

African Development Bank

Update

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlook

Foreign-Currency Long-Term IDR	Stable
--------------------------------	--------

Financial Data

African Development Bank

	31 Dec 13	31 Dec 12
Total assets (XDRm)	20,995.5	21,212.6
Equity (XDRm)	5,830.1	5,338.5
Net income (XDRm)	72.8	88.6
ROAE (%)	1.30	1.68
ROAA (%)	0.34	0.41
Equity/adjusted assets + glees (%)	29.1	25.8
Usable/required capital (x)	13.7	16.2

Key Rating Drivers

Strong Shareholder Support: Strong support from the 77 member states has been evidenced by the 2010 capital increase, although a large share of it has taken the form of callable capital; at end-2013, 5% of subscribed capital had been paid in. Callable capital from 'AAA' rated member states fully covered net debt at end-2013; given the importance of African Development Bank (AfDB) in the financing of the region, Fitch Ratings believes shareholder support would be forthcoming if needed.

Excellent Capitalisation Measures: AfDB is one of the most highly capitalised regional multilateral development banks (MDBs), with an equity to adjusted total assets ratio of 29.1% at end-2013. This ratio, which stood at 24.7% at end-2011, was boosted by the 2010 capital increase. Payment of capital is spread over eight to 12 years, which allows the bank to support sustained growth in lending without placing capitalisation under pressure. Leverage is also well below peers, at 222.1% at end-2013.

Significant Credit Risk Exposure: Credit risk exposure is relatively high, with an average loan rating of 'BB+'. This is due to the overall low credit quality of African sovereign borrowers, and the rapid increase in private-sector operations, which accounted for 25.2% of the total portfolio at end-2013 (12% at end-2008). In Fitch's opinion, asset quality will likely further deteriorate in the medium term, as AfDB decided in 2014 to extend loans to poor countries previously only eligible for concessional loans, and will continue to increase the share of non-sovereign lending.

Risk Concentration on North Africa: Risk concentration is high, with the five largest exposures accounting for 64.1% of loans at end-2013. Tunisia (BB-/Negative) and Egypt (B-/Stable) accounted for 16.1% and 9.6% of the portfolio at end-2013, respectively. Although AfDB is scaling down its exposure to these countries, Fitch considers it a risk, given the negative trends in Tunisia's credit quality. Rapid growth in lending to Morocco (BBB-/Stable), which represented 21.0% of the portfolio at end-2013 (19.7% at end-2012) could also become a risk.

Conservative Risk Management Policies: The bank abides by a strict internal prudential framework on capitalisation and market risks. In addition, its liquidity must cover the next 12 months' net cash requirements. With 94.2% of treasury assets invested in securities rated 'AA-' or higher, management of liquid assets is particularly prudent, even by 'AAA' rated MDBs' standards. Operational risk is limited, and the relocation of the head office to Abidjan, to be finalised in 2015, will not generate additional risk, in Fitch's view.

Aggressive Growth Strategy: With 55% projected growth in lending between 2013 and 2017, AfDB's strategy appears increasingly aggressive. Growth will largely be driven by the private sector, which is not protected by preferred-creditor status. Its share is expected to reach 33% of the total portfolio by 2017. The credit policy adopted in 2014 will lead to an increase in sovereign loans to countries rated in the 'B' category and below, which will affect asset quality.

Rating Sensitivities

Downgrade of Large 'AAA' Shareholders: A combined downgrade of the ratings of two of AfDB's largest 'AAA' rated shareholders – the US (6.6% of capital), Germany (4.1%) and Canada (3.8%) – would materially affect support from its shareholders.

Deterioration in Asset Quality: A too rapid increase in lending to the private sector or to sovereign borrowers with low credit quality (rated in the 'B' category or below) would have a negative impact on the bank's intrinsic risk profile, unless it is underpinned by capital injections.

Related Research

[Supranational Industry Review \(March 2013\)](#)

Analysts

Eric Paget-Blanc
+33 1 44 19 91 33
eric.pagetblanc@fitchratings.com

Tony Stringer
+44 203 530 1219
tony.stringer@fitchratings.com

African Development Bank

Balance Sheet

	31 Dec 2013			31 Dec 2012		31 Dec 2011		31 Dec 2010	
	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	13,915.6	9,036.8	43.04	8,616.9	40.62	7,559.0	37.31	6,694.0	34.97
2. To / Guaranteed by public institutions	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. To / Guaranteed by Private Sector	3,925.2	2,549.0	12.14	2,397.4	11.30	1,814.5	8.96	1,599.0	8.35
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)	223.4	145.1	0.69	128.5	0.61	118.0	0.58	283.4	1.48
TOTAL A	17,617.3	11,440.7	54.49	10,885.8	51.32	9,255.5	45.69	8,009.6	41.85
B. OTHER EARNING ASSETS									
1. Deposits with Banks	300.4	195.1	0.93	513.2	2.42	1,421.3	7.02	1,264.7	6.61
2. Securities held for Sale & Trading	4,336.5	2,816.1	13.41	3,175.3	14.97	3,223.9	15.91	3,177.5	16.60
3. Investment Debt Securities - (incl. other invest.)	4,917.5	3,193.4	15.21	2,966.2	13.98	3,298.4	16.28	3,306.8	17.28
4. Equity Investments	808.4	525.0	2.50	438.6	2.07	309.8	1.53	272.2	1.42
5. Derivatives (incl. Fair-value of guarantees)	1,518.3	986.0	4.70	1,558.3	7.35	1,696.7	8.38	1,421.5	7.43
TOTAL B	11,881.1	7,715.6	36.75	8,651.6	40.79	9,950.1	49.12	9,442.7	49.34
C. TOTAL EARNING ASSETS (A+B)	29,498.5	19,156.3	91.24	19,537.4	92.10	19,205.6	94.80	17,452.3	91.18
D. FIXED ASSETS	62.7	40.7	0.19	30.4	0.14	12.6	0.06	12.0	0.06
E. NON-EARNING ASSETS									
1. Cash and Due from Banks	1,469.2	954.1	4.54	881.5	4.16	74.9	0.37	163.8	0.86
2. Other	1,300.3	844.4	4.02	763.3	3.60	965.4	4.77	1,511.6	7.90
F. TOTAL ASSETS	32,330.6	20,995.5	100.00	21,212.6	100.00	20,258.5	100.00	19,139.7	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)	3,781.6	2,455.8	11.70	3,410.1	16.08	2,968.0	14.65	2,454.7	12.83
3. Other (incl. Deposits)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL G	3,781.6	2,455.8	11.70	3,410.1	16.08	2,968.0	14.65	2,454.7	12.83
H. OTHER FUNDING									
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	14,927.0	9,693.6	46.17	9,094.4	42.87	8,918.3	44.02	9,526.0	49.77
3. Subordinated Debt	1,228.8	798.0	3.80	774.3	3.65	1,016.1	5.02	n.a.	-
4. Hybrid Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL H	16,155.8	10,491.6	49.97	9,868.7	46.52	9,934.4	49.04	9,526.0	49.77
I. OTHER (Non-Int Bearing)									
1. Derivatives (incl. Fair value of guarantees)	1,496.6	971.9	4.63	512.6	2.42	502.3	2.48	328.3	1.72
2. Fair value portion of debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	1,918.8	1,246.1	5.94	2,082.9	9.82	1,974.9	9.75	2,014.9	10.53
TOTAL I	3,415.5	2,218.0	10.56	2,595.5	12.24	2,477.2	12.23	2,343.2	12.24
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	97,620.4	63,394.7	301.94	63,092.1	297.43	36,540.1	180.37	23,905.5	124.90
3. Callable Capital	(92,774.6)	(60,247.8)	(286.96)	(60,252.4)	(284.04)	(34,032.9)	(167.99)	(21,549.0)	(112.59)
4. Arrears/Advances on Capital	(267.5)	(173.7)	(0.83)	(168.7)	(0.80)	(164.6)	(0.81)	(168.0)	(0.88)
5. Paid in Capital (memo)	4,846.2	3,147.1	14.99	2,839.3	13.38	2,507.0	12.38	2,356.5	12.31
6. Reserves (incl. Net Income for the year)	4,237.1	2,751.6	13.11	2,632.7	12.41	2,637.0	13.02	2,623.1	13.71
7. Fair-value revaluation reserve	162.1	105.3	0.50	34.6	0.16	(100.7)	(0.50)	4.2	0.02
TOTAL L	8,977.7	5,830.1	27.77	5,338.3	25.17	4,878.9	24.08	4,815.8	25.16
M. TOTAL LIABILITIES & EQUITY	32,330.6	20,995.5	100.00	21,212.6	100.00	20,258.5	100.00	19,139.7	100.00
Exchange rate	USD1 = XDR0.64940			USD1 = XDR0.65070		USD1 = XDR0.65140		USD1 = XDR0.64930	

Related Criteria

Rating Multilateral Development Banks
(May 2014)

African Development Bank
Income Statement

	31 Dec 2013			31 Dec 2012		31 Dec 2011		31 Dec 2010	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	XDRm	Earning	XDRm	Earning	XDRm	Earning	XDRm	Earning
	Original	Original	Assets	Original	Assets	Original	Assets	Original	Assets
1. Interest Received	724.1	470.2	2.45	555.4	2.84	489.2	2.55	519.4	2.98
2. Interest Paid	294.3	191.1	1.00	217.2	1.11	228.0	1.19	190.5	1.09
3. NET INTEREST REVENUE	429.8	279.1	1.46	338.2	1.73	261.2	1.36	328.9	1.88
4. Other Operating Income	8.6	5.6	0.03	2.0	0.01	23.3	0.12	13.8	0.08
5. Other Income	99.8	64.8	0.34	50.7	0.26	19.0	0.10	43.7	0.25
6. Personnel Expenses	135.4	87.9	0.46	80.7	0.41	60.9	0.32	57.7	0.33
7. Other Non-Interest Expenses	127.3	82.7	0.43	74.8	0.38	63.6	0.33	65.0	0.37
8. Impairment charge	63.3	41.1	0.21	29.7	0.15	17.7	0.09	26.8	0.15
9. Other Provisions	(12.9)	(8.4)	(0.04)	(0.3)	(0.00)	(6.2)	(0.03)	(17.7)	(0.10)
10. PRE-DERIVATIVE OPERATING PROFIT	225.1	146.2	0.76	206.0	1.05	167.5	0.87	254.6	1.46
11. Net gains / (losses) on non-trading derivative instruments	52.5	34.1	0.18	(10.2)	(0.05)	(3.0)	(0.02)	(40.9)	(0.23)
12. POST-DERIVATIVE OPERATING PROFIT	277.6	180.3	0.94	195.8	1.00	164.5	0.86	213.7	1.22
13. Other income and expenses	(165.5)	(107.5)	(0.56)	(110.1)	(0.56)	(113.0)	(0.59)	(146.4)	(0.84)
14. NET INCOME	112.1	72.8	0.38	85.7	0.44	51.5	0.27	67.3	0.39
15. Fair value revaluations recognised in equity	179.6	116.6	0.61	45.5	0.23	(190.6)	(0.99)	7.0	0.04
16. FITCH'S COMPREHENSIVE NET INCOME	291.7	189.4	0.99	131.2	0.67	(139.1)	(0.72)	74.3	0.43

African Development Bank

Ratio Analysis

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
I. PROFITABILITY LEVEL				
1. Net Income/Equity (av.)	1.30	1.68	1.06	1.41
2. Net Income/Total Assets (av.)	0.34	0.41	0.26	0.37
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	1.49	1.88	1.55	2.08
4. Cost-Income Ratio	59.92	45.71	43.76	35.80
5. Income from Equity Investment / Equity Investment (av.)	n.a.	n.a.	n.a.	n.a.
6. Provisions / Average Total Banking Exposure (excl LCs)	0.28	0.28	0.13	0.11
II. CAPITAL ADEQUACY (year end)				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	18.20	17.25	24.44	31.23
2. Equity/Adjusted Total Assets	29.12	25.79	24.70	25.60
3. Equity /Adjusted Total Assets + Guarantees	29.01	25.77	24.68	25.60
4. Paid-in capital / Subscribed capital	4.96	4.50	6.86	9.86
5. Usable Capital/Required Capital	1,373.58	1,623.68	1,626.29	1,098.52
III. LIQUIDITY				
1. Treasury Assets / Debt < 1 Year	291.50	221.00	270.17	322.35
2. Treasury Assets / Total Assets	34.10	35.53	39.58	41.34
3. Treasury Assets / Undisbursed Loans & Equity	159.43	168.85	151.26	162.97
IV. ASSET QUALITY				
1. Impaired Loans /Gross Loans	2.85	2.82	3.27	3.78
2. Loan Loss Reserves / Gross Loans	1.25	1.17	1.26	3.42
3. Equity Loss Reserves /Equity Investment	n.a.	n.a.	n.a.	6.46
4. Total reserves / Gross Loans, Equity Investment & Guarantees	1.19	1.12	1.22	3.52
5. Loan Loss Reserves/Non Accrual Loans	43.93	41.33	38.47	90.31
6. Loans to Investment Grade Borrowers / Gross Loans	49.71	46.88	62.73	52.34
V. LEVERAGE				
1. Debt/Equity	222.08	248.75	264.45	248.78
2. Debt/Subscribed Capital + Reserves	19.54	20.19	33.02	45.15
3. Debt/Callable Capital	21.49	22.04	37.91	55.60
4. Net Income + Interest Paid/Interest Paid	138.10	139.46	122.59	135.33

African Development Bank
Spread Sheet Annex

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
	XDRm	XDRm	XDRm	XDRm
	Original	Original	Original	Original
1. LENDING OPERATIONS				
1. Loans outstanding	11,585.8	11,014.3	9,373.5	8,293.0
2. Undisbursed Loans	4,490.1	4,463.2	5,301.0	4,855.3
3. Approved Loans	1,705.0	1,801.5	2,458.0	2,236.1
4. Disbursed Loans	1,430.8	2,208.2	1,868.8	1,339.8
5. Loan Repayments	767.0	543.1	617.2	568.6
6. Net disbursements	663.8	1,665.1	1,251.6	771.2
2. OTHER BANKING OPERATIONS				
1. Equity participations	525.0	438.6	309.8	291.0
2. Guarantees	73.8	14.3	10.4	2.3
3. LCs and other off BS credit commitments	0	0	0	0
4. Total banking exposure (BS & off BS)	12,184.6	11,467.2	9,693.7	8,586.3
5. Growth in total banking exposure (BS and off BS)	6.3	18.3	12.9	10.2
3. SUPPORT				
1. Share of AAA / AA shareholders in callable capital	28.63	28.66	47.65	41.46
2. Share of A / BBB shareholders in callable capital	21.37	21.26	22.73	19.11
3. Share of Speculative Grade shareholders in callable capital	50.00	50.08	29.63	39.42
4. Callable capital from shareholders rated AAA - AA / outstanding debt	133.2	130.1	125.7	74.6
5. Weighted Average Rating of Key Shareholders	BBB+	BBB+	A	A
6. Rating of callable capital ensuring full coverage of net debt	AAA	AAA	AAA	AAA
4. BREAKDOWN OF BANKING PORTFOLIO				
1. Loans to Sovereigns / Total Loans & Equity participations	74.62	75.24	78.06	77.98
2. Loans to Non Sovereigns / Total Loans & Equity Participations	21.05	20.93	18.74	18.63
3. Equity participation / Total Loans & Equity Participations	4.33	3.83	3.20	3.39
4. Non Sovereign Exposure (incl. guarantees)/Total Banking Exposure	25.2	24.7	21.9	22.0
5. CONCENTRATION MEASURES				
1. Largest exposure	2,432.0	2,165.8	1,971.3	1,827.6
2. Five largest exposures	7,423.3	7,089.9	6,084.8	5,250.3
3. Largest exposure / Equity (%)	41.71	40.57	40.40	37.95
4. Five largest exposures/ Equity (%)	127.33	132.81	124.72	109.02
5. Five largest exposures / Total Loans (%)	64.07	64.37	64.91	63.31
6. CREDIT RISK				
1. Average Rating of Loans	BB+	BB+	BB+	BB
2. Loans to Investment Grade Borrowers / Gross Loans	49.71	46.88	62.73	52.34
3. Share of Treasury Assets rated AAA-AA	94.2	84.7	90.0	90.9

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

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://www.fitchratings.com). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2014 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, New York, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

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