African Development Bank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlooks

Long-Term IDR	Stable

Financial Data

African Development Bank

	31 Dec 12	31 Dec 11
Total assets (XDRm)	21,212.6	20,258.5
Equity (USDm)	5,338.5	4,878.9
Net income (USDm)	88.6	51.5
ROAE (%)	1.73	1.06
ROAA (%)	0.43	0.26
Equity/assets (%)	25.2	24.1
Usable/required capital (x)	16.2	16.3

Related Research

Supranational Industry Review (March 2013)

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Key Rating Drivers

Strengthened Capitalisation Measures: AfDB's capitalisation is extremely strong, and is one of the key factors supporting its ratings. The equity to asset ratio stood at 25.2% at end-2012. The ratio of usable capital to required capital ratio, at 16.2x at end-2012, is also higher than for most peers. Capital ratios were strengthened by the 200% capital increase approved in 2010. Payment is spread over eight to 12 years, which will allow the bank grow its lending without placing pressure on its capitalisation.

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

Improving Asset Quality: Asset quality, though it remains low, with an average loan rating of 'BB+', is slowly improving; impaired loans decreased to 2.8% in 2012 (3.8% in 2011). The bank's sovereign loan portfolio is protected by preferred creditor status. AfDB has benefited from the debt relief plans granted to the poorest and riskiest borrowers in the late 2000s, which allowed them to clear their arrears or, in several instances, repay their loans to the bank.

Risk Concentration on North Africa: AfDB's five largest exposures accounted for 132.9% of equity and 64.4% of total loans at end-2012, which is high but in line with peers. There is large risk exposure to the Northern African countries, in particular Tunisia (BB+/Negative), which accounts for 16.3% of the total loan portfolio (including the private sector), and Egypt (B−/Negative), 9.1% of total. Exposure to Morocco (BBB−/Stable) is significant (19.7% of total loans and 40.6% of equity), but this country is still rated investment grade.

Growth in Private-Sector Operations: The rapid growth in private sector operations (24.9% of total exposure at end-2012), which are not protected by preferred creditor status, is a concern for the rating. These operations will continue to rise at a fast pace. With a loan impairment ratio of 2.8% in 2012, the non-sovereign loan portfolio has performed well so far. However, loans have long maturities and, as large amortisations become due, pressure on borrowers will increase and, in Fitch's opinion, impairments may rise.

Shareholders' Support Remains Strong: The 200% capital increase approved in 2010, and subscribed by 71 out of 77 member states, demonstrates the strong willingness of shareholders to support the bank, even though 94% of it was callable capital. The rating downgrade of several rich countries in the last two years led to a reduction of the share of callable capital held by shareholders rated 'AA−' and above.

Rating Sensitivities

Exposure to North African Countries: A default from one of the three North African countries could place pressure on AfDB credit profile; contagion to other countries default would translate into a revision of the rating.

Private Sector Lending Growth: Though the capital increase allows for substantial growth in lending, Fitch considers that downward pressure on the ratings would occur in the event of a material rise in private sector operations. A sudden and unexpected deterioration in capitalisation would also have negative rating implications.

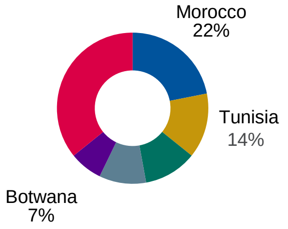
Profile and Support

Profile

The AfDB is a regional multilateral development bank (MDB) that finances development projects in Africa. Financing mainly takes the form of loans to or guaranteed by sovereign institutions (75% of the total portfolio at end-2012), the rest being loans to the private sector and equity participations. Sovereign loans granted by AfDB are non-concessional, and are extended to middle income countries (15 in 2012, out of a total of 53 countries in Africa). These loans bear a low interest rate, based upon the bank's cost of funding plus a fixed margin. The pricing of loans to the private sector, however, incorporates the cost of risk.

Figure 1

Outstanding Loan by Country (XDRm)
End 2012



[1] Accounts are denominated in Units of Accounts (UA), which is a currency basket equivalent to IMF's Special Drawing Rights.
Source: Bank's statements

Lower-income African member countries are eligible for concessional loans granted by the African Development Fund (ADF) and the Nigerian Trust Fund (NTF). One country, Nigeria, receives funding from both AfDB and ADF. ADF and NTF are managed by the AfDB, but are funded mostly by donors – and to a lesser extent by allocations from the AfDB. They are financially and legally independent, and are not consolidated in AfDB's accounts. The ratings assigned by Fitch only involve the AfDB.

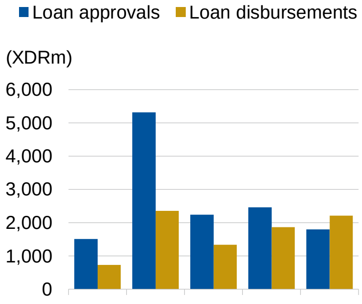
AfDB's head office is based in Abidjan, Côte d'Ivoire. The bank was relocated to Tunis in 2003 because of political instability in Côte d'Ivoire. In 2013, the board of governors decided that the management of the bank will return to Abidjan; the move will be gradual, and is expected to be completed by 2014. As a supranational entity, the bank is not subject to local business legislation and is immune from taxation as well as restriction or seizure of its assets.

Operations

Lending is rapidly growing; the banking portfolio (loans plus equity participations and guarantees) increased by 18.3% in 2012 to XDR11.5bn[1], after rising by 12.9% in 2011. This fast growth is a consequence of the substantial loans approved between 2009 and 2011, as a response to the 2009 financial crisis.

Figure 2

Trends in Lending
2008 - 2012



Source: Bank's statements

The bank had to respond the financing needs generated by the Arab Spring in 2011. Approvals slowed down in 2012, and, for the first time since 2008, dropped below the XDR2bn threshold. Loans approved but not yet disbursed decreased to XDR4.5bn at end-2012, from XDR5.3bn at end-2011, which will lead to slower growth in the portfolio in 2013 and 2014.

Growth has also been driven by the rapid development in lending to private sector operations, which are not limited to the 15 countries eligible for non-concessional lending. This has allowed better geographical diversification of the portfolio. Non-sovereign loans accounted for 21.8% of total outstanding loans at end-2012 (19.4% at end-2011), but represented 32.9% of disbursements. The amounts disbursed in non-sovereign loans doubled between 2010 and 2012, and the outstanding amount of the non-sovereign portfolio (loans + equity participations) increased by 30% in 2012.

Morocco and South Africa were the largest beneficiaries of AfDB lending in 2012. AfDB's overall loan and equity portfolio was historically concentrated in Northern Africa (see Concentration) as the majority of sub-Saharan African (SSA) countries are not eligible for AfDB's sovereign loans.

Shareholders' Support

Shareholders' support for the AfDB is strong, but is not the main driver of the bank's 'AAA' rating. As is typical of MDBs, support takes the form of callable capital committed by member states, which accounted for 92.6% of subscribed capital at end-2012, the rest (7.4%) being actually paid in by shareholders.

Related Criteria

Rating Multilateral Development Banks (May 2012)

[1] Accounts are denominated in Units of Accounts (XDR), which is a currency basket equivalent to IMF's Special Drawing Rights (SDR).

The average rating of shareholders, at 'A−', is at the low end of the range for sub-regional MDBs. Given the low credit quality of African countries, support largely comes from the non-African shareholders, which owned 39.8% of callable capital at end-2012. Twenty-two out of AfDB's 77 member states are non-African countries and enjoy, as a whole, high credit ratings. A number of them, in particular the US (AAA/Negative), Japan (A+/Stable), and Germany (AAA/Stable), are among the key shareholders of the institution, defined by Fitch as shareholders whose cumulative shares represent at least 50% of capital.

Figure 3
Main Shareholders
Weight and rating at End-July 2013

	Share in callable capital (%)	Rating
African shareholders:		
Nigeria	7.9	BB−
Egypt	4.6	B-
South Africa	4.2	BBB
Algeria	4.2	NR
Lybia	4.0	NR
Other	35.3	
Total African shareholders (%)	60.2	
Non-African shareholders:		
United States	6.7	AAA
Japan	5.5	A+
Germany	4.1	AAA
Canada	3.8	AAA
France	3.8	AA+
Other	16.7	
Total Non-African shareholders	39.8	

Source: AfDB

Because of the role of the AfDB in financing the African continent, the willingness of member states to support the bank in case of need remains very high, in Fitch's view. This was shown by the success of the sixth general capital increase of the bank, approved in 2010, which translated into a 200% increase in subscribed capital. As of end-May 2013, 71 member states (including 49 African states out of 53) had subscribed. The shares of the six countries that did not subscribe (Argentina, Djibouti, Eritrea, Kuwait, Somalia and Swaziland) are being re-allocated to the other member states. This did not significantly change the breakdown of capital, as five of these six countries own less than 1% of the capital each. Independent of the general capital increase, some countries including South Sudan (NR), Australia ('AAA'/Stable), Luxembourg ('AAA'/Stable) and Turkey ('BBB–'/Stable) in fairly advanced stage of joining the AfDB.

However, in the new capital increase, only 6% of capital subscribed by member states will be paid in, which will result in a dilution of the paid-in to subscribed capital ratio and an increased reliance on callable capital. This implies in Fitch's view, a weakening in shareholders' support, all the more as the quality of callable capital deteriorated sharply in 2012. Because of the rating downgrade of several rich countries in the last two years, the share of callable capital held by shareholders rated 'AA-' or above declined to 28.7% at end-2012 from 47.7% in 2011. However, the 2011 number was exceptionally high because of the subscription of callable shares by Canada and South Korea.

Figure 4
Peer Comparison: Shareholders' Support – End-2012

	AfDB (AAA)	AsDB 'AAA)	IADB (AAA)	IBRD (AAA)
Average rating of shareholders	A-	A+	A-	A
Average rating of key shareholders	A	AA	A	AA
Share of 'AAA'- 'AA' callable capital (%)	28.7	47.1	42.8	48.0
'AAA'-'AA' callable capital/debt (%)	130.1	113.5	73.2	62.2

AsDB – Asian Development Bank; IADB – Inter American Development Bank; IBRD – International Bank for Reconstruction and Development (as of end-June 2011)
Source: MDBs, Fitch calculations, estimates and methodology

Organization and Performance

Management and Strategy

Like other MDBs, the AfDB is s supranational institution. It is not subject to local laws and, in particular, to banking regulation. Its governing body is the board of governors (BoG), which comprises a representative of each member state. The BoG delegates the day-to-day management of the bank to the board of directors (BoD). They represent the permanent executive body of the bank. Among other things, they approve all loans made by the bank.

Management policies and procedures are conservative, in particular in risk management, funding, liquidity and capitalisation. A number of internal indicators and self-imposed limits have been set by the BoG and BoD. They are in line with other 'AAA' rated regional MDBs.

Figure 5

Key Internal Prudential Ratios

	Limit	2012	2011	2010
Debt to Shareholders'equity + callable capital rated A- or above (%)	100	49.9	54.9	83.7
Loans + equity investments + guarantees to subscribed capital + equity (CONFIRM) (%)	100	24.0	38.8	52.7
Liquid assets to net cash requirement[a] for 1 year	1.0	1.28	1.45	1.98
Risk capital – narrow definition[b], (SDRbn)		5.34	4.88	4.82
Risk capital utilisation rate (%)	100	58.0	59.6	58.0

[a] Debt service+net loan disbursement+committed guarantees + undisbursed equity invest
[b] Paid-in capital + reserves
Source: MDBs, Fitch calculations, estimates and methodology

Under the current president's mandate, the bank has embarked on vast decentralisation to improve relationships with customers. At end-2012, the bank had offices in 34 African countries. Local presence facilitates the development of private sector operations, which has been the centre of the bank's strategy since the mid-2000s.

The 2010 capital increase will enable the bank to continue to grow its operations at a sustained pace without jeopardising prudential ratios. However, the development of private sector operations, combined with the sustained growth in lending, will imply a higher level of risk, in Fitch's view. A significant share of private sector operations will be directed to poor countries (ADF only), which will, over time, affect the quality of assets. However, in the short and medium term, this will not hurt the risk bearing capacity of the bank, as the new capital injected by shareholders significantly increases the bank's risk bearing capacity.

Profitability

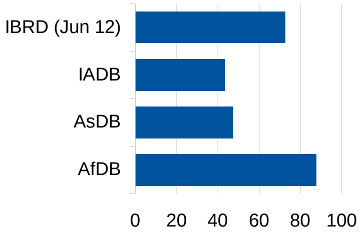
Like most MDBs, AfDB does not distribute dividends to its shareholders and does not seek profit maximisation. As a large share of its operations is funded by capital, the bank is structurally profitable, but it generates a low return on equity (2012: 1.7%).

Net income improved markedly in 2012 (up by 72.0%), as a result of the improved performance of the treasury portfolio and the increase in private sector lending, which generates higher margins. The decline in interest rates had an impact on comprehensive income, as it generated an actuarial loss on the employees' benefits plans. This effect was noted in all MDBs using IFRS. This was largely offset, in comprehensive income, by the revaluation of equity investments and by the unrealised gain on fair-value borrowings from the increase in the spread of AfDB in 2012.

Figure 6

Cost to Income Ratio: Comparative Data

End-2012



Source: Banks' statements and Fitch's calculations

The income volatility induced by the fair valuation of assets and liabilities does not influence Fitch's assessment of credit quality because its impact on shareholders' equity is insignificant. The agency is more concerned by the marked increase in administrative charges, and especially in personnel costs (up 22.3%) in 2012, which led to further deterioration in the cost to income ratio of the bank. At 87.7% in 2012 (85.7% in 2011), AfDB's cost to income ratio - defined by Fitch as non-interest expenses to net interest revenue plus other operating income - is the highest among regional MDBs. These expenses will rise further in 2013 and 2014, due to the costs associated with the relocation of the bank to the Abidjan offices.

Net income is also affected by distribution to the funds managed by the bank; these distributions are decided by the BOG. The largest part (XDR68m out of XDR110m) was made up of contributions to the Post-Conflict-DRC Fund, which has funded debt relief granted in the past to several highly indebted countries, the largest being the Democratic Republic of Congo.

Figure 7

Peer Comparison: Profitability – End-2012

	AfDB (AAA)	AsDB (AAA)	IADB (AAA)	IBRD (AAA)
Net income to average equity (%)	1.73	0.88	4.5	-1.8

Source: MDBs, Fitch calculations, estimates and methodology

Capitalisation, Leverage & Liquidity

Capital

AfDB’s capitalisation is extremely strong, and is one of the key factors supporting its ‘AAA’ IDR. The equity to asset ratio was 25.2% at end-2012, which is in the higher range of the ‘AAA’ rated MDBs. The ratio of usable of usable capital to required capital (Fitch’s own measure of MDBs’ capital adequacy), was 16.2x at end-2012 and is also higher than most peers. Usable capital, which includes the callable capital subscribed by countries rated ‘AA-‘ or above, largely benefited from the capital increase, which was 94% made up of callable capital.

Figure 8

Peer Comparison: Capitalisation – End-2012

	AfDB (AAA)	AsDB (‘AAA’)	IADB (‘AAA’)	IBRD (‘AAA’)
Equity to asset (%)	25,2	13.2	22.0	10.8
Paid-in to subscribed capital (%)	7.4	5	4	6.0
Debt to equity (%)	248.75	396.25	321.3	406.3

Source: MDBs, Fitch calculations, estimates and methodology

The impact of the capital increase on the equity to asset ratio was particularly felt in 2012: as countries made their subscription payments, XDR327m was received in 2012 (XDR152m in 2011). Future payments should average XDR305m over the next five years, as disbursement is spread over eight years for non-African and ADB countries and 12 years for ADF countries. This has stopped the erosion of the equity to asset ratio and will allow the bank to maintain capitalisation at current levels despite sustained growth in lending. Based on the bank’s projection, risk capital will be sufficient to absorb the increase in additional risk generated by the growth in operations. The utilisation rate of risk capital (58% as of end-2012) should remain below 80% until 2021.

Leverage

The capital increase has helped to reduce leverage, which compares favourably with other regional MDBs. Thanks to the scheduled capital receipts, the debt to equity ratio (248.8% at end-2012) will only rise moderately in coming years. Leverage is carefully monitored. The AfDB has set an internal limit, by which outstanding debt cannot exceed the sum of equity and callable capital provided by shareholders rated at least ‘A−’. However, other regional banks generally refer to callable capital rated above ‘AA−’, making this limit less conservative when compared to industry standards.

Funding is largely made up of long-term bond issues (average maturity of 4.4 years at end-2012). These are for the most part denominated in hard currencies, which are then swapped to match liabilities to loans in currency and exchange rates. AfDB’s cost of debt is low; average cost was 17bp below Libor for USD issues, and 37 bps below Libor for euro issues in 2012. The bank is increasing issuance in local markets (South Africa and, since 2012, Uganda) though the amount raised remains small relative to total debt (2.4% of total at end-2012).

Liquidity

AfDB’s liquidity is excellent. At end-2012: treasury assets covered short-term debt by 221%. The AfDB also set up a EUR2bn ECP programme, which was half drawn in 2012. This large cushion of treasury assets compensates for long maturity of the loans extended by AfDB.

The bank has set a stringent liquidity threshold, by which treasury assets must cover the next 12-months net cash requirements (including debt repayment). Due to large loan disbursements at the end of 2012, the liquid asset cushion shrank in 2012 and was close to its prudential limit (1.04x). The ratio should improve by end-2013, as the bank raises more long-term funds from the market.

Risks

Credit and Equity Risks

The overall credit quality of the AfDB’s portfolio is low, with an average estimated rating of ‘BB+’, which is in line with that of other sub-regional MDBs. The quality is slowly improving; the bank has benefited from the debt relief plans granted by donors to the poorest and riskier borrowers in the late 2000s, which allowed them to clear their arrears or, in several instance, repay their loans to the bank. This was the case for Côte d’Ivoire.

As the portfolio of old risky loans has shrunk, impaired loans have been significantly reduced, representing only 2.8% of loans at end-2012, compared with 4.7% in 2008. Arrears remain concentrated on a limited number of countries, the largest single borrower being Zimbabwe with 63.3% of impaired loans at end-2012, followed by Sudan (18.6%) and Somalia (1.4%). The remaining (16.7%) are non-sovereign. With a loan impairment ratio of 2.2% in 2012, the non-sovereign loan portfolio has performed well so far, despite its rapid growth. However, loans have long maturities and, as large amortisation become due, pressure on borrowers will increase and, in Fitch’s opinion, impairments may rise.

Figure 9

Peer Comparison: Risks – End-2012

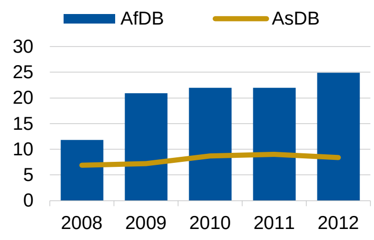
	AfDB (AAA)	AsDB (AAA)	IADB (AAA)	IBRD (AAA)
Average rating of loans & guarantees	BB+	BBB-	BB	BBB-
Impaired loans/gross loans (%)	1.17	0.04	0.4	0.3
Share of non-sovereign exposure (%)	24.86	11.43	6.5	0.0
Equity stakes/(loans + equity stakes) (%)	3.82	1.76	0.0	0.0
Five largest exposures/total loans (%)	64.37	80.25	66.6	44.8
Share of ‘AAA’-‘AA’ treasury assets (%)	88.0	49.5	82.0	78.5

Source: MDBs, Fitch calculations, estimates and methodology

Figure 10

Share of Private Sector Exposure, AfDB and AsDB

2007-2012



Source: AfDB and AsDB

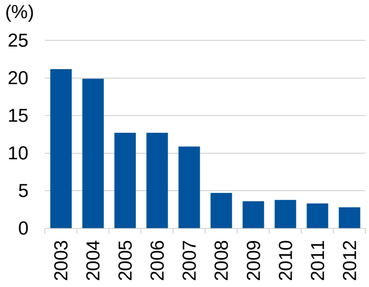
Loans to private sector are not protected by the preferred creditor status of the bank, except for transfer and convertibility risk. This status, which is common to all supranational institutions, gives the bank priority over other creditors in the event of a sovereign default. This status also means theoretically that the bank does not participate in sovereign loan restructuring agreements. In practice however, this principle has suffered a number of exceptions, as the bank participated in sovereign debt relief schemes in the past.

Credit risk exposure is covered by loan loss reserves based on incurred loss provisioning approach. As a result of the asset quality improvement, these provisions were reduced in 2011 and 2012, representing only 41.3% of impaired loans at end-2012, compared with 90.3% in 2010. This level of provisioning seems low given the risk in the region and compared with the loan impairment coverage observed with other MDBs.

Figure 11

Impaired Loans to Gross Loans

2003 - 2012



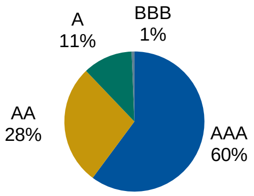
Source: Bank's statements

Equity investments increased markedly over the last three years. They are subject to stringent limits. The bank cannot hold more than 25% of a company’s capital, and its overall exposure to this risk cannot exceed 15% of the bank’s risk capital. At 10.4% at end-2012, this ratio was well below the statutory limit. In view of the moderate size of this activity in the bank’s total exposure, Fitch deems this risk bearable by the bank.

AfDB’s risk exposure to treasury assets is limited, given the good credit quality of assets held in the portfolio; 87.0% were rated in the ‘AAA’ or ‘AA’ categories at end-2012. This is attributable to strict investment guidelines. Counterparties have to be rated at least ‘A’ for short-term investment, 'AA−' for medium and long-term investments, and 'AAA' in some specific cases (structured products for instance, or public bonds with a maturity exceeding 15 years). Counterparties for derivative transactions must be rated at least 'A−'. AfDB has no exposure left to euro-area peripheral countries such as the Greece, Portugal and Ireland. Hence, it was not affected by the eurozone sovereign debt crisis.

Figure 12

Breakdown of Treasury Assets by Rating, End-2012



Source: AfDB

Concentration Risk

High risk concentration is a common feature of regional MDBs; this risk is particularly acute for AfDB, whose five largest exposures accounted for 132.9% of equity and 64.4% of total loans at end-2012. While these ratios are in line with peers, Fitch is concerned about the large exposure to North African countries, in particular Tunisia (BB+/Negative), which accounts for 16.3% of total loan portfolio (including private sector), and Egypt at 9.1% (B–/Negative). Exposure to Morocco (BBB–/Stable) is significant (19.7% of total loans and 40.6% of equity), but this country is still rated investment grade.

The bank has set up concentration limits. Country limits are set for each country, including both sovereign and private-sector exposures; limits are set according to the size and to the rating of countries, and the largest country limit represents 15% of risk capital which definition is close to equity.

Market and Operational Risks

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

Loans are denominated in convertible currencies (US dollars, euros, Japanese yen, South African rand) and are matched with liabilities in the relevant currency, using currency swaps. The bank also protects its balance sheet from fluctuations in Special Drawing Rights (SDR, in which the financial statements are denominated) by matching net assets with the basket of currencies of the SDR.

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

Operational risk is limited, despite the current location of the bank in Tunisia. The bank has back-up facilities in Paris and Pretoria that can be used to avoid disruptions of operations. The facility in Paris was already tested when the bank had to move from Côte d'Ivoire, in 2003. Governance complies with high standards, comparable to other regional MDBs.

African Development Bank

Balance Sheet

	31 Dec 2012			31 Dec 2011		31 Dec 2010		31 Dec 2009	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	XDRm	Assets	XDRm	Assets	XDRm	Assets	XDRm	Assets
	Original	Original	Original	Original	Original	Original	Original	Original	Original
A. LOANS									
1. To / Guaranteed by Sovereigns	13,242.5	8,616.9	40.62	7,559.0	37.31	6,694.0	34.97	6,166.0	35.90
2. To / Guaranteed by public institutions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To / Guaranteed by Private Sector	3,684.3	2,397.4	11.30	1,814.5	8.96	1,599.0	8.35	1,372.2	7.99
4. Of which Trade Financing Loans (memo)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan Loss Reserves (deducted)	197.5	128.5	0.61	118.0	0.58	283.4	1.48	227.4	1.32
TOTAL A	**16,729.4**	**10,885.8**	**51.32**	**9,255.5**	**45.69**	**8,009.6**	**41.85**	**7,310.8**	**42.56**
B. OTHER EARNING ASSETS									
1. Deposits with Banks	788.7	513.2	2.42	1,421.3	7.02	1,264.7	6.61	1,169.2	6.81
2. Securities held for Sale & Trading	4,879.8	3,175.3	14.97	3,223.9	15.91	3,177.5	16.60	3,332.6	19.40
3. Investment Debt Securities - (incl. other invest.)	4,558.5	2,966.2	13.98	3,298.4	16.28	3,306.8	17.28	3,262.3	18.99
4. Equity Investments	674.0	438.6	2.07	309.8	1.53	272.2	1.42	234.5	1.37
5. Derivatives (incl. Fair-value of guarantees)	2,394.8	1,558.3	7.35	1,696.7	8.38	1,421.5	7.43	764.0	4.45
TOTAL B	**13,295.8**	**8,651.6**	**40.79**	**9,950.1**	**49.12**	**9,442.7**	**49.34**	**8,762.6**	**51.02**
C. TOTAL EARNING ASSETS (A+B)	**30,025.2**	**19,537.4**	**92.10**	**19,205.6**	**94.80**	**17,452.3**	**91.18**	**16,073.4**	**93.58**
D. FIXED ASSETS	**46.7**	**30.4**	**0.14**	**12.6**	**0.06**	**12.0**	**0.06**	**11.2**	**0.07**
E. NON-EARNING ASSETS									
1. Cash and Due from Banks	1,354.7	881.5	4.16	74.9	0.37	163.8	0.86	41.5	0.24
2. Other	1,173.0	763.3	3.60	965.4	4.77	1,511.6	7.90	1,050.4	6.12
F. TOTAL ASSETS	**32,599.7**	**21,212.6**	**100.00**	**20,258.5**	**100.00**	**19,139.7**	**100.00**	**17,176.5**	**100.00**
G. SHORT-TERM FUNDING									
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities Issues (< 1 Year)	5,240.7	3,410.1	16.08	2,968.0	14.65	2,454.7	12.83	2,300.1	13.39
3. Other (incl. Deposits)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL G	**5,240.7**	**3,410.1**	**16.08**	**2,968.0**	**14.65**	**2,454.7**	**12.83**	**2,300.1**	**13.39**
H. OTHER FUNDING									
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	13,976.3	9,094.4	42.87	8,918.3	44.02	9,526.0	49.77	8,280.5	48.21
3. Subordinated Debt	1,189.9	774.3	3.65	1,016.1	5.02	n.a.	-	n.a.	-
4. Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL H	**15,166.3**	**9,868.7**	**46.52**	**9,934.4**	**49.04**	**9,526.0**	**49.77**	**8,280.5**	**48.21**
I. OTHER (Non-Int Bearing)									
1.Derivatives (incl. Fair value of guarantees)	787.8	512.6	2.42	502.3	2.48	328.3	1.72	477.1	2.78
2. Fair value portion of debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	3,201.0	2,082.9	9.82	1,974.9	9.75	2,014.9	10.53	1,385.7	8.07
TOTAL I	**3,988.8**	**2,595.5**	**12.24**	**2,477.2**	**12.23**	**2,343.2**	**12.24**	**1,862.8**	**10.85**
J. GENERAL PROVISIONS & RESERVES	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
L. EQUITY									
1. Preference Shares	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	96,960.4	63,092.1	297.43	36,540.1	180.37	23,905.5	124.90	21,817.6	127.02
3. Callable Capital	(92,596.3)	(60,252.4)	(284.04)	(34,032.9)	(167.99)	(21,549.0)	(112.59)	(19,458.3)	(113.28)
4. Arrears/Advances on Capital	(259.3)	(168.7)	(0.80)	(164.6)	(0.81)	(168.0)	(0.88)	(179.2)	(1.04)
5. Paid in Capital (memo)	4,363.5	2,839.3	13.38	2,507.0	12.38	2,356.5	12.31	2,352.8	13.70
6. Reserves (incl. Net Income for the year)	4,046.0	2,632.7	12.41	2,637.0	13.02	2,623.1	13.71	2,556.4	14.88
7. Fair-value revaluation reserve	53.2	34.6	0.16	(100.7)	(0.50)	4.2	0.02	(3.4)	(0.02)
TOTAL L	**8,203.9**	**5,338.3**	**25.17**	**4,878.9**	**24.08**	**4,815.8**	**25.16**	**4,733.1**	**27.56**
M. TOTAL LIABILITIES & EQUITY	**32,599.7**	**21,212.6**	**100.00**	**20,258.5**	**100.00**	**19,139.7**	**100.00**	**17,176.5**	**100.00**
Exchange rate	USD1 = XDR0.65070			USD1 = XDR0.65140		USD1 = XDR0.64930		USD1 = XDR0.63788	

African Development Bank

Income Statement

	31 Dec 2012			31 Dec 2011		31 Dec 2010		31 Dec 2009	
	Year End USDm Original	Year End XDRm Original	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets	Year End XDRm Original	As % of Earning Assets
1. Interest Received	850.9	553.7	2.83	489.2	2.55	519.4	2.98	515.2	3.21
2. Interest Paid	336.9	219.2	1.12	228.0	1.19	190.5	1.09	226.0	1.41
3. NET INTEREST REVENUE	**514.1**	**334.5**	**1.71**	**261.2**	**1.36**	**328.9**	**1.88**	**289.2**	**1.80**
4. Other Operating Income	3.1	2.0	0.01	23.3	0.12	13.8	0.08	(3.3)	(0.02)
5. Other Income	302.4	196.8	1.01	138.2	0.72	165.0	0.95	184.6	1.15
6. Personnel Expenses	338.4	220.2	1.13	180.1	0.94	179.0	1.03	170.6	1.06
7. Other Non-Interest Expenses	115.0	74.8	0.38	63.6	0.33	65.0	0.37	55.6	0.35
8. Impairment charge	45.6	29.7	0.15	17.7	0.09	26.8	0.15	11.3	0.07
9. Other Provisions	(0.5)	(0.3)	(0.00)	(6.2)	(0.03)	(17.7)	(0.10)	(1.1)	(0.01)
10.PRE-DERIVATIVE OPERATING PROFIT	**321.0**	**208.9**	**1.07**	**167.5**	**0.87**	**254.6**	**1.46**	**234.1**	**1.46**
11. Net gains / (losses) on non-trading derivative instruments	(15.7)	(10.2)	(0.05)	(3.0)	(0.02)	(40.9)	(0.23)	(2.9)	(0.02)
12. POST-DERIVATIVE OPERATING PROFIT	**305.4**	**198.7**	**1.02**	**164.5**	**0.86**	**213.7**	**1.22**	**231.2**	**1.44**
13. Other income and expenses	(169.2)	(110.1)	(0.56)	(113.0)	(0.59)	(146.4)	(0.84)	(162.7)	(1.01)
14. NET INCOME	**136.2**	**88.6**	**0.45**	**51.5**	**0.27**	**67.3**	**0.39**	**68.5**	**0.43**
15. Fair value revaluations recognised in equity	65.5	42.6	0.22	(190.6)	(0.99)	7.0	0.04	9.0	0.06
16. FITCH'S COMPREHENSIVE NET INCOME	**201.6**	**131.2**	**0.67**	**(139.1)**	**(0.72)**	**74.3**	**0.43**	**77.5**	**0.48**

African Development Bank

Ratio Analysis

	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	1.73	1.06	1.41	1.46
2. Net Income/Total Assets (av.)	0.43	0.26	0.37	0.46
3. Net Interest Revenue + Commitment	n.a.	n.a.	n.a.	n.a.
Fees/Gross Loans (av.) + Liquid Assets (av.) + Average Guarantees (av.)	1.86	1.55	2.08	2.21
4. Non-int. Exp./Net Interest Rev. +	n.a.	n.a.	n.a.	n.a.
Other Operating Income	87.67	85.66	71.20	79.12
5. Income from Equity Investment/	n.a.	n.a.	n.a.	n.a.
Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provision on Loans & Equity Part. & Guarantees/	n.a.	n.a.	n.a.	n.a.
Gross Loans (av.) + Equity Investment (av.) & Guarantees (av.)	0.28	0.13	0.11	0.15
II. CAPITAL ADEQUACY (year end)				
1. Internal Capital Generation	1.73	1.06	1.41	1.46
2. Outstanding Loans + Net Equity Invest. + Net Guarantees	n.a.	n.a.	n.a.	n.a.
/Subscribed Capital + Reserves	17.25	24.44	31.23	30.97
3. Equity/Total Assets	25.17	24.08	25.16	27.56
4. Equity ex. fair-value revaluations/Assets	25.00	24.58	25.14	27.58
5. AAA-AA- Callable Capital/Callable Capital	28.66	47.65	41.46	37.77
6. Usable Capital/Required Capital	1,623.68	1,626.29	1,098.52	1,182.45
III. LIQUIDITY				
1. Liquid Assets & Marketable Debt	n.a.	n.a.	n.a.	n.a.
Securities/Debt < 1 Year	221.00	270.17	322.35	339.36
2. Liquid Assets & Marketable Debt	n.a.	n.a.	n.a.	n.a.
Securities/Total Assets	35.53	39.58	41.34	45.44
3. Liquid Assets + Marketable Debt	n.a.	n.a.	n.a.	n.a.
Securities/Undisbursed Loans and Equity	168.85	151.26	162.97	156.03
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	2.82	3.27	3.78	3.58
2. Loan Loss Reserves / Gross Loans	1.17	1.26	3.42	3.02
3. Equity Loss Reserves /Equity Investment	n.a.	n.a.	6.46	6.35
4. Total reserves / Gross Loans, Equity Investment & Guarantees	1.12	1.22	3.52	3.12
5. Loan Loss Reserves/Non Accrual Loans	41.33	38.47	90.31	84.16
6. Loans to Investment Grade Borrowers/Gross Loans	n.a.	n.a.	n.a.	n.a.
Loans	46.88	62.73	52.34	56.07
V. LEVERAGE				
1. Debt/Equity	248.75	264.45	248.78	223.54
2. Debt/Subscribed Capital + Reserves	20.20	32.93	45.16	43.41
3. Debt/Callable Capital	22.04	37.91	55.60	54.38
4. Net Income + Interest Paid/Interest Paid	140.42	122.59	135.33	130.31

African Development Bank – Spread Sheet Annex

	Original			
(XDRm)	**31 Dec 2012**	**31 Dec 2011**	**31 Dec 2010**	**31 Dec 2009**
1. Lending operations				
1. Loans outstanding	11,014.3	9,373.5	8,293.0	7,538.2
2. Growth in loans outstanding (%)	17.90	13.00	10.00	2.00
3. Undisbursed loans	4,463.2	5,301.0	4,855.3	5,002.5
4. Approved loans	1,801.5	2,458.0	2,236.1	5,312.2
5. Disbursed loans	2,208.2	1,868.8	1,339.8	2,352.3
6. Loan repayments	543.1	617.2	568.6	718.8
7. Net disbursements	1,665.1	1,251.6	771.2	1,633.5
2. Other banking operations				
1. Equity participations	438.6	309.8	291.0	250.4
2. Guarantees	17.6	10.4	2.3	2.2
3. LCs and other off BS credit commitments	n.a.	n.a.	n.a.	n.a.
4. Total banking exposure (BS & off BS)	11,470.5	9,693.7	8,586.3	7,790.8
3. Capital				
1. Usable capital	28,740.8	23,020.2	14,663.1	12,347.1
2. Required capital	1,770.1	1,415.5	1,334.8	1,044.2
3. Usable capital/required capital	16.24	16.26	10.99	11.82
4. Share of AAA/AA in callable capital	28.66	47.65	41.46	37.77
5. Share of A/BBB in callable capital	21.26	22.73	19.11	18.55
6. Share of speculative grade in callable capital	50.08	29.63	39.42	43.68
7. Weighted average rating of callable capital	A-	A-	BBB+	BBB+
4. Breakdown of banking portfolio				
1. Loans to sovereigns/total loans & equity participations	75.24	78.06	77.98	79.17
2. Loans to non-sovereigns/total loans & equity participations	20.93	18.74	18.63	17.62
3. Equity participation/total loans & equity participations	3.83	3.20	3.39	3.21
4. Non-sovereign exposure/total loans & equity (exc. guarantees)	24.76	21.94	22.02	20.83
5. Non-sovereign exposure (inc. guarantees)/total banking exposure	24.86	22.02	22.04	20.86
6 . Average rating of loans	BB+	BB+	BB	BB
5. Concentration measures				
1. Largest exposure	2,165.8	1,971.3	1,827.6	1,824.2
2. Five largest exposures	7,089.9	6,084.8	5,250.3	5,100.7
3. Largest exposure/equity (%)	40.57	40.40	37.95	38.54
4. Five largest exposures/equity (%)	132.81	124.72	109.02	107.77
5. Five largest exposures/total loans (%)	64.37	64.91	63.31	67.66

Source: Fitch

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