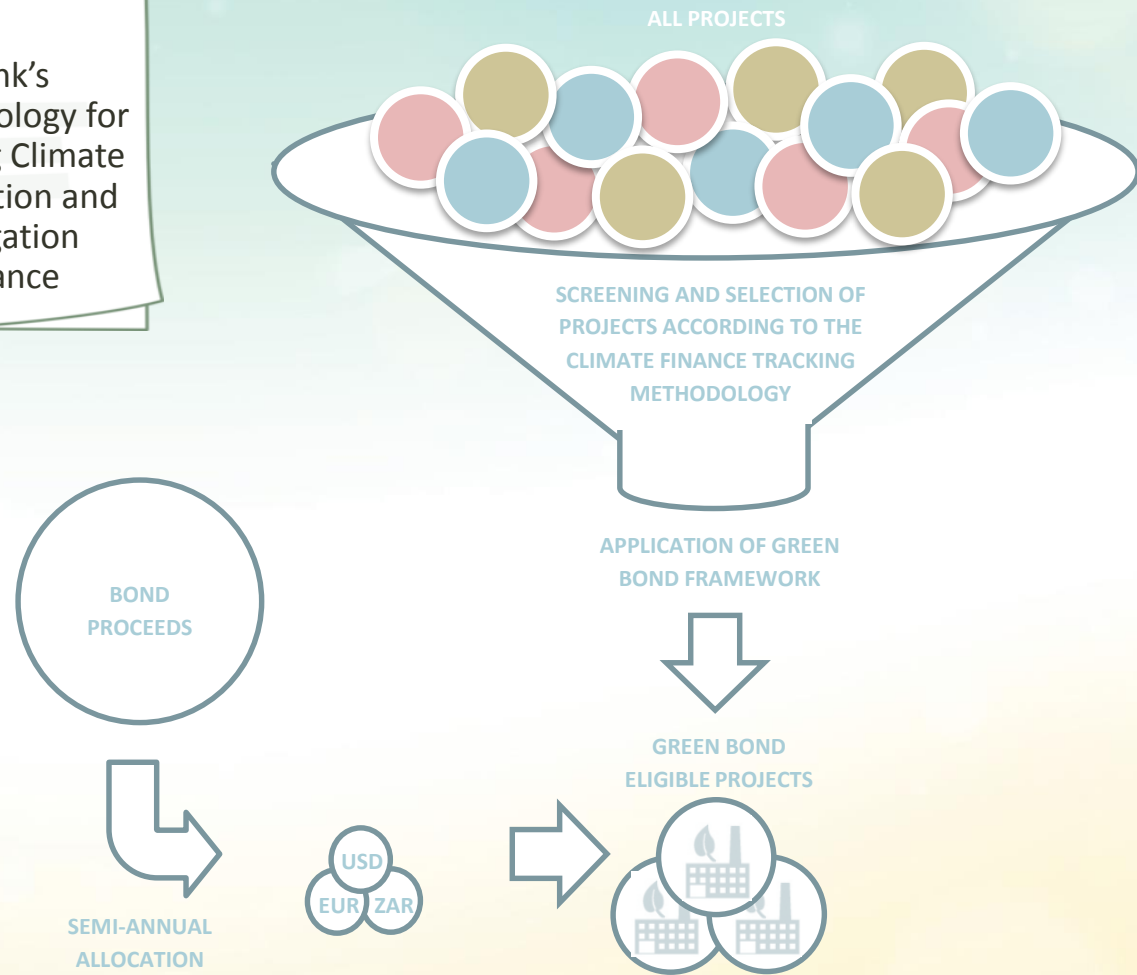
- Rural electricity with off-grid renewable energy (in the case of hybrid systems, only renewable energy components are counted)
- Urban off-grid applications (PV public lighting)



# Project evaluation & selection



- Energy, Environment and Climate Change Department with operational departments evaluate and select climate change projects according to the Bank's methodology for tracking climate finance
- Energy, Environment and Climate Change Department with Treasury Department evaluate and select projects for the Green Bond portfolio according to the Bank's Green Bond framework



# What can be financed with AfDB Green Bonds?

Greenfield Renewable Energy Generation (e.g. solar, wind, geothermal, and ocean power)

Biosphere conservation projects (reduce emissions from deforestation and degradation of ecosystems)

Solid Waste Management (e.g. incineration of waste, landfill gas capture and landfill gas combustion)

Fugitive emissions and carbon capture (e.g. carbon capture and storage, reduction of gas flaring or methane fugitive emissions in the oil and gas industry, coal mine methane capture)

Vehicle energy efficiency fleet retrofit or urban transport modal change

Demand-side Brownfield and Greenfield Energy Efficiency (e.g. energy efficiency improvements in lighting and equipment; retrofit of transmission lines, substations or distribution systems to reduce technical losses)



Industrial Processes (reduce GHG emissions from industrial processes improvements and cleaner production)

Water Supply and Access (e.g. water-saving measures such as introduction of less water intensive crops or preservation of soil moisture and fertility)

Urban Development (e.g. rehabilitation and upgrade of urban water drainage systems in areas vulnerable to frequency and/or severity of flash floods and storm surges brought by climate change)



# Selected eligible Green Bond projects

## Morocco

### Ouarzazate Solar Complex – Phase I (NOORo 1)

Africa's largest concentrated solar power plant

AfDB financing USD 204 million

- **160 MW** of Concentrated Solar Power (CSP) capacity by end 2014
- Annual **GHG reductions of 0.27 MT CO<sub>2</sub>e** per year
- Curb CO<sub>2</sub> emissions by **6.8 million tons** over the lifetime of the asset
- Creation of **800 jobs** between 2012 and 2014 and **50 permanent jobs** thereafter
- Increase in the share of renewable energies in Morocco's energy supply by 2020



## Morocco

### Ouarzazate Solar Complex – Phase II (NOORo II and NOORo III)

AfDB financing USD 121 million

- **500 MW** of CSP capacity
- Annual **GHG reductions of 0.52 MT CO<sub>2</sub>e** per year
- Curb CO<sub>2</sub> emissions by **13 million tons** over the lifetime of the asset
- Creation of **1,600 jobs** during construction and **200 permanent jobs** thereafter
- Increase in the share of renewable energies in Morocco's energy supply by 2020





# Selected eligible Green Bond projects

## South Africa

### Xina Solar One Concentrated Solar Power plant

**AfDB Financing USD 100 million**

- **100 MW** of capacity
- Annual GHG reductions of **0.40 MT CO<sub>2</sub>e**
- Creation of **1,415** jobs
- 85% of electricity in South Africa is coal generated, and accounts for over 40 percent of Africa's CO<sub>2</sub> emissions. Project aims to increase renewable energy production and reduce use of coal-power plants



## Kenya

### Lake Turkana Wind Farm

### Africa's largest wind power project

**AfDB financing EUR 115 million**

- **300 MW** of wind capacity
- Annual **GHG reductions of 0.74 MT CO<sub>2</sub>e** per year
- Curb CO<sub>2</sub> emissions by **16 million tons** over the lifetime of the asset
- Creation of **850** jobs



# Selected eligible Green Bond projects

## Morocco

### ONEE Integrated Wind/Hydro Programme

AfDB financing USD 450 million

- Three wind farms of **100-300MW** capacity and **two hydro facilities** to supply base-load power
- Annual **GHG reductions of 3.3 MT CO<sub>2</sub>e** per year
- **4000 jobs** during construction and **350 permanent jobs**
- 86,000 new rural household connections



## Zambia

### Itezhi-Tezhi Hydro Project

AfDB financing USD 35 million

- Installed capacity of **120 MW**
- Annual **GHG reductions of 0.56 MT CO<sub>2</sub>e** per year
- Creation of **820 jobs**
- Mitigating the severe energy generation deficit of the Zambian electricity network while reducing dependency on coal powered plants



# Selected eligible Green Bond projects

## South Africa

### Eskom Renewable Energy Projects – Sere Wind Facility and Uppington CTSP

AfDB financing USD 265 million

- **One wind farm of 100MW** capacity and a **solar plant of 100MW** to supply base-load power
- Annual **GHG reductions of 0.81 MT CO<sub>2</sub>e**
- **3071 jobs** created
- Reduced dependency on coal-fired power



## Cape Verde

### Cabeolica Wind Farm Project

AfDB financing USD 20 million

- **25.5 MW** capacity
- Diversify its energy matrix which is currently dominated by diesel thermal power generation
- Annual GHG reductions of **0.07 MT CO<sub>2</sub>e**





# Selected eligible Green Bond projects

## Egypt

### Gabal El-Asfar Wastewater Treatment Plant, Stage II Africa's largest wastewater treatment plant

**AfDB financing USD 74 million**

- 500,000 m<sup>3</sup>/d primary and secondary wastewater treatment capacity
- Improved water and sanitation for approximately **10 million people** with attendant reduction in pollution and water borne diseases
- Annual GHG reductions of **0.2 MT CO<sub>2</sub>e**



## Tunisia

### The Electricity Distribution Networks Rehabilitation and Restructuring Project

**AfDB financing USD 65 million**

- Energy efficiency project aimed at promoting more efficient and sustainable energy use in view of increased economic development
- Construction and rehabilitation of power lines and stations to maximize efficiencies
- Annual GHG reduction of **110 tonnes of CO<sub>2</sub>e**





# Selected eligible Green Bond projects

## Morocco

### Power Transmission and Distribution Development Project

#### AfDB financing USD 154 million

- Designed to minimize energy transmission losses from production sites to the distribution grid
- Reduction of electricity losses from **4.7%** to **3.5%** will help save **376 GWh** annually
- Annual GHG emissions reduction of **0.18 MT CO<sub>2</sub>e**



## Morocco

### National Irrigation Water Saving Programme Support Project (PAPNEEI)

#### AfDB financing USD 74 million

- Protect water resources for rural populations through sustainable management of these resources
- Direct benefit for **5,853 farms** and **30,000 persons**
- **69 million m<sup>3</sup>** of water saved



# Addressing the potential negative effects of large hydro

- Hydro projects that need to observe the strictest environmental and social impact standards require a full Environmental and Social Impact Analysis (ESIA) when any of the following criteria are met:
  - ❑ Dam projects involving the establishment of a reservoir of 1,000 ha or more affecting land used by local populations;
  - ❑ Power transmission lines of more than 110 kV, crossing highly populated, forested or cultivated areas;
  - ❑ Power generation plants of more than 30 MW.
- Net proceeds of AfDB Green Bonds might finance large hydro **as long as and only if net emission reductions can be demonstrated** (i.e. emission reductions from replacing fossil fuel generation minus emissions generated from creating the reservoir e.g. cutting trees)
- The Green Bonds project portfolio currently contains two hydro projects: **ONEE Integrated Wind/Hydro in Morocco** and **Itezhi-Tezhi in Zambia**

## Case study: Itezhi-Tezhi hydro project

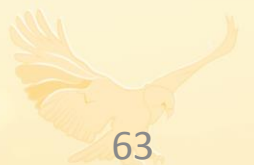
- Planned electricity generation of *clean* hydro power will **save an estimated 360,000 tonnes of CO2 emissions per year**
- As a category 1 project, a full ESIA was conducted for the Itezhi-Tezhi project which involved public consultations (publicly available online\*). A **positive environmental externality of USD 39 million minimum** is expected to be created by the overall project
- For the 404 persons affected by the project, a full Resettlement Action Plan was prepared and implemented in accordance with the Bank's policy on involuntary resettlement including supporting the vulnerable to relocate. A budgetary allocation was also provided by the Zambia Energy Utility Company (ZESCO) to ensure fair and timely compensation of project affected persons

\* [http://www.afdb.org/fileadmin/uploads/afdb/Documents/Environmental-and-Social-Assessments/0305\\_Final%20Document%20\\_ITT\\_ESIA\\_RAP%20Summary.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Environmental-and-Social-Assessments/0305_Final%20Document%20_ITT_ESIA_RAP%20Summary.pdf)

# Allocation of proceeds



- An amount equal to the net proceeds of the bonds will be allocated within the treasury's liquidity portfolio, to a sub-portfolio, that will be linked to the AfDB's lending operations in the fields of climate change adaptation and mitigation ("eligible projects")
- So long as the bonds are outstanding, the balance of this sub-portfolio will be reduced, at the end of each semester, under the Bank's debt allocation framework, by amounts matching the disbursements made during the semester in respect of eligible projects



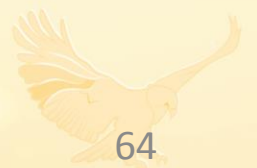
# Green unpacked: commitment to transparency

To enable investors to follow the implementation of AfDB's Green Bond program, a dedicated website has been established which includes, among other things:

The screenshot shows the AfDB Green Bond Program website. The header includes the AfDB logo and navigation links. The main content area is titled 'Green Bond Program' and includes a 'Background' section, 'Knowledge Products' with two featured reports, and a 'Latest news' section with a list of recent updates.

- Key information about the AfDB's Green Bond program and framework, including project selection criteria
- Key documents related to AfDB's Green Bond program including the second opinion from CICERO as well as links to other relevant Bank documents such as the Long-Term Strategy and the Environment Policy
- Annual newsletter reporting on the projects which are part of the Green Bond portfolio
- Impact reporting
  - ✓ Renewable energy capacity constructed or rehabilitated
  - ✓ Annual energy savings
  - ✓ Annual energy produced
  - ✓ Annual GHG emission reduced or avoided
  - ✓ Other indicators

<http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bond-program/>





# Green Bond impact reporting (1) – Selected projects

| Project   | Sector            | AfDB financing (USD mn) | Share of ADB financing | Allocated amount to Green Bonds (USD mn) | Project lifetime (years) | Annual energy savings (MWh) | Annual energy produced (MWh) | Renewable energy capacity constructed or rehabilitated (MW) | Annual GHG emissions reduced or avoided (in tonnes CO2e) | Other Indicators  |
|---|-------------------|-------------------------|------------------------|--|--------------------------|-----------------------------|------------------------------|---|--|---|
| <b>Mahe Sustainable Water Augmentation project, Seychelles</b>                                    | Hydro             | 20.6                    | 79%                    | 0.2                                      | 25                       | 0                           | 0                            | 0   |  | Water production capacity increased by 4,400 m3/day. Storage capacity increased by 608,000 m3. 100 direct jobs created during construction (20 - women) and 4 during operation (2 women). |
| <b>Uganda Rural Electricity Access Project</b>  | Energy Efficiency | 100.0                   | 82%                    | 0.2                                      | 20                       | 0                           | 0                            | 0   | 47,000   | 992 direct jobs created during construction (198 women) and 88 during operation (26 women). 110,000 trees planted.  |
| <b>Dar Es Salaam Bus Rapid BRT Project, Tanzania</b>  | Transport         | 97.4                    | 61%                    | 0.3                                      | 25                       | 0                           | 0                            | 0   | 2,190  | The project will directly contribute to improvement of public transport system in Dar es Salaam and provide up to 2,500 direct local jobs   |
| <b>Transnet rail, South Africa</b>  | Transport         | 252.0                   | 1%                     | 216.0                                    | 30                       | 0                           | 0                            | 0   | 28,000,000   | The project is expected to create 6,146 permanent jobs (1,420 women). Additional temporary jobs are also expected to be created with an average of 436 per year during this period.       |
| <b>Ouarzazate Solar Complex Project - Phase II (NOORo II and NOORo III power plants), Morocco</b> | Solar             | 111.6                   | 5%                     | 60.3                                     | 25                       | 0                           | 1100000                      | 350   | 522,000  | About 1,600 workers are expected to be hired during construction. During operations about 200 permanent jobs should be created.   |
| <b>Xina Solar One Project, South Africa</b>   | Solar             | 63.3                    | 8%                     | 35.5                                     | 20                       | 0                           | 382000                       | 100   | 400,000  | About 1,370 workers are expected to be hired during construction. During operations about 45 permanent jobs should be created.  |
| <b>Lake Turkana Wind Power Project, Kenya</b>   | Wind              | 128.4                   | 18%                    | 71.1                                     | 20                       | 0                           | 1440000                      | 300   | 736,615  | About 600 workers are expected to be hired during construction. During operations about 150 permanent jobs should be created.   |
| <b>Ouarzazate Solar Power Station Project - Phase I (NOORo 1 power plant), Morocco</b>            | Solar             | 111.6                   | 16%                    | 111.6                                    | 25                       | 0                           | 370000                       | 160   | 240,000  | About 800 workers are expected to be hired during construction. During operations about 50 permanent jobs should be created.  |
| <b>ONEE Integrated Wind/Hydro and Rural Electrification Programme, Morocco</b>                    | Wind              | 400.7                   | 16%                    | 135.2                                    | 20-30                    | 0                           | 2496000                      | 1270  | 3,250,000  | About 4000 workers are expected to be hired during construction. During operations about 350 permanent jobs should be created.  |
| <b>Ithezi-Tezhi Power Project, Zambia</b>   | Hydro             | 35.0                    | 15%                    | 34.6                                     | 40                       | 0                           | 611000                       | 120   | 360,000  | About 700 workers are expected to be hired during construction. During operations about 120 permanent jobs should be created.   |

# Green Bond impact reporting (2) – Selected projects

| Project  | Sector            | AfDB financing (USD mn) | Share of ADB financing | Allocated amount to Green Bonds (USD mn) | Project lifetime (years) | Annual energy savings (MWh) | Annual energy produced (MWh) | Renewable energy capacity constructed or rehabilitated (MW) | Annual GHG emissions reduced or avoided (in tonnes CO2e) | Other Indicators  |
|--|-------------------|-------------------------|------------------------|--|--------------------------|-----------------------------|------------------------------|---|--|---|
| <b>Project to Improve the Quality of Treated Water, Tunisia</b>                                | Water             | 36.2                    | 87%                    | 9.6                                      | 30                       | 0                           | 0                            | 0   | -  | About 3.9 million inhabitants will have a healthy environment; 100 Water Authority staff will be trained; 100 million m3 of treated water will be available for irrigating around 5,000 hectares of land and for watering about 700 hectares of golf courses; coastal fishing will be improved in the region. |
| <b>Rift Valley Railways Project, Multinational</b>   | Transport         | 40.0                    | 11%                    | 40.0                                     | -                        | 0                           | 0                            | 0   | -  | N/A   |
| <b>Eskom Renewable Energy Project - Sere Wind Facility, South Africa</b>                       | Wind              | 45.0                    | 13%                    | 9.1                                      | 20                       | 0                           | 219000                       | 100   | 250,000  | The wind facility is expected to generate approximately 140 direct and 1,371 indirect jobs during construction and 10 jobs during operation.  |
| <b>Eskom Renewable Energy Project - Upington CSTP, South Africa</b>                            | Solar             | 220.0                   | 25%                    | 0.0                                      | 20                       | 0                           | 531000                       | 100   | 450,000  | The plant is expected to generate between 1,500 and 2,000 jobs during construction and 50 jobs during operation.  |
| <b>Kiwuatt Project, Rwanda</b>   | Biogas            | 25.0                    | 20%                    | 25.0                                     | 25                       | 0                           | 215000                       | 25  | 700,000  | The project is expected to create 60 permanent skilled jobs, in addition to the 250 jobs created at construction stage  |
| <b>Cabeólica Wind Power Project, Cape Verde</b>  | Wind              | 15.8                    | 23%                    | 15.8                                     | 20                       | 0                           | 92000                        | 25.5  | 85,000   | 80 local jobs during construction and 8-10 local jobs during operations   |
| <b>Gabal El-Asfar Wastewater Treatment Plant - Stage II, Phase II Project, Egypt</b>           | Water             | 59.5                    | 20%                    | 23.2                                     | 25                       | 0                           | 0                            | 6.5   | 730,000  | About 182.5 million m3 year of treated wastewater (effluent) discharged into the drainage system.   |
| <b>The Electricity Distribution Networks Rehabilitation and Restructuring Project, Tunisia</b> | Energy Efficiency | 53.1                    | 73%                    | 45.7                                     | 20                       | 220                         | 0                            | 0   | 430  | N/A   |
| <b>Power Transmission and Distribution Development Project, Morocco</b>                        | Energy Efficiency | 122.6                   | 72%                    | 67.8                                     | 20                       | 376000                      | 0                            | 0   | 183,000  | N/A   |
| <b>The National Irrigation Water Saving Programme Support Project, Morocco</b>                 | Water             | 59.8                    | 78%                    | 42.3                                     | 30                       | 0                           | 0                            | 0   | -  | The structuring infrastructure to be constructed will help to save water, which will be recycled for an estimated production of 68.6 million m3/year  |
| <b>Buseruka Hydropower Project, Uganda</b>   | Hydro             | 4.0                     | 10%                    | 4.0                                      | 40                       | 0                           | 1000                         | 9   | 26,070   | recycled for an estimated production of 68.6 million m3/year  |

# Third party assurance

°CICERO

“A clear impression of an institution that is well aware of the challenges posed by climate change as well as other environmental and social concerns that may be associated with investments projects. In particular we are pleased with the consciousness shown towards the external impacts of projects both across space and time.”

*CICERO, 1 September 2013*

Corporate  
Responsibility

Prime

rated by

oekom r|e|s|e|a|r|c|h

“The company's environmental social lending and investment banking guidelines cover client-related environmental and social risks and impact management aspects, including risk and impact assessments, effective stakeholder engagement and grievance mechanisms.”

*Oekom Corporate Rating, 12 December 2014*

MSCI

“On a relative benchmarking with other supranationals and development banks, the bank continues to demonstrate robust benefits and programs to attract and retain talent. Additionally, the bank has a well-defined system in place to manage credit and reputational risks arising from these impacts.”

*MSCI ESG Research, 5 December 2014*

vigeo  
rating The way to responsible investment

“AfDB's overall Corporate Social Responsibility performance is considered advanced in absolute terms (63/100) and it has significantly increased since last review (July 2014).”

“AfDB displays an homogeneous approach to the management of its ESG impacts, achieving an advanced performance in all the three pillars. As for the Governance pillar, ESG issues appear to be integrated in the governance strategy with material ESG issues discussed at board meetings and the related risks covered by internal controls. The institution Environmental strategy addresses the material issues related to its business operations, and environmental and climate safeguards are implemented. As regards the Social pillar, AfDB discloses extensive measures to foster consultation of Stakeholders in its projects and thematic policies, in addition tools have been set up to monitor the achievement of its development goals in its member countries.”

*Vigeo, August 2016*

# AfDB Theme Bonds issuance

**AfDB Socially Responsible bonds issued since 2010. Proceeds used on a best-efforts basis towards lending in the relevant areas**



**Light up and power Africa**

- Clean energy
- Powering Africa



**Feed Africa**

- Agriculture
- Food Security



**Industrialize Africa**

- Infrastructure
- Industrial projects



**Integrate Africa**

- Infrastructure



**Improve the life of the people in Africa**

- Social
- Water
- Education
- Gender
- Health
- Job creation



USD 100 million  
"Improve the life of the people of Africa" theme bond issued in 2016



USD 50 million  
"Feed Africa" theme bond issued in 2016



IDR 58 billion  
"Improve the life of the people of Africa" theme bond issued in 2016



AUD 55 million Food security bond issued in 2015



USD 130 million Infrastructure bond issued in 2014



BRL 150 million Education bond issued in 2013

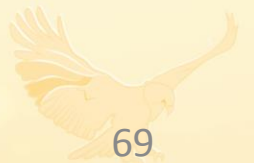
# The African Development Bank



4

Appendix

D. Frequently Asked Questions





# Frequently asked questions

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# What is the relationship between AfDB and ADF?

The African Development Bank and the African Development Fund are two entities within the AfDB Group that are separate both legally and financially. They have distinct assets and liabilities.

The African Development Bank is the rated entity that raises funds from the capital markets to on-lend to the most credit worthy countries of Africa and to viable sector projects.

The African Development Fund (ADF) is the soft loan lending arm of the AfDB group and is primarily funded through contributions from donors. In effect it provides highly concessional loans and grants to the poorest countries of Africa.

The AfDB has an equity participation in the Fund, and makes annual contribution from its net income to ADF. There is no recourse to the AfDB for obligations in respect of any of the ADF liabilities and vice-versa. There can be no transfer of exposure between these two institutions, as they are separate.



# What is the Bank's Integrated Safeguards System?

Cornerstone of the Bank's strategy to promote growth that is socially inclusive and environmentally sustainable

Safeguards as a tool for identifying risks, reducing development costs, and improving project sustainability

Encourages greater transparency and accountability through project-level grievance and redress mechanisms

## Structure of the Integrated Safeguards System



# What are the eligibility criteria for loans?

**Public sector:** The Bank uses the same credit policy as the World Bank for determining the eligible countries to which it can lend on the sovereign side. The eligibility is based on two pillars: 1- Gross National Income per capita and 2- Credit Worthiness.

As of January 2016, there are 20 countries eligible for sovereign lending, namely, Algeria, Angola, Botswana, Cameroon, Cape Verde, Congo, Egypt, Equatorial Guinea, Gabon, Kenya, Libya, Mauritius, Morocco, Namibia, Nigeria, Seychelles, South Africa, Swaziland, Tunisia, and Zambia. The list of eligible countries is reviewed periodically to determine the status of the countries and a decision to add or to remove countries from the list is taken by the Board.

Moreover, the Bank conducts an annual internal rating exercise of all its African member countries based on sovereign rating models validated by leading international rating agencies. Sovereign ratings are subject to continued surveillance throughout the year and rating changes may occur in case of change in the country's fundamentals and these actions are approved by the Credit Risk Committee of the Bank.

**Private sector:** The Bank lends only to commercially viable private sector operations in any of its 54 regional member countries. Commercial viability and risks are estimated based on internal rating models (reviewed and recalibrated periodically with the support of major international rating agencies). The ratings are reviewed at least annually and subject to continued surveillance in order to ensure proactiveness in taking any corrective measures.

The Bank does not lend to projects rated below an internal rating of "5" which is equivalent to "B-" international rating and all the projects rated (numerically) above "5" are subject to: 1) exceptional Board approval and 2) a limit of 10% of the Bank's capital. The Bank also has a set of limits that governs single name exposure (6% of total risk capital) and sector exposure (25-35% of the risk capital allocated to private sector operations).

The Bank has in place a framework for the ex-ante additionality and development outcome assessment (ADOA) of its private sector operations. The baseline development outcome indicators established will facilitate tracking, monitoring and ex-post evaluations.





# What is the AfDB's loan approval process?

The Bank has clear core operational priorities and cross cutting themes as part of its Ten-Year Strategy in deciding in which areas to intervene. All projects follow the same internal approval process.

## 1. Preparation of a Project Concept Note

The Project Concept Note (PCN) is a document which is prepared to present, in a concise and analytical way, the main features of the project to be financed. The main objective is to allow Management to take an informed decision whether to go ahead with appraisal and due diligence of the related project or not. The first review level of the PCN is done by peer reviewers and members of the Project Appraisal Team (PAT), which constitutes experts drawn from a wide range of relevant Bank departments. The PCN is finally reviewed and discussed by the Country Team who determines if the transaction is well conceived and that both structure and orientation are compliant with the Bank's strategy and development priorities. It will also establish if the project is technically sound and commercially viable.

The PCN is cleared by the Country Team (chaired by the Regional Director) which will recommend the project to the Operations Committee (which is chaired by the Bank's Vice-President/Chief Operating Officer) for final clearance. However, PCNs of some projects responding to certain circumstances including but not limited to having an amount higher than UA 100 million, reputational risk, exceptionally innovative features in their design, will require prior review by the Credit Risk Committee (chaired by the Bank Group Chief Risk Officer) who will make recommendations, as applicable to credit risk governance, credit assessment, rating change approval to the Operations Committee prior to its final clearance.

The Operations Committee will then make a comprehensive review of the Project Concept Note with focus on finer technical details of operation. At this stage, particular attention is given to its rating. If the project is cleared at this level, the PAT will go on a project appraisal mission to do an appraisal and due diligence, assessing the Project on the ground. Simultaneously, the Bank's Risk Management Department undertakes an independent credit evaluation of the project and prepares a Summary Credit Note.

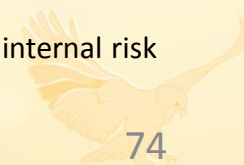
## 2. Project Appraisal Stage

On completion of the due diligence mission, a Project Appraisal Report (PAR) is prepared. This is then discussed by the Project Appraisal Team at Country Team level. The discussion of the PAR at the Country Team is subsequent to the CRC reviewing the project for further credit assessment recommendations. Once cleared at the Country Team level, the project is sent to the Operations Committee before being submitted for approval to the Board.

## 3. Board Approval

Final approval rests with the Board of Directors. The Board will make a decision based on the Project Appraisal Report and on the independent Board Credit Memorandum report prepared by the Risk Management Department.

Following approval (and disbursement), all projects continue to be periodically assessed and evaluated by the Bank's Risk Management Department, and their internal risk rating is regularly updated.



# AfDB's loan pricing

## Fully Flexible Sovereign and Sovereign Guaranteed Loans

**Currency:** USD, EUR, JPY, ZAR and any other currency designated as lending currency of the Bank

**Maturity:** Up to 25 years, with up to 8 years grace period

**Lending rate:** Base rate (floating or fix) + funding cost margin + lending spread (80 bps) + maturity premium

**Maturity premium:** Dependent on the average loan maximum maturity of the loan (0 bps for up to 12.75 years, 10 bps for Average Loan Maturity greater than 12.75 years and up to 15 years and 20 bps for Average Loan Maturity greater than 15 years).

**Fees :** 25 bps commitment fee and 25bps front end fees

**Repayment terms:** Equal instalments of principal after expiration of grace period. Other repayment terms may also be considered.

**Optionality:** The borrower can fix, un-fix and refix the base rate; caps and collars are available for the base rate; currency conversion possibilities on disbursed and undisbursed portion of the loan.

## Non-Sovereign Loans

**Currency:** USD, EUR, JPY, ZAR and any other currency designated as lending currency of the Bank

**Maturity:** Up to 15 years with up to 5 years grace period. Longer maturities can be considered on a case-by-case basis.

**Lending rate:** Base rate + lending margin

**Base rate:** Floating base rate, fixed base rate or all-in cost of funds (for local currency lending)

**Lending margin:** based on project specific credit risk rating in line with the Bank's non-sovereign pricing framework. Margin includes credit risk premium (derived from probabilities of default and loss given default) and concentration risk premium.

**Fees :** 1% front end fees, 0 to 1% Appraisal fees and 0.5% to 1% commitment fee

**Repayment terms:** Equal instalments of principal after expiration of grace period. Other repayment terms may also be considered.



# What are the Bank's policies for equity investments?

The Bank applies pre-defined eligibility criteria to select suitable operations that maximize its catalytic impact, guided by the principles of development effectiveness.

## **Objectives:**

- In addition to the financial return for the Bank, Equity Investments are aimed at promoting: (a) local ownership of productive enterprises; (b) efficient use of resources; (c) regional economic cooperation and integration; (d) entrepreneurial risk-taking in economic sectors of emerging importance, with a view to diversifying and modernising national or sub-regional economies; (e) best-practice standards in corporate governance, business management, and corporate responsibility as a mean to strengthen the competitiveness of Africa's medium and large scale enterprises; and (f) the mobilisation of domestic, regional and foreign direct investment resources in pivotal sectors of the economy such as socio-economic infrastructure, manufacturing, agribusiness and food security, and financial sector development.

## **Eligibility:**

- Non-sovereign operations can be implemented in any of the Regional Member Countries eligible to be considered for Bank investments;
- All economic sectors and sub-sectors are eligible for Bank investments, except: Production of alcoholic beverages, tobacco, and luxury consumer goods - Production or trade in weapons, ammunition and other goods used for military or paramilitary purposes - Production, trade in, or use of nuclear reactors and related products, asbestos fibres, harmful substances - Trade in wildlife or wildlife products regulated under international conventions (CITES) - Speculative trade or investment in platinum, pearls, precious stones, gold and related products - Gambling, casinos and equivalent enterprise - Use of logging equipment in unmanaged primary tropical rainforests - Economic activities involving harmful or exploitative forms of forced labour and/or child labour - Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.



# What are the eligibility criteria for equity investments?

## Investment Criteria:

- **Strategic fit:** Non-sovereign operations must be compatible with the strategic orientations and priorities of the Bank (*High 5s*, 2013-2022 Ten Year strategy and successors) and regional member countries (Country Strategy Papers and Regional Integration Strategy Papers).
- **Creditworthiness:** Potential investee companies must be operating under competent management and good corporate governance, with a track record or demonstrable capacity for environmental and social responsibility, in good standing, with a viable business model, with realistic business strategies, and capable of generating sufficient revenues to reimburse the Bank and other financiers.
- **Commercial viability:** Equity participations must have good prospects to support dividend payments and/or retained earnings, yielding satisfactory expected internal rates of economic and financial return.
- **Return on investment:** In assessing financial return on equity on single-investments as well as of its equity portfolio, the Bank calculates a financial rate of return on investment (FRRRI). The bank will calculate the expected FRRRI of each prospective investment, which should show an adequate premium over the rate at which it would extend a senior loan to the same investee.
- **Exit strategy:** The Bank will approve an equity investment only after an attainable ‘exit strategy’ has been defined and agreed upon with other key shareholders.
- **Development outcomes:** In its capacity as lender of last resort, the Bank will not provide financing for a non-sovereign operation if, in the Bank’s opinion, the client can obtain financing elsewhere on terms that may be considered reasonable for the recipients.
- **Bank’s additionality:** The Bank will only participate in transactions if its role is “additional” over resources that can be provided by private-sector sources of finance, that is, if the Bank’s participation is providing (a) political risk mitigation; (b) financial additionality, including extension of the tenor of financing, and spurring the development of capital markets; and (c) improving development outcomes. In the assessment of ‘additionality’, a special focus is on the Bank’s role in leveraging additional co-financing that would not have been forthcoming in the absence of the Bank’s participation in the operation, and catalysing other investments in related sectors of the economy.
- **Size of investments:** The Bank does not seek to acquire a controlling interest in companies in which it invests, and accordingly, its participation is limited to 25% of the total capital of the company throughout the life of its investment.
- **Private equity funds:** assessment is based on (a) financial strength and historic fund performance, (b) investment strategy and risk management, (c) industry structure, (d) management and corporate governance and (e) information quality.





# What are the AfDB's lending limits?

There are several limits applicable to the Bank's operations with the ultimate objective of ensuring that the Bank is protected from a risk perspective. There are three fundamental limits:

- 45% of the total risk capital for Public Sector operations
- 45% of total risk capital for Non-Sovereign operations
- 10% of the total risk capital for market risk and operational risk

Some other limits are:

| Limits                       | Definition                                       | Percentage  |
|------------------------------|--|---|
| <b>Country limit</b>         | Total capital allocated to a single country      | 15% of the Bank's risk capital  |
| <b>Sector Limit</b>          | Total Capital allocated to a single sector       | 25% of the risk capital allocated to private sector operations for any sector.<br>35% of the risk capital allocated to private sector operations for the financial services sector. |
| <b>Single name limit</b>     | Total capital allocated to a single counterparty | 6% of the private sector risk capital   |
| <b>Equity limit</b>          | Equity participations                            | 15% of total risk capital   |
| <b>Lines of credit limit</b> | Lines of Credit                                  | Participation limited to 50% of the equity of the borrowing bank  |

*Risk capital is defined as paid-in capital and reserves*



# What is the Exposure Exchange Agreement?

In 2015, the Bank entered into Exposure Exchange Agreements (EEAs) with other Multilateral Development Banks (MDBs) with the objective of managing the risks in its loan portfolio in order to optimize its balance sheet, reduce sovereign concentration risk and increase lending headroom

The EEA involves a simultaneous exchange of equivalent credit risk on defined sovereign credit exposure with each participating MDB retaining a minimum of 50% of the total exposure to each country that is part of the EEA. Under the EEA, the MDB that originates the sovereign loans continues to be the lender of record.

Final maturities in 2030 with linear amortization starting from 2025

USD 4.47 billion of total notional amount of credit protection purchased/sold

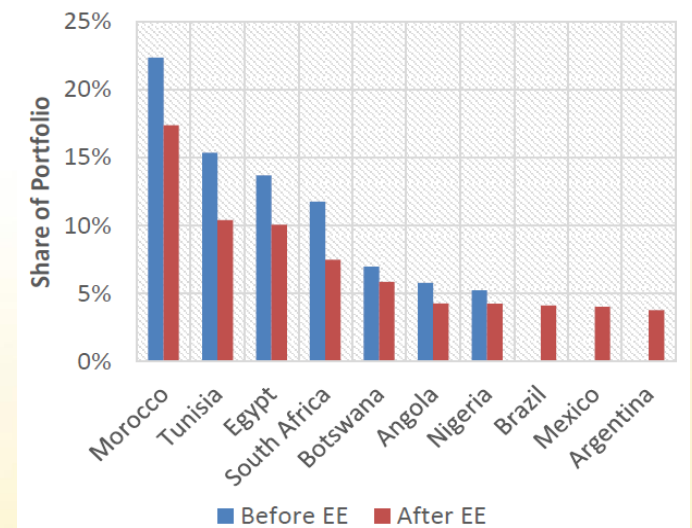
No premium paid as amount of exposure exchanged is notionally the same at inception

Similar to other regional MDBs, AfDB's credit rating is affected by concentration risks

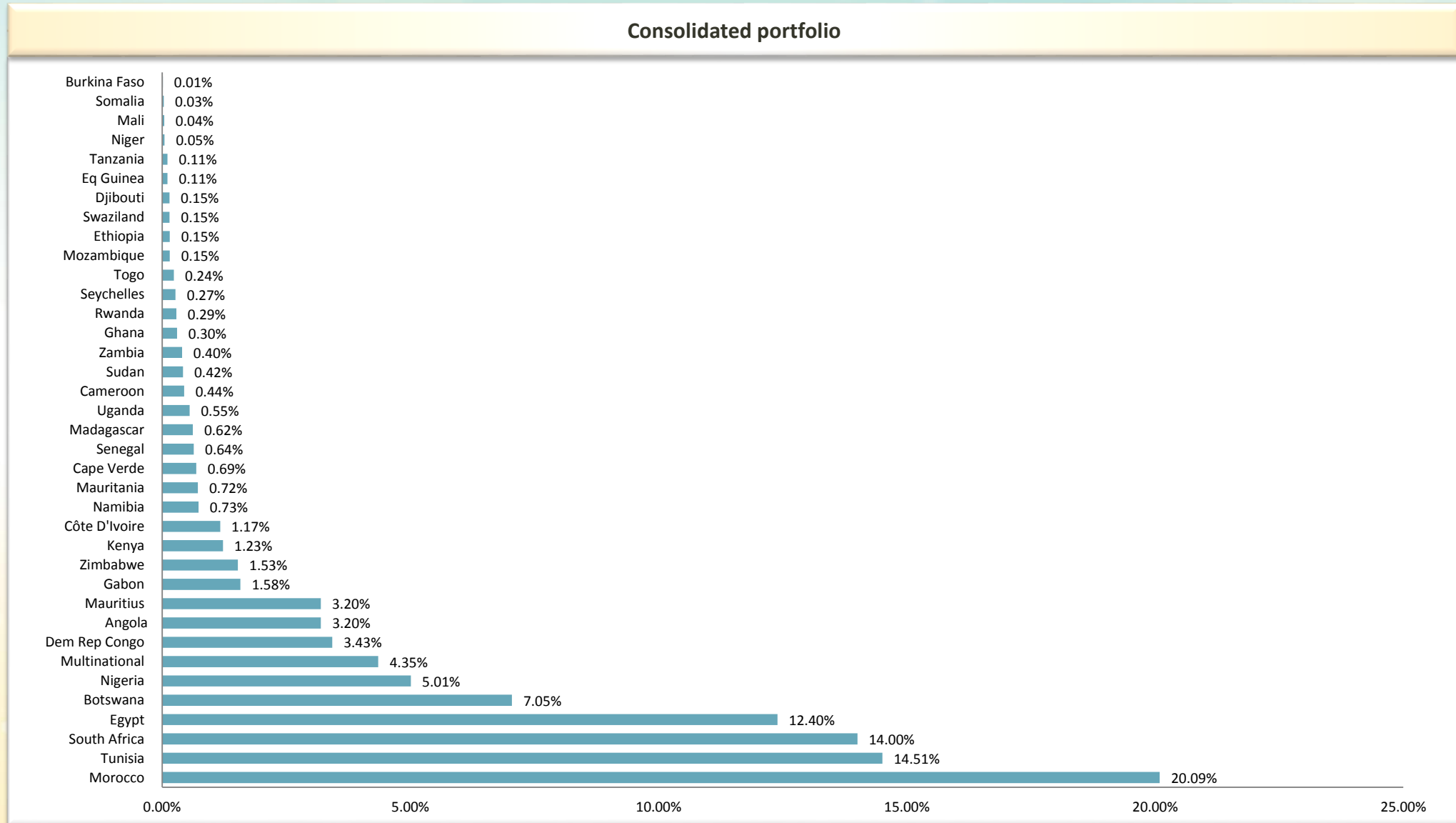
First EEA with IBRD and IADB, both AAA rated entities, to reduce sovereign concentration risk

EEA has substantially improved lending capacity and capital adequacy ratios

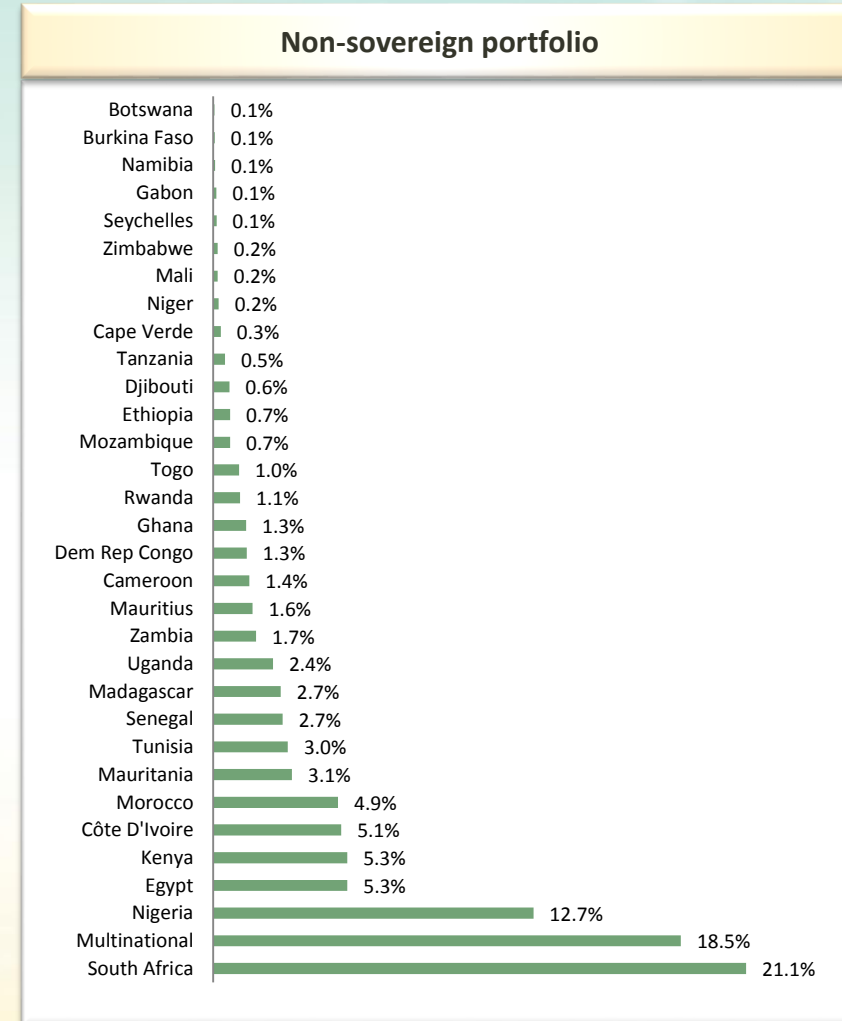
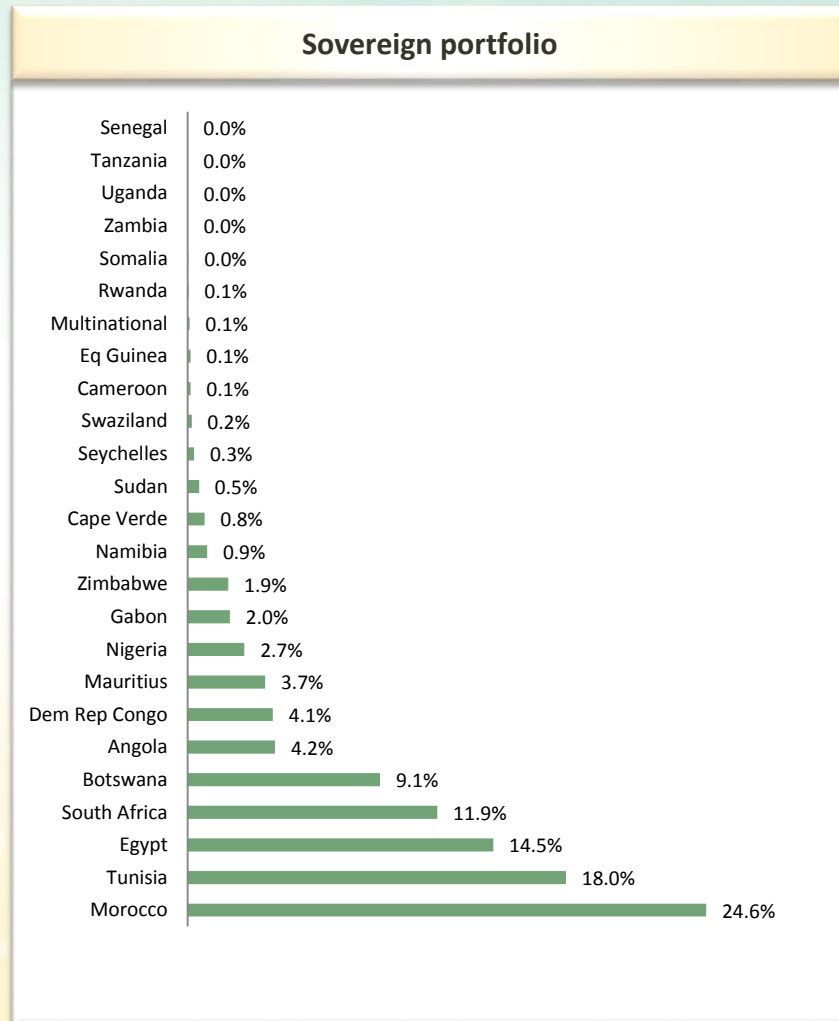
- The seller is only required to make principal payments to the buyer when the buyer writes off or restructure part or all of the loans in the reference portfolio
- Experience shows that MDBs hardly ever write off arrears as arrears always ultimately get settled
- As of June 2016, no default have occurred on any exposures covered under these EEA and the Bank continues to expect full recovery of its sovereign and sovereign-guaranteed exposures



# What are your largest notional exposures?



# What is the distribution of the sovereign and non-sovereign portfolios by countries?



As of June 2016 (unaudited)





# What is your exposure to North Africa?

(in USD million)

| Country                   | Outstanding Balance | Undisbursed Balance | Notional Exposure | Risk Capital Used | Risk Capital Utilization Rate |
|---------------------------|---------------------|---------------------|-------------------|-------------------|-------------------------------|
| Tunisia                   | 2,696               | 496                 | 3,192             | 381               | 4.4%                          |
| Egypt                     | 1,819               | 1,135               | 2,953             | 466               | 5.4%                          |
| Morocco                   | 3,672               | 1,012               | 4,684             | 216               | 2.5%                          |
| Algeria                   | -                   | -                   | -                 | -                 | -                             |
| Libya                     | -                   | -                   | -                 | -                 | -                             |
| <b>Total North Africa</b> | <b>8,186</b>        | <b>2,643</b>        | <b>10,829</b>     | <b>1,063</b>      | <b>12.3%</b>                  |
| <b>Total AfDB</b>         | <b>18,114</b>       | <b>6,431</b>        | <b>24,545</b>     | <b>2,124</b>      | <b>60.6%</b>                  |
| <b>Share of Exposure</b>  | <b>45%</b>          | <b>41%</b>          | <b>44%</b>        | <b>50%</b>        | <b>-</b>                      |

As of December 2015



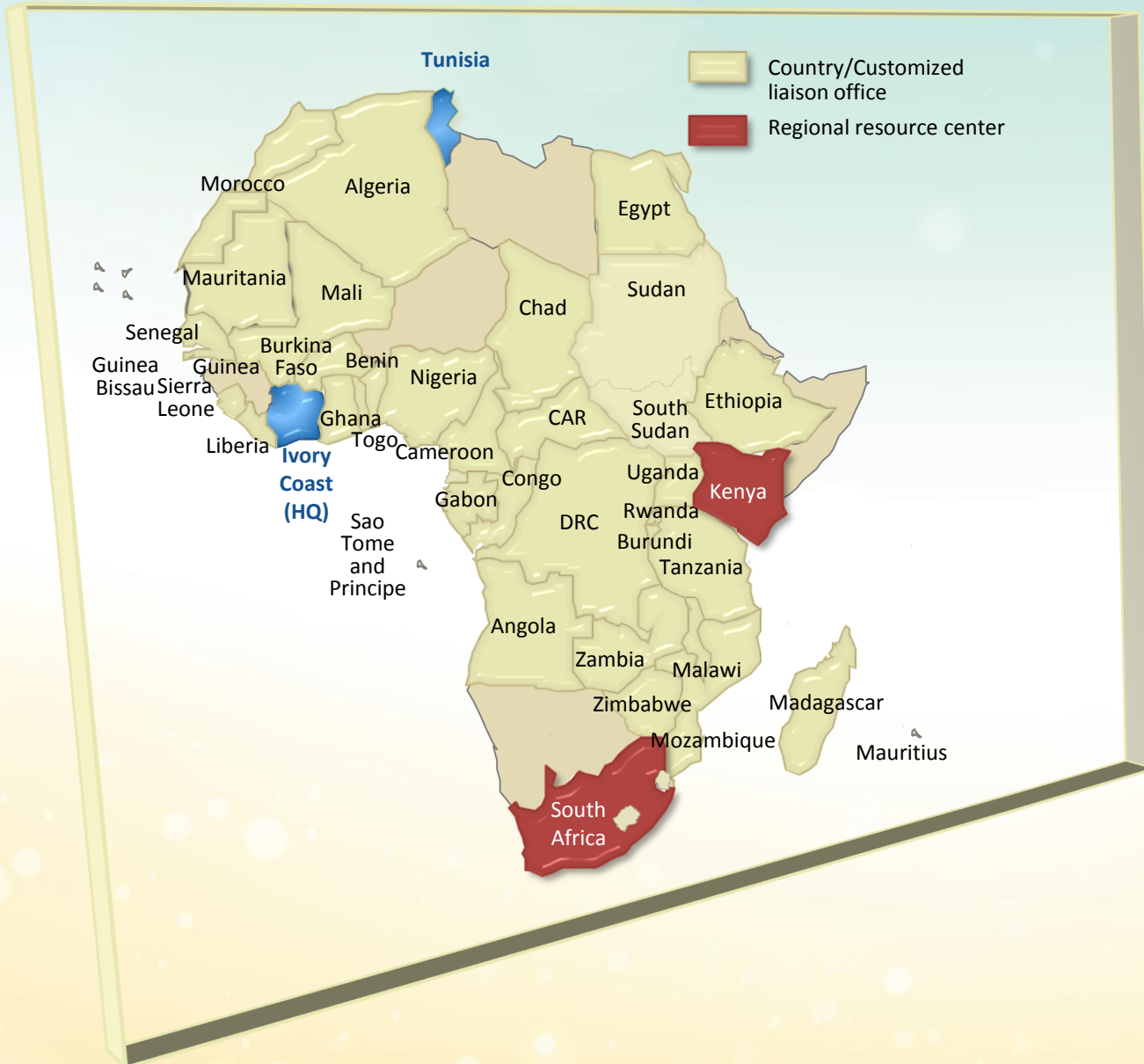
# What does Preferred Creditor Status mean?

For the public sector exposures, Preferred Creditor Status (PCS) means that the repayment to the Bank, generally, takes precedence over other creditors in the event of sovereign default. In other words, according to the PCS, AfDB ranks higher than other creditors in case of default. Rating agencies take this specific feature in their assessment of Multilateral Development Banks.

For the private sector exposure, the Preferred Creditor Status has a different benefit. In case of restriction of access to the foreign currencies by the sovereign, rating agencies consider that this restriction will not apply for the repayment due to Multilateral Development Banks. This provides strong mitigation to the Transfer and Convertibility Risk. For example, in case of a default or a near default of a country on its financial obligations, it may restrict the private sector access to foreign currencies but this restriction will not apply in case the money is meant for the repayment to the Bank.



# What is your field presence in Africa?



Presence in 40 African countries

Projects managed locally increased from 51% in 2014 to 60% in 2015

Regional Resource centers empowering faster business delivery and stronger regional dialogue

# What is a fragile situation?

No country is immune to fragility which can be defined as a “*condition of elevated risk of institutional breakdown, societal collapse or violent conflict*”. While there is no internationally agreed framework or set of indicators for assessing fragility, for operational purposes and in line with the new strategy, AfDB categorizes countries and regions by their degree of fragility.

## Category 1

- Harmonized list of fragile situations by Multilateral Development Banks; targeted qualitative fragility assessment; presence of armed conflict in the state’s territory; presence of violent political/social uprisings
- For example, Great Lakes and Central Africa Region, Horn of Africa, Mano River Union, Sahel

## Category 2

- Risk of spill-over from neighboring conflict; increasing trend and/or sudden onset of governance problems; high risk of sustained social/political unrest;
- Declining trend in policy and institutional performance and/or presence of important non-political drivers of fragility

## Category 3

- Relatively low risks of violence or societal breakdown; relatively high capacity of social and political institutions to manage challenges within a legitimate/inclusive framework





# What are the AfDB's non-performing loans ?

As of December 31, 2015

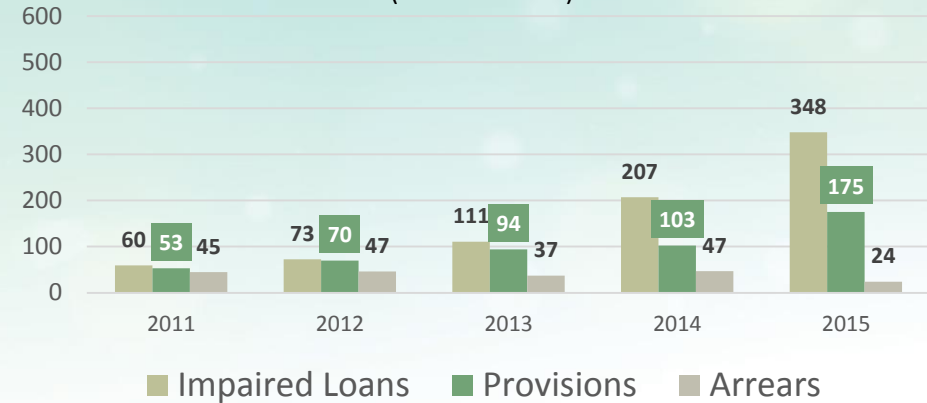
- Total non performing loans (NPLs) were 4.1% (vs 3.1% in 2014)
- Non-sovereign NPLs were 6.2% (vs 3.3% in 2014)

| (in USD million)                          | Outstanding Balance | Impairment on Principal | Charges Receivable | Impairment on Charges Receivable | Provisioning Rate |
|---|---------------------|-------------------------|--------------------|----------------------------------|-------------------|
| <b>Private Sector</b>                     |                     |                         |                    |                                  |                   |
| Mining                                    | 20.2                | 10.1                    | 0.5                | 0.3                              | 50%               |
| Telecoms 1                                | 42.8                | 36.3                    | 12.2               | 10.4                             | 85%               |
| Airport/Transport                         | 69.5                | 27.8                    | 2.1                | 0.9                              | 40%               |
| Railway/Transport                         | 40.0                | 29.6                    | 2.2                | 1.6                              | 74%               |
| Finance                                   | 1.5                 | 1.5                     | 0.1                | 0.1                              | 100%              |
| Industry/Mining                           | 139.9               | 69.9                    | 4.7                | 2.3                              | 50%               |
| Agriculture                               | 7.8                 | 7.8                     | 0.8                | 0.8                              | 100%              |
| Power                                     | 61.4                | 1.2                     | 5.3                | 0.1                              | 2%                |
| <b>Total</b>                              | <b>383.0</b>        | <b>184.3</b>            | <b>28.0</b>        | <b>16.5</b>                      |                   |
| <b>Public Sector</b>                      |                     |                         |                    |                                  |                   |
| Sudan                                     | 79.4                | 26.3                    | 106.7              | 75.5                             | -                 |
| Somalia                                   | 6.2                 | 3.4                     | 17.3               | 14.8                             | -                 |
| Zimbabwe                                  | 278.1               | 93.0                    | 342.4              | 242.6                            | -                 |
| <b>Total</b>                              | <b>363.7</b>        | <b>122.7</b>            | <b>466.4</b>       | <b>332.9</b>                     | -                 |
| <b>Grand Total (Private &amp; Public)</b> | <b>746.7</b>        | <b>307.0</b>            | <b>494.4</b>       | <b>349.4</b>                     |                   |

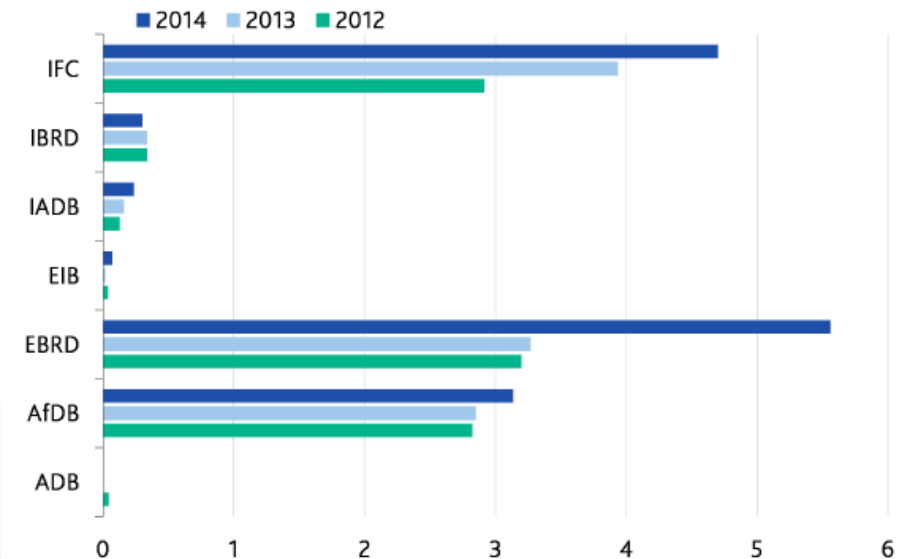
As of 30 September 2016

## Provisioning trends

(in million USD)



## MDB Non-Sovereign NPLs



Source: Moody's Investors Service

# What is your policy on write-offs?

The Bank has never written off sovereign guaranteed loans. Its experience has been that countries default in case of unusual civil disturbances or events. When peace and stability is restored, the countries re-engage with the Bank and pay their arrears or usually obtain assistance from donors for arrears clearance.

It is the Bank's policy that if the payment of principal, interest or other charges becomes 30 days overdue, no new loans to that member country, or to any public sector borrower in that country, will be presented to the Board of Directors for approval, nor will any previously approved loan be signed, until all arrears are cleared. Furthermore for such countries, disbursements on all loans to or guaranteed by that member country are suspended until all overdue amounts have been paid. These countries also become ineligible in the subsequent billing period for a waiver of 0.5% on the commitment fees charged on qualifying undisbursed loans.

Although the Bank benefits from the advantages of its preferred creditor status and rigorously monitors the exposure on non-performing sovereign borrowers, some countries have experienced difficulties in servicing their debts to the Bank on a timely basis. As previously described, the Bank makes provisions for impairment on its sovereign loan portfolio commensurate with the assessment of the incurred loss in the portfolio.

Write-offs could arise for non-sovereign loans and these are financed by the Bank's net operating income (NOI). To date there has not been any significant loan write offs of non-sovereign loans.

In compliance with IFRS, the Bank does not make general provisions to cover the expected losses in the performing non-sovereign portfolio. For the non-performing portfolio, the Bank makes specific provisions based on an assessment of the credit impairment, or incurred loss, on each loan.

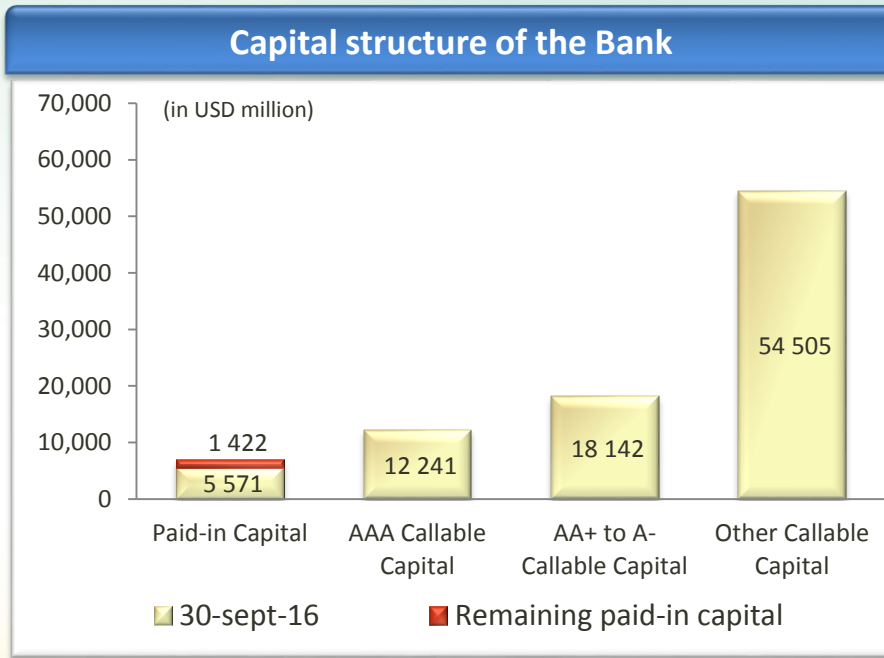


# What are your investment guidelines?

| Investment type                         | Minimum rating              | Maturity limit                  | Liquidity Haircuts                                    |
|---|-----------------------------|---------------------------------|---|
| <b>Government/Agency/Supranational</b>  | AAA/Aaa<br>AA-/Aa3<br>A     | 30 years<br>15 years<br>1 year  | 0% for AAA<br>20% from AA+ to AA-<br>40% for A+ to A- |
| <b>Banks and Financial Institutions</b> | AAA/Aaa<br>AA-/ Aa3<br>A/A2 | 10 years<br>5 years<br>6 months | 50% from AAA to A<br>100% below                       |
| <b>Corporates</b>                       | AAA/Aaa<br>AA-/ Aa3<br>A    | 10 years<br>5 years<br>6 months | 50% from AAA to A<br>100% below                       |
| <b>MBS and ABS</b>                      | AAA/Aaa                     | 40 years                        | 100%  |



# What is the capital structure of the Bank?



200% capital increase with 6% paid-in portion raising the capital to around USD 100 billion

Reinforce the Bank's franchise value, key prudential ratios and AAA credit rating

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

Demonstrated strong shareholders support

Capacity to meet increased level of future demand and support the business growth plan

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





# What is your procedure for capital call?

## Purpose

- Callable capital is the portion of the subscribed capital which may only be called to meet obligations of the Bank for money borrowed or on any guarantees

## Mechanism

- Payment must be made by the member countries concerned in gold, convertible currency or in the currency required to discharge the obligation of the Bank for which the call was made
- The Bank has entered into arrangements whereby, in the event of a call on its callable capital, it will request its member countries to make payment in response to such a call into a special account established by the Bank with the Federal Reserve Bank of New York, or its successor duly designated for the purpose.
- Terms of such account provide that the proceeds of a call must first be applied in payment of, or in provision for full settlement of, all outstanding obligations of the Bank incurred in connection with the issuance of senior debt before any other payment shall be made with such proceeds.

## Independent Obligation

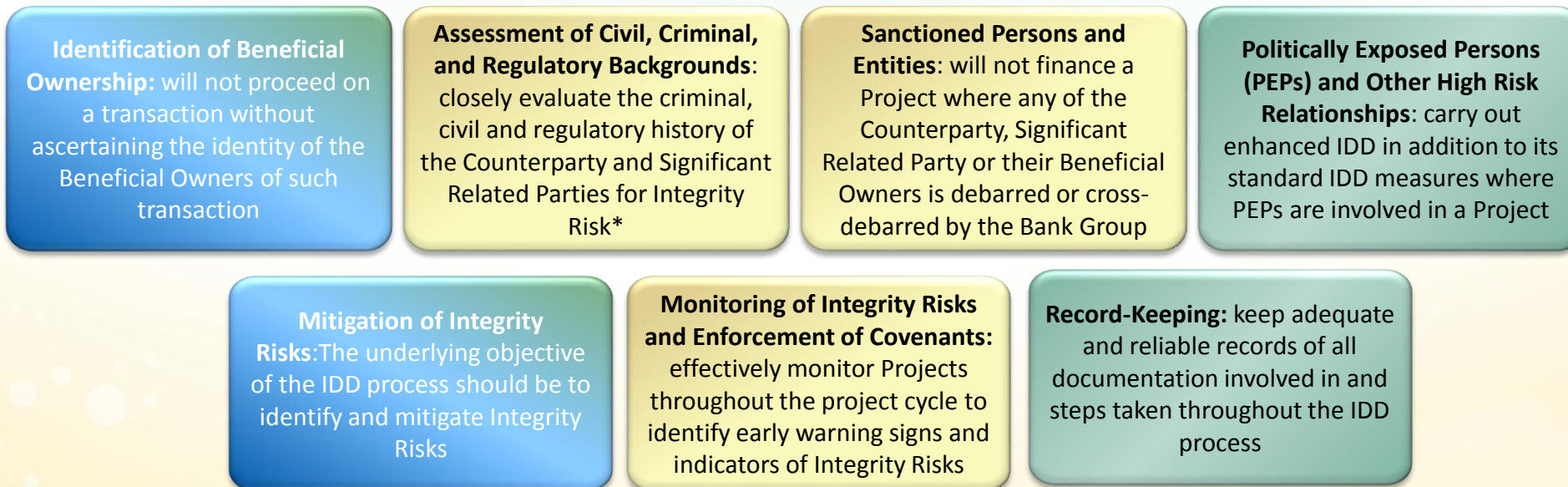
- Calls on callable capital are required to be uniform in percentage on all shares of capital stock, but obligations of the members to make payment upon such calls are independent from each other.
- The failure of one or more members to make payments on any such call would not discharge any other member from its obligation to make payment. Further calls can be made on non-defaulting members if necessary to meet the Bank's obligations. However, no member could be required to pay more than the unpaid balance of its ordinary capital subscription.



# What are your ethical business practices?

- Committed to good governance and to the promotion of ethical business practices as well as the endorsement of international standards of anti-corruption and transparency that apply to its operations
- Adopted the Uniform Framework for Preventing and Combating Fraud and Corruption along with other Multilateral Development Banks in 2006 : harmonized strategy for mitigating corruption and fraud for development effectiveness in projects financed by the multilateral banks
- Created an Integrity Due Diligence structure for private sector operations and other operations financed without a sovereign guarantee, premised on the institution's fiduciary and legal responsibilities to its shareholders and with attention to considerations of economy, efficiency and competitive trade

## Guiding Principles for Integrity Due Diligence (IDD)



\*Integrity Risk is the potential for financial and non-financial loss including adverse reputational impact that may result from Unethical Practices in Projects and investment decisions



# What is the African Financing Partnership?

The African Financing Partnership (AFP) is a collaborative, co-financing platform amongst Development Finance Institutions (DFIs) active in private sector project financing in Africa. The AFP is a component of the AfDB's mission to help reduce poverty in Africa by mobilizing resources for private sector development on the continent. The objective of the AFP is to bring together DFI partners with a similar mission so that further results could be delivered through combined efforts.

An AFP MOU is being signed between the core group of eight DFIs called the AFP Promoting Partners. The MOU endorses improvement in efficiency across multilateral and bilateral financing institutions, achieving best practices, reducing cost and “doing more with less.” The partners include:

- AfDB
- Deutsche Investitions UND Entwicklungsgesellschaft MBH (DEG)
- Development Bank of Southern Africa Ltd. (DBSA)
- European Investment Bank (EIB)
- Industrial Development Corporation of South Africa Ltd. (IDC)
- International Finance Corporation (IFC)
- Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. (FMO)
- Société de Promotion et de Participation pour la Coopération Economique S. A. (PROPARCO)

## **Areas of Focus / Sub-Sectors**

Harmonization: creating common best practices and collaboration between DFIs operating in Africa;

Additionality: using DFI capital to leverage private capital for catalyzing greater investments in Africa.

## **Main sectors of operations**

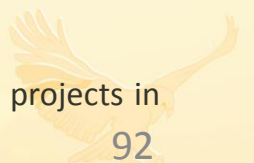
Infrastructure – Power, Transport, Information Communication Technology (ICT) and Water/Sanitation;

Industries – Extractive Industries, Agribusiness and Healthcare; and

Financial Institutions – African DFIs, Banks, Microfinance, Guarantees

## **Experiences, Challenges, and Ways Forward**

With eight anticipated promoting partners taking the lead in two to three AFP projects per year, the partnership is estimated to finance 10 to 20 projects in Africa, which could reach well above USD 10 billion in total financing



# What is the Extractive Industries Transparency Initiative?

The Extractive Industries Transparency Initiative (EITI) aims to promote governance by strengthening transparency in the extractive industries. Natural resources, such as oil, gas, metals and minerals, belong to a country's citizens. Extraction of these resources can lead to economic growth and social development. However, when poorly managed it has too often lead to corruption and even conflict. More openness around how a country manages its natural resource wealth is necessary to ensure that these resources can benefit all citizens.

Countries implement the EITI Standard to ensure full disclosure of taxes and other payments made by oil, gas and mining companies to governments. These payments are disclosed in an annual EITI Report. This report allows citizens to see for themselves how much their government is receiving from their country's natural resources

EITI provides a number of benefits to various stakeholders. Benefits for implementing countries include an improved investment climate by providing a clear signal to investors and international financial institutions that the government is committed to greater transparency. EITI also assists in strengthening accountability and good governance, as well as promoting greater economic and political stability. This, in turn, can contribute to the prevention of conflict based around the oil, mining and gas sectors.

Benefits to companies and investors are centered on mitigating political and reputational risks. Political instability caused by opaque governance is a clear threat to investments. In extractive industries, where investments are capital intensive and dependent on long-term stability to generate returns, reducing such instability is beneficial for business. Transparency of payments made to a government can also help to demonstrate the contribution that their investment makes to a country.

Benefits to civil society come from increasing the amount of information in the public domain about those revenues that governments manage on behalf of citizens, thereby making governments more accountable.

The Bank is working to mainstream EITI principles in its own sector operations. Through encouraging regional member countries to take part in the EITI process and by offering technical and financial assistance where applicable, the Bank's support will help bring about sound extractive industry practices and the utilization of natural resources for sustainable development. To date, the Bank has contributed to the achievement of EITI candidacy status of three countries namely Central Africa Republic, Liberia and Madagascar and is supporting various African countries adhere to and implement the initiative. These include Liberia, Sierra Leone, Chad, Togo, Guinea Conakry, and Madagascar.



# What is AfDB's credit policy?

AfDB's credit policy allows eligible ADF countries to access to the AfDB sovereign window, for financing viable projects. The private sector in ADF countries already has access to AfDB financing and governments will also access AfDB resources, subject to a stringent set of criteria. The criteria, which will ensure that AfDB resources do not contribute to an increase in debt distress, include: (i) the country must have a sustainable debt profile and be classified as having low or moderate risk of debt distress, as defined by an IMF Debt Sustainability Assessment (DSA), (ii) the country must have headroom for non-concessional borrowing, as determined by the IMF DSA, and in compliance with the IMF external debt limit policy for countries under fund-supported programs and the Bank Group Policy on Non-Concessional Debt Accumulation, (iii) the country must have a sustainable macroeconomic position, as determined by a Special Risk Assessment conducted by Management, and (iv) the country must receive a positive recommendation by the Bank's Credit Risk Committee, based on the Bank's elaborate risk management framework.

As of August 2016, there are 16 countries eligible for AfDB resources only. Although Nigeria is officially considered eligible for AfDB resources only, the country is still receiving ADF funding within a gradual phasing-in-out mechanism, thanks to the transition framework (aiming at smoothing the transition from ADF to AfDB window). Thus, the country is not included in the 16 countries. The 5-years transition period of Nigeria started in 2014 and is expected to end on January 1, 2019. Up to July 2016, Côte d'Ivoire, Ethiopia, Rwanda, Senegal, Tanzania, and Uganda have already benefitted from AfDB approvals.





# AfDB financial ratios versus peers

|                       |   | AfDB<br>(Aaa/AAA) End-<br>2014 | AsDB<br>(Aaa/AAA) End-<br>2014 | IBRD<br>(AAA/Aaa) June-<br>2014 |
|-----------------------|---|--------------------------------|--------------------------------|---------------------------------|
| Shareholders' Support | Coverage of net debt by callable capital  | AAA                            | AAA                            | A+                              |
|                       | Average rating of key shareholders*       | BBB+                           | AA-                            | AA                              |
| Profitability         | Net income/average equity (%)             | 0.53                           | 2.30                           | -2.49                           |
| Capitalization        | Equity/assets (%)                         | 27.51                          | 20.46                          | 18.39                           |
|                       | Paid-in/subscribed capital (%)            | 5.40                           | 5.02                           | 6.02                            |
|                       | Debt/equity (%)                           | 243.53                         | 375.28                         | 421.74                          |
| Risks                 | Average rating of loans & guarantees      | BB                             | BBB-                           | BBB-                            |
|                       | Impaired loans/gross loans (%)            | 3.1                            | 0.04                           | 0.3                             |
|                       | Share of non-sovereign exposure (%)       | 27.5                           | 8.9                            | 0.0                             |
|                       | Equity stakes/(loans + equity stakes) (%) | 4.5                            | 1.5                            | 0.0                             |
|                       | Five largest exposures/total loans (%)    | 59.1                           | 77.2                           | 43.7                            |
|                       | Share of 'AAA'-'AA' treasury assets (%)   | 93.9                           | 70.2                           | 75.6                            |

Source: Fitch (August 2015)

\* The AfDB rating only includes rated countries located in Africa



# For more information



afdb\_acc

African  
Development  
Bank Group

AfDB\_Group



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