



Financial Presentation & Operational Analysis

AFRICAN DEVELOPMENT BANK GROUP

BUSAN, KOREA 2018



The world needs Africa to achieve the Sustainable Development Goals

... Unprecedented opportunities with the right mix of policies and resources

African Development Bank Group
'The voice of Africa'



Ensuring that strong growth performance
delivers structural change

Stands at the moment of truth for structural economic change

Now is the time to capitalize, from a position of strength

An increasingly important destination for global investors

Abundant opportunities across multiple asset classes

Filled with opportunities that the global investment world needs

Unleashing the energy of the private sector will catalyze the region and provide much needed higher returns

Has the potential to accelerate its own transformation

The High 5s focus on the implementation of projects that accelerate this revolutionary change

An emerging region increasingly integrated into the global landscape

Vast natural resources literally provide the fuel for development

A youthful and diverse continent teeming with life

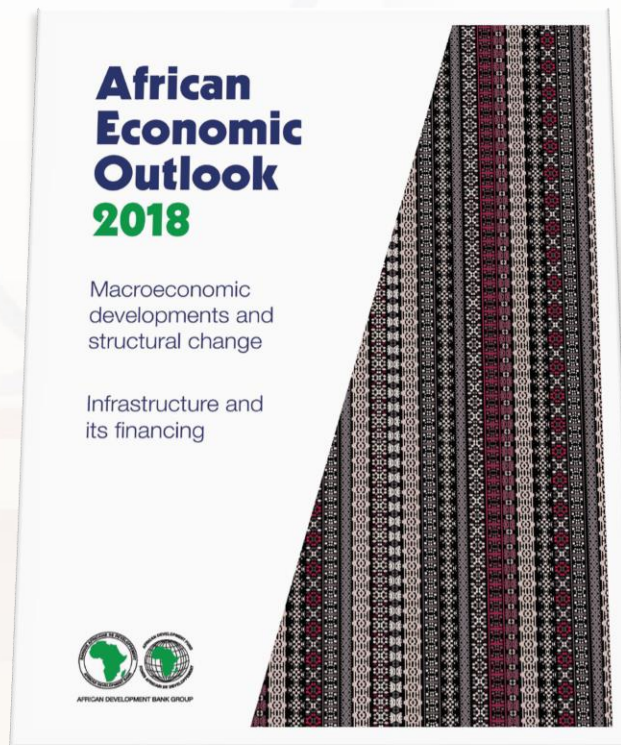
By 2050, Africa will be the only region with a growing working age population

Investments needed for solutions to global climate change

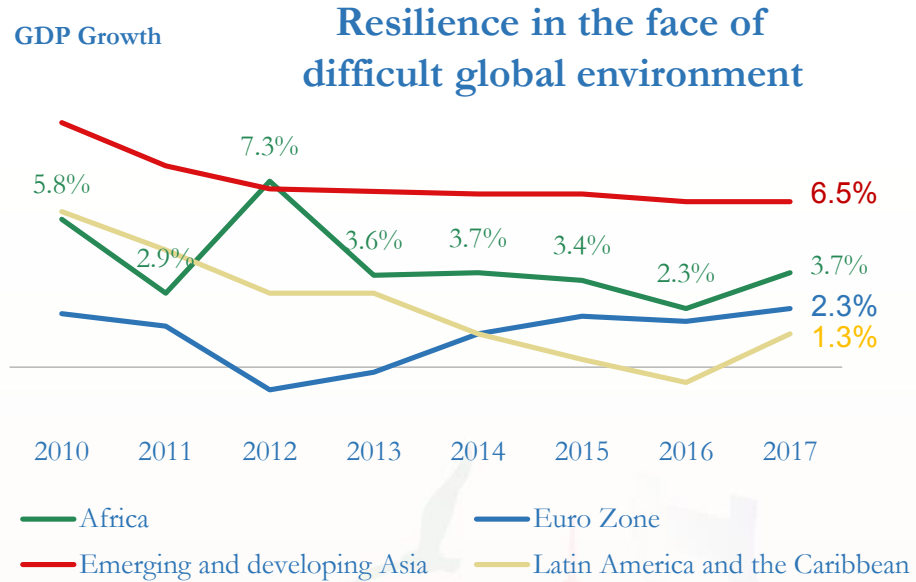
7 of the 10 countries most threatened by climate change are in Africa and solutions represent opportunities

The Bank Group is uniquely poised to drive Africa's development

Economic Outlook



Increased momentum of African economies



Improvements in agricultural production



Sustained domestic demand partly met by import substitution



Recovery in commodity prices, particularly oil and metals

Double-digit growth needed to achieve most SDG targets

Real output is up

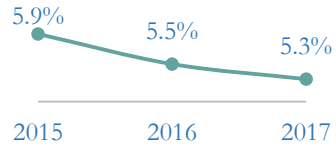
- Better macroeconomic management
- Improved global economic conditions
- Sensible policy frameworks

But challenges remain

- Slow changes in structure of production
- Commodity prices recovering but still below super-cycle levels
- Tightening of global financial conditions constraining global liquidity
- Political risks on the horizon
- Increase in protectionism

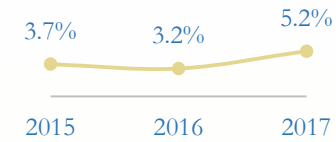
Jobless growth remains a concern

A promising growth outlook across the continent



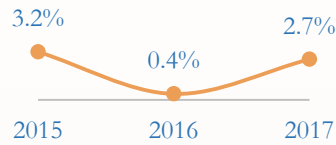
East Africa Leading the way

- Best performing region, led by Ethiopia, Djibouti, Rwanda, Uganda and Kenya, fueled by agriculture and industry sectors
- Encouraging projections for 2018 and 2019



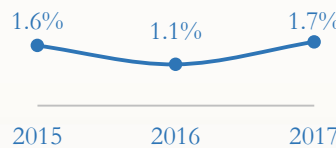
North Africa The second best performer

- Egypt, Libya, Morocco and Algeria contributed substantially to regional growth, driven by economic and fiscal reforms
- Positive outlook for 2018 and 2019



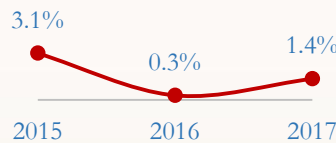
West Africa Progress in a contrasting panorama

- Performance dependent on commodities, hence vulnerable to price changes
- Growth acceleration expected in 2018 and 2019 as Nigeria consolidate gains, and Cote d'Ivoire, Ghana and Senegal contribute to regional growth expansion



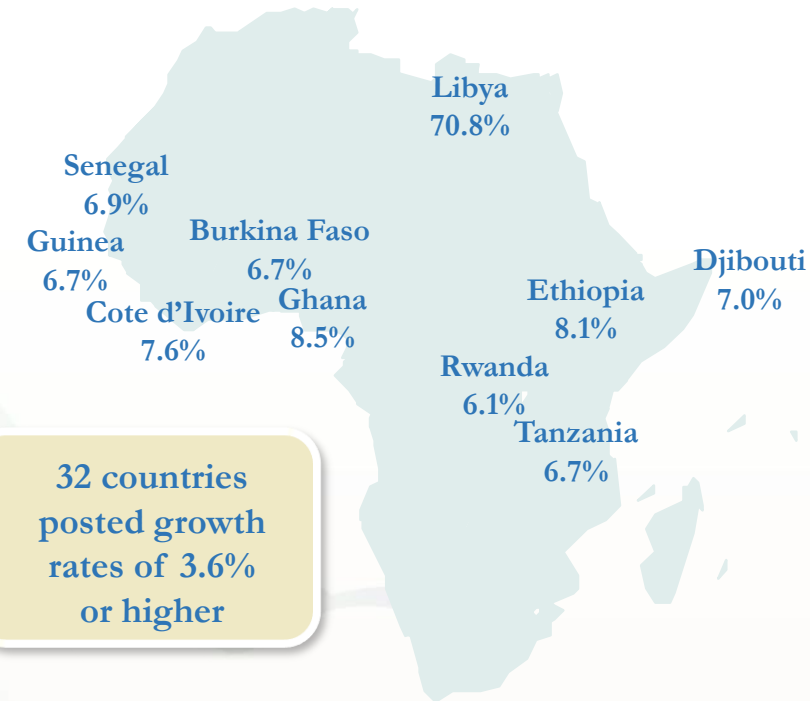
Southern Africa Growth below potential

- Botswana, Madagascar, Mozambique and Zambia lead growth, but South Africa, the region's economic powerhouse, performed below potential: services and industry sector's contribution increased, agriculture contracted due to drought
- Projections for 2018 and 2019: higher growth rates required for poverty reduction

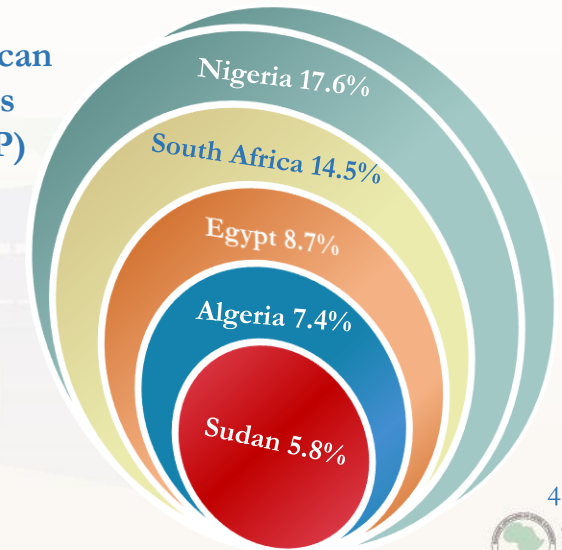


Central Africa A modest performance

- Underperformance as output contracted sharply in Republic of Congo and Equatorial Guinea
- Resilient regional economies to pave the way to improvement in 2018 and 2019



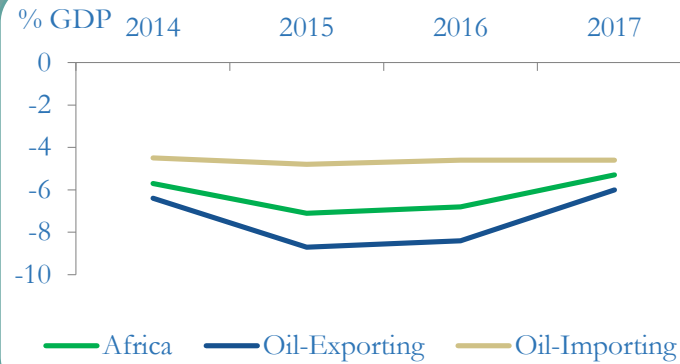
Largest African economies (% of GDP)



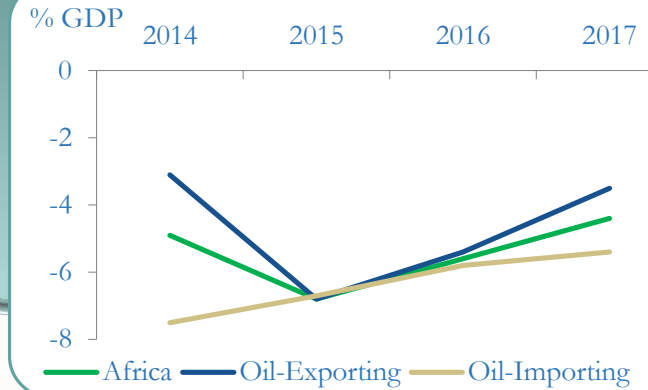
Most economies operating below full growth potential

Positive economic trends, deep-seated issues

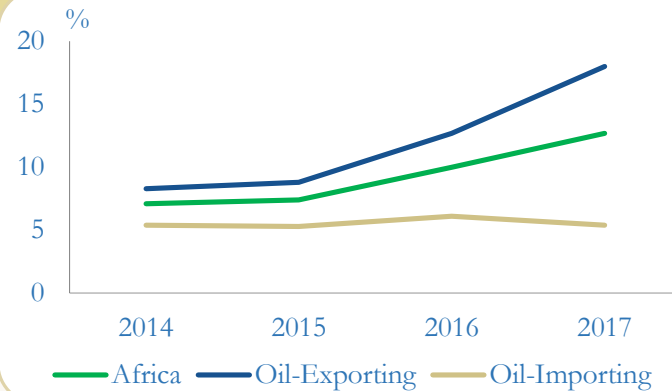
Fiscal deficits, including grants, narrowed



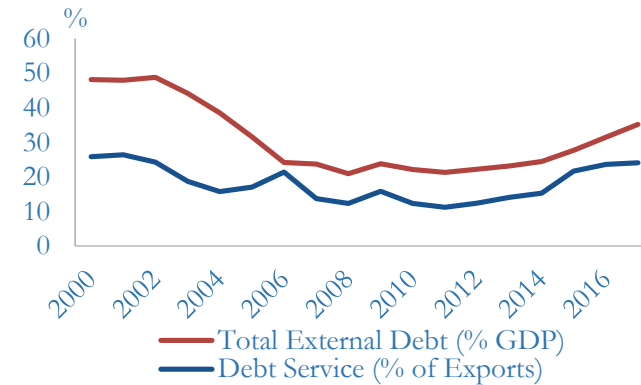
Current account positions leave some countries too exposed



Sharp increase in inflation fueled by depreciation in exchange rates and previous widening of fiscal deficits



Debt-distress risk low or moderate for 60% of African economies



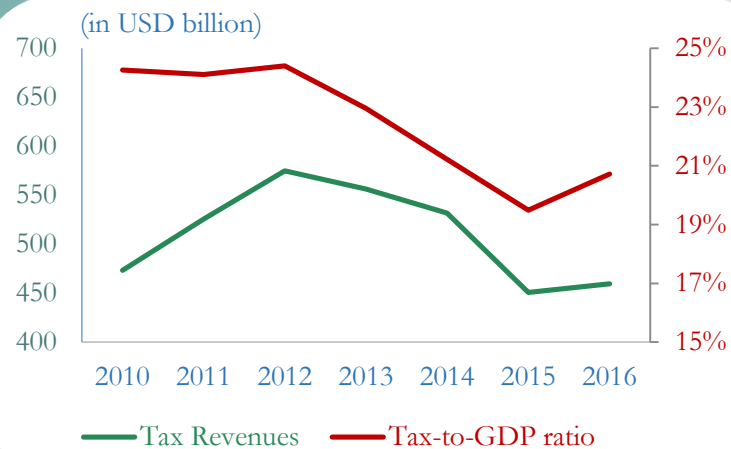
But external debt ratio needs to be monitored carefully



A critical need to improve domestic resource mobilization



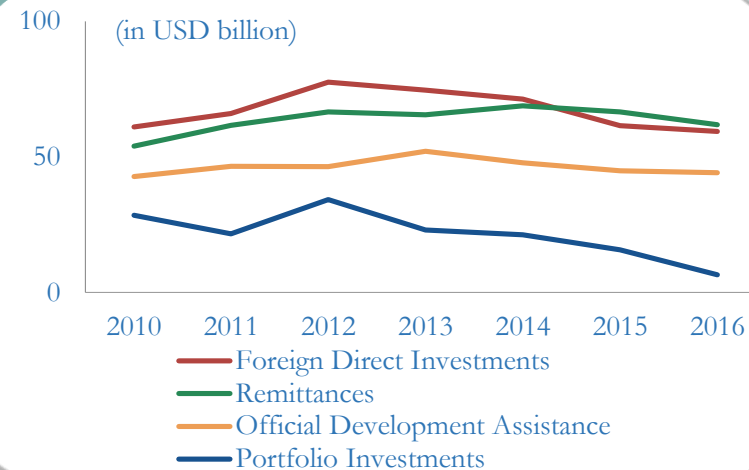
Tax-to-GDP ratio still below 25% threshold



Additional tax reforms and better revenue regimes needed



Heavy dependence on foreign resources



Rationalizing public expenditure to preserve socio-economic outcomes

Foreign Direct Investments driven by extractive, infrastructure and consumer-oriented industries

Remittances, which remain the most stable source of flows

Official Development Assistance gradually declining

Portfolio investments still volatile and scarce, lack of depth in some capital markets

...essential to funding recurrent and capital funding needs

Africa, the next investment frontier

Urgent need for structural transformation to accelerate economic diversification

Policies to empower the poor

- Improve regulatory environment
- Subsidize wages
- Attract foreign investment



Job creation

- Shift toward labor-intensive industries
- Modernize agricultural sector
- Enter into global value chains



Investment in infrastructure

- Critical for sustainable growth and inclusive development



Annual infrastructure needs

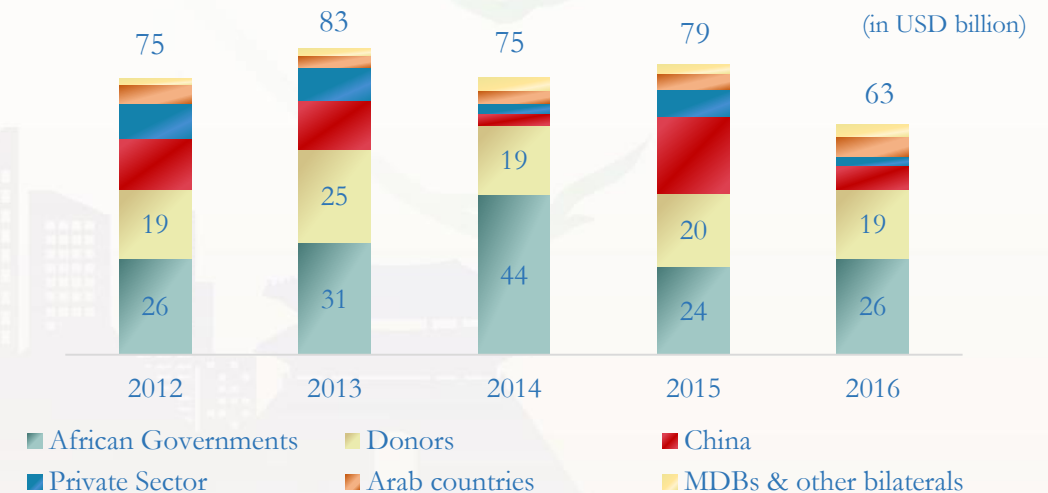
USD 130-170 billion

Annual financing gap

USD 68-108 billion

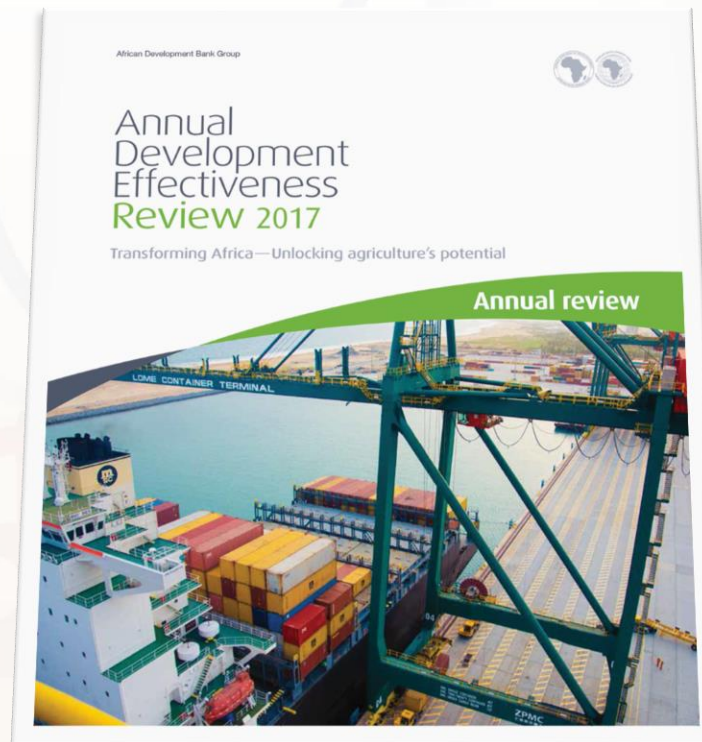
While the global economy boasts hundreds of trillions of dollars of savings chasing investment opportunities

Yet infrastructure finance declined in recent years



Africa has the potential to capitalize on its strengths

Bank Group Operations



The High 5s – A compelling opportunity to accelerate Africa's transformation

If the SDGs are not met in Africa, they will not be met globally

Priority areas



The High 5s will help Africa achieve close to 90% of the United Nation's Sustainable Development Goals (SDGs) and are intrinsically linked to the African Union's Agenda 2063



Delivering on the Bank's Ten Year Strategy to achieve inclusive growth and help Africa gradually transition to green growth

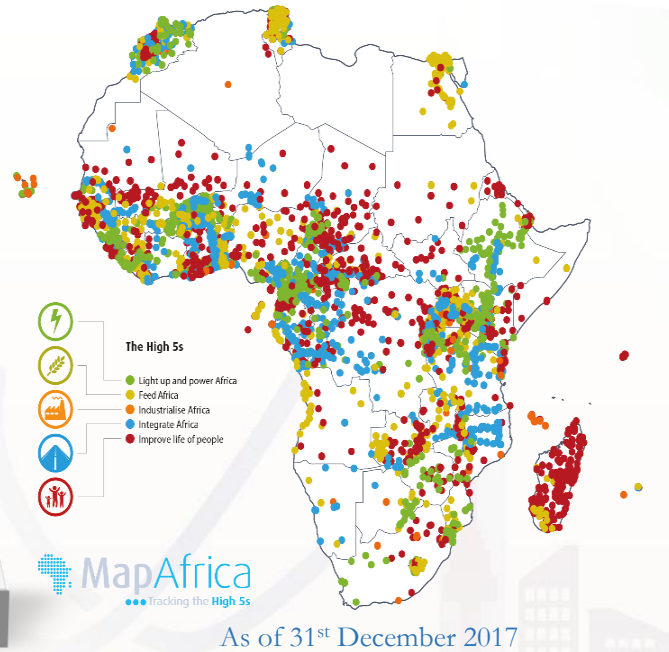
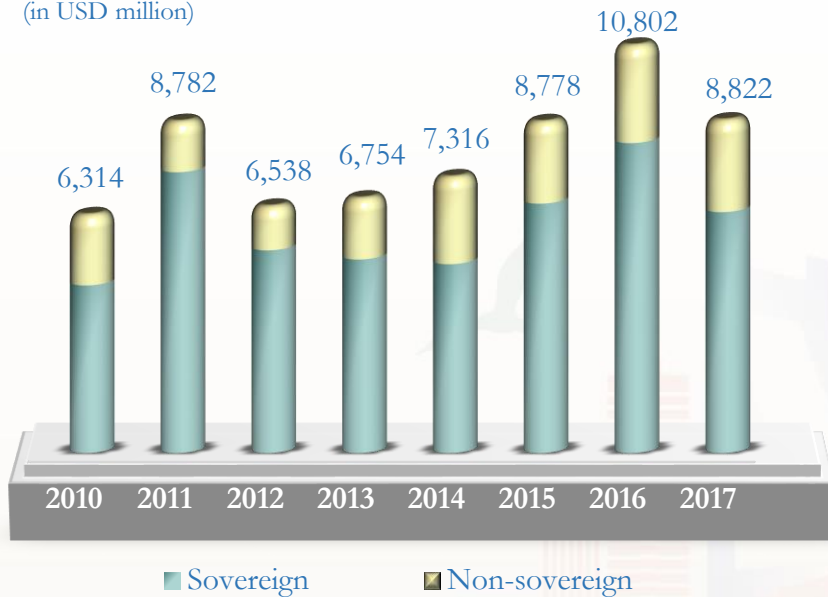
A clear and vital mission in Africa

Bank Group portfolio of USD 52 billion

Impact delivery from projects
completed in 2017

Bank Group approvals

(in USD million)



Over 1,000 operations financed
since 2010

2017 approvals aligned to the High 5s, across 249 operations

Helped **8.5 million people** with improvements
in agriculture

Achieved **460 MW** of new power capacity installed
with 33% renewable

Built or rehabilitated **2,500 km** of roads

Eased access to financial services for **210,000
owner-operators** and small businesses

Provided **8.3 million people** with improved
access to water and sanitation

Created **1.5 million direct new jobs**

Reduced **157,000 tons of CO₂**

Provided **14 million people** with improved
access to transport



Africa's power potential waiting to be unleashed

Fractured social and economic development

<p>Only 51% of Africa's population have access to electricity</p>	<p>Close to 70% of rural areas not connected to electricity grid</p>
<p>Around 600 million Africans trapped in energy poverty</p>	<p>Hundreds of thousands dying annually from using wood-burning stoves for cooking</p>
<p>Only around 30% of the population has access to clean cooking solutions</p>	<p>Power shortages and high energy tariffs cost around 2-4% of annual GDP</p>

Leapfrogging to a low-carbon growth pathway



Abundant energy resources and ample reserves of fossil fuels, but an even more extensive renewable energy potential



10 million MW of solar power potential



110,000 MW of wind power potential with installed capacity to rise from 4,100 MW today to around 80,000 MW by 2030



350,000 MW of hydro power potential and projects with combined capacity of 17,000 MW under construction



15,000 MW of geothermal potential and 600 MW currently installed with 96% in Kenya



In 2017, Africa reached **176,000 Megawatts (MW)** of installed capacity, equivalent to close to **90% of Germany's** capacity

Let there be light





Empowering with transformational energy projects

CAMEROON

Nachtigal Hydro Power Project
Generation of clean, reliable and affordable power

Project Cost: EUR 1.1 billion

AfDB Financing: EUR 150 million

Objectives: Construction of a 420 MW greenfield run-of-the-river hydro power plant on the Sanaga River, in South Cameroon

Expected outcomes:

- Clean, reliable and affordable power
- Increase Cameroon's capacity by a third and meet the continuing electricity demand growth while supporting industrial expansion
- Reduction of 1.35 million tons of CO₂ per year
- 1,500 temporary jobs during construction and 75 permanent during 30-year operation



NIGERIA-NIGER-BURKINA FASO-BENIN

Northcore Regional Power Interconnection Project
Support regional power system integration in West Africa

Project Cost: USD 730 million

AfDB Financing: USD 160 million

Objectives: Build 842 km of transmission lines from Nigeria to Burkina Faso through Benin and Niger

Expected outcomes:

- Increase power exchange among the 4 countries from 330,000 to 1,350,000 MWh/per year
- 243,000 tons of CO₂ emissions avoided per year
- Reduction in the cost of electricity ranging from 10% to 30%
- Rural electrification for 540,000 people, spread over 294 communities

2017 approvals key expected achievements

**USD 1.7 billion
approvals for Light
Up and Power
Africa in 2017**

800,000
electricity connections
benefiting
3.8 million
people

**1,400 MW additional
capacity exclusively
from renewable energy**

**3.2 million tons
of CO₂ avoided
annually**

**9,000 jobs to be
created during
construction**

**2,700 km of
transmission lines
and 4,300 km of
distribution**



Climate change: the greatest enemy

Of the 10 countries in the world most threatened by climate change, 7 are in Africa...
...Yet Africa only received 4% of global climate finance

Acute climate risks

Extreme weather
will increase

Droughts, flooding,
heat stress

Disease and
malnutrition

Rising sea levels
threaten waterfront cities

Farmers' yields will fall

Fisheries
under threat

Impact on energy
generation

Water resources
may dwindle

The Bank's second Climate Change Action Plan 2016-2020

- Committed to tripling climate finance to 40% of lending portfolio
- Mainstreaming climate change and green growth into all Bank investments by 2020
- Mobilizing additional global climate finance in Africa and reach parity between adaptation and mitigation

USD 2.35 billion
in climate
finance
approvals in 2017

Partnering with global climate funds



- Supporting African countries through a platform launched at COP23
- Fostering long-term climate action
- Mobilizing means for implementation
- Ensuring coordination, Advocacy and Partnerships



Africa Nationally
Determined Contributions
Hub

- Multi-donor fund
- Scaling up countries' access to climate finance in line with nationally determined contributions
- 8 projects (USD 3.3 million) approved benefiting 26+ countries and 20+ projects in pipeline



Africa Climate
Change Fund

- Multi-donor trust fund
- Supporting African countries building resilience to the impacts of climate change
- EUR 20 million for climate and disaster risk management projects, EUR 13 million for climate adaptation programs



Climate for Development in
Africa Special Fund
Initiative

- Multilateral fund
- Assisting African countries to mobilize and apply resources for water and sanitation
- Providing support in strengthening water governance, meeting water needs, improving water knowledge



African Water
Facility

Embracing a climate-resilient, low-carbon development and green growth in Africa





The green revolution: making Africa food-secure and prosperous

Africa, the world's last frontier of agriculture development

- 65% of world's uncultivated arable land
- 25% of the most fertile land
- 10% of renewable water resources

A focused response



2017 approvals: USD 1.2 billion across 50 operations

Surmountable challenges

- Low productivity, inadequate production technologies
- Stunted commodity value chains
- Insecure land tenure, weak policy and regulatory environment
- Increased climate change, climate variability
- Lack of access to finance
- High dependency on food imports: two-thirds of all calories consumed are imported at the staggering cost of USD 35 billion

5 flagship programs launched in 2017

Technologies for African Agricultural Transformation	Post-Harvest Losses and Agro-Processing	Leadership for Agriculture	"Say No to Famine"	Transformation of African Savannah Initiative
Boost agricultural productivity by delivering proven technologies to millions of farmers	Increase the efficiency of post-harvest systems	Engage policymakers, technical experts, private sector and community champions for dialogue, advocacy and policy formulation to pursue agricultural transformation, with financial support of Rockefeller Foundation	Respond with leadership and agility to the humanitarian crisis caused by prolonged drought in several countries	Cultivate 2 million hectares of savannah across 8 countries by 2025



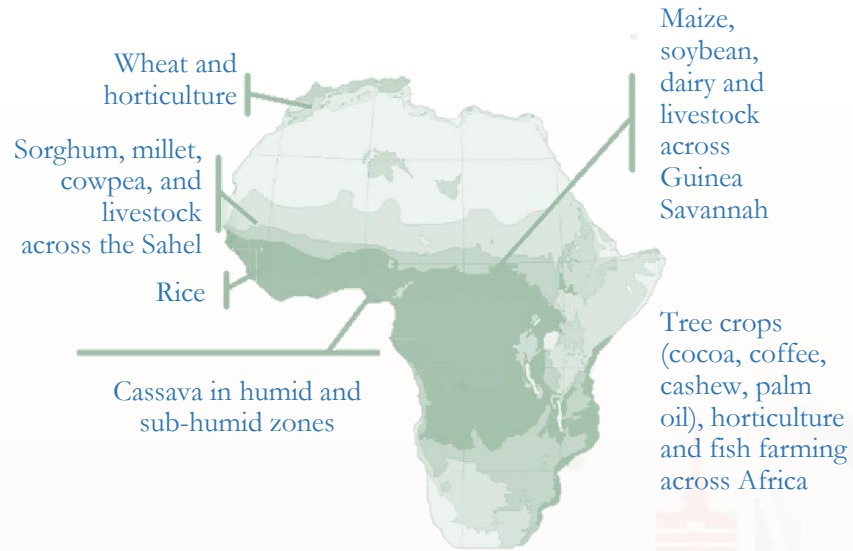
Most of Africa's farming is smallholder-based and led by women





Agricultural transformation – harvesting the future

Priority commodities and agro-ecological zones



Selected development impact in 2017

46,000 hectares
of land with improved
water management

1,700 tons of agricultural
inputs, including fertilizer
and seeds supplied



GABON

Graine Program
Support Project –
Phase I (PAPG1)

Project Cost: EUR 116 million

AfDB Financing: EUR 99 million

Objectives: Creation of agricultural
development zones in various
provinces

Expected Outcomes:

- Increased production (cassava, plantain, tomato, pepper and palm seeds) by 275,000 tons
- Doubling of commercial operators income
- Creation of more than 5,100 permanent jobs and 17,300 temporary ones



ANGOLA

Cabinda Province
Agriculture Value
Chains Development
Project

Project Cost: USD 123 million

AfDB Financing: USD 101 million

Objectives: Increase food and
nutrition security and farmers'
incomes through improved
agricultural output and
value addition

Expected Outcomes:

- 51,000 beneficiaries
- Greater infrastructure: 191 km of roads, 54 km of power supply networks, 750 hectares of irrigation systems, 16 boreholes for water supply, a primary school and medical facilities, in 4 municipalities



NAMIBIA

Agricultural
Mechanism and
Seed Improvement
Project

Project Cost: ZAR 1.4 billion

AfDB Financing: ZAR 1 billion

Objectives: Enhancement of
agricultural productivity to reduce
imports of staple cereal crops and
grains, creation of jobs and
improvement in the lives of
rural population

Expected Outcomes:

- Increased maize and pearl millet production by 47x and 40x times respectively
- Reduced annual imports of grain cereal by 30%
- Beneficiaries: around 300,000 farmers
- 111,000 jobs to be created



Industrialization, the passport to prosperity

Strategic pillars

Fostering successful industrial policies

Catalyzing funding into infrastructure and industry projects

Expanding liquid capital markets

Promoting and driving small and medium enterprise development

Promoting strategic partnerships in Africa

Developing efficient industry clusters across the continent

Delivering the Bank's Industrialize Africa strategy

- Provide technical assistance to governments and funding of key Public-Private Partnership projects
- Increase and channel funding into GDP catalytic programs
- Improve access to market finance for African enterprises
- Create sustainable jobs and increase productivity
- Grow co-financing and mobilize private sector investment
- USD 1.2 billion approvals in 2017
- USD 473 million approved for African Export-Import Bank

Madagascar Economic Competitiveness Support Program – Phase 1

Bank Financing: USD 46 million

Objectives: Establishment of special economic zones

Expected outcomes:

- Boost public and private investments
- Increase value addition
- Creation of 100,000 jobs during the implementation phase

Instrumental to create employment, boost productivity and sustained growth





Now is the time to industrialize

Ethiopia - Increasing the production capacity of Derba Midroc Cement plant

Approved in 2015 and completed in 2017

Project cost: USD 350 million

AfDB financing: USD 55 million

Realized outcomes:

- Increased production capacity from 1.7 to 12 million tons annually, meeting country's cement needs and allowing exports
- Employed 740 permanent workers
- 70% drop in cement price
- Strongly boosted the local construction sector
- Distributed locally 40% of energy produced by the 5 MW power plant built at the cement plant
- Provided schools and training for local SMEs
- Constructed a hospital, healthcare facilities

Highest urbanization rate in the world

Second most attractive investment destination with services and manufacturing leading over extractive industries

The world's youngest workforce by 2025

Growing consumer market and middle class, largely untapped consumer market of 1.2 billion people

Boke, Guinea – Boosting production in the world's largest reserve of bauxite

Project cost: USD 1.4 billion

AfDB financing: USD 400 million

Objectives: Boost in government revenue, exports and local employment

Expected outcomes:

- Establishment of Guinea as a leading producer and exporter of bauxite with annual production capacity of 12 million tons
- Employment of 3,500 workers during construction and 350 staff and 400 contractors during the operation phase
- Development of a container terminal to boost traffic and unlock regional trading and agricultural potential

Robust industrialization critical to achieving prosperity



Recognizing the primacy of the private sector

AfDB boosting intra-African trade

Trade finance programs

Risk participation agreements

Soft commodities facilities

SME program

Lines of credit to financial institutions to on-lend to SMEs at comparatively low rates

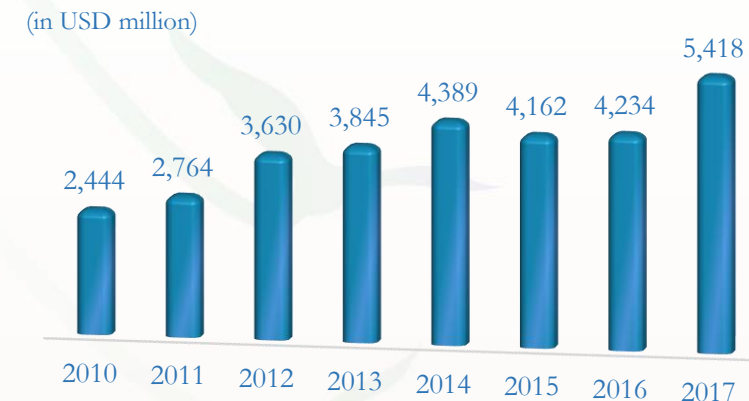
The pillars of our strategy

Improve investment and business climate by helping strengthen the legal and regulatory environment

Enhance access to social and economic infrastructure

Foster enterprise development by improving access to finance and addressing the value chain gap and skills shortages

Growing footprint in Africa's private sector



■ Outstanding non-sovereign operations

Delivery of the High 5s will be private-sector driven and public-sector enabled

The Africa Investment Forum



Africa's Premier
Investment Market Place

Leveraging strategic alliances to scale-up private investments into the continent

A transactional and multi-disciplinary platform

- Bringing together AfDB and global multilateral financial institutions to de-risk investments at scale
- Scaling-up project preparation facilities and tools
- Leveraging investments strategically into Africa
- Catalyzing investments into projects to help the High 5 agenda
- Promoting projects for co-investments and blended finance
- Providing effective risk-mitigation instruments
- Addressing policy and regulatory issues

November 7-9, 2018
Johannesburg, South Africa

- **Private sector:** banks, insurance companies, private equity and venture capital firms, impact investors, pension funds, project developers
- **Government officials:** Heads of State and Government, Ministers of Finance, Central Bank Governors, Sovereign Wealth Funds
- **Multilateral development finance institutions**

Bridging the financing gap

Project
preparation

Investment promotion
attracting institutional
and non-traditional
investors

Pipeline
development

Policy and regulatory
environment,
fostering investment-
friendly regulation

Co-guarantee platform with
multilateral financial institutions,
export credit agencies, insurance
companies to de-risk private
sector investments at scale





Regional integration, a collective responsibility

Addressing the issues through enhanced regional development and cooperation

Low trade

Only 14% of African trade (compared to 50% in Asia) is intra-regional and exports remain skewed towards raw minerals

- Increase infrastructure and ICT connectivity, trade and investments, financial markets development and integration
- Ensure deeper integration to increase intra-Africa trade to about 50% by 2045

Lack of connectivity

Billions of dollars in potential trade lost annually

- Strengthen trade corridors to enable business development, job creation and higher flows of goods, services and people

High costs

High trade costs with small and fragmented markets, and transport costs a multiple of those in other developing regions

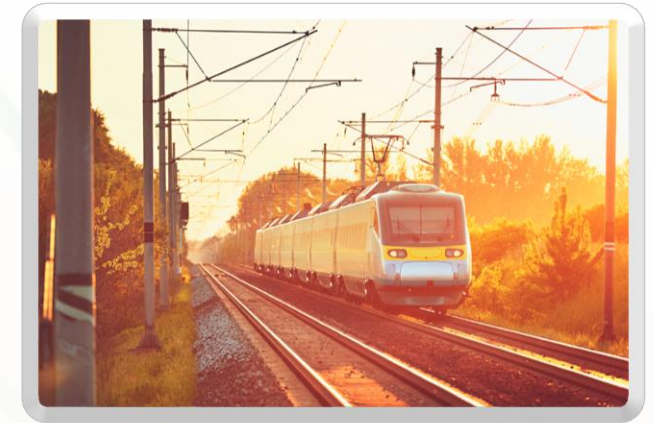
- Create larger, more attractive and competitive markets, with higher productive capacity

Limited travel

Inter-country travel in Africa hindered by visas on arrival given in only 25% of countries

- Lead several continent-wide initiatives targeting expansion of hard infrastructure and reform of soft infrastructure
- Connect the continent with more open travel policies

54 countries, with 16 landlocked, most with low population density, poor infrastructure and impervious borders



African firms struggle to reach competitive economies of scale

Deeper integration should attract greater private investments, expand regional markets and engagement in global value chains



Financing an interconnected Africa

Strategic pillars

Improving transportation connectivity

- USD 253 million Uganda–Kenya corridor and Eldoret bypass in Kenya project to boost regional trade in East-African Community
- USD 54 million reconstruction of Coyah-Farmoreah border road between Guinea and Sierra Leone
- USD 78 million construction of bridge over Logone River between Cameroon and Chad

Integrating financial and telecommunications markets

To strengthen financial markets and stock exchanges and encourage remittances to channel more capital for development

Facilitating trade and investments

- Simplified trade regime for small cross-border traders subject to double taxation between Angola and Zambia
- One-stop border post between Zambia and Angola at Jimbe to facilitate cross-border trade and benefit local SMEs by linking them to established firms in regional value chains

Continental Free Trade Area

- A single continental market for goods and services, with the free movement of business people and investments
- A milestone promising a larger, connected market with the Bank at the forefront providing technical and financial support

312 km
of cross-border roads
built or rehabilitated,
across 13 countries

USD 615 million
approvals in 2017



Air Cote d'Ivoire's Modernization and Fleet Expansion Project

Project cost: EUR 253 million
AfDB financing: EUR 115 million

Expected outcomes:

- Greater job creation, trade, tourism and private sector development
- Opening of new routes
- Increased cargo freight by 35% and passenger traffic from 3 to 8 million by 2026
- Lower costs, reduced ticket prices





Changing people's lives is the core of the Bank's work

ETHIOPIA

Support the One Water, Sanitation and Hygiene National Program

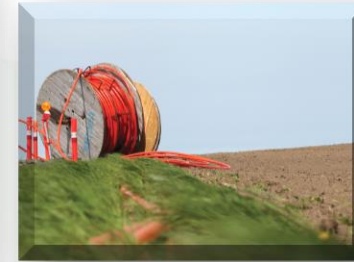
Project Cost: USD 500 million

AfDB Financing: USD 97 million

Objectives: Expansion of access to water supply, sanitation and hygiene facilities in rural areas hit by drought in the Horn of Africa

Expected outcomes:

- Improved livelihoods of 3 million people
- Higher employment
- Greater resilience to climate change
- 8,000 constructed or rehabilitated water schemes



TUNISIA

'Digital Tunisia 2020' National Strategic Plan
- Human and social development

Project Cost: EUR 135 million

AfDB Financing: EUR 72 million

Objectives: Establishment of ministerial information systems (e-finance, e-justice, e-local government, etc.) and all platforms that guarantee an e-government functionality

Expected outcomes:

- Extended digital technology use in secondary schools from 20% in 2016 to 26% in 2022
- Creation of 5,000 jobs

CENTRAL AFRICAN REPUBLIC

Central Africa Fiber Optic Backbone project -
Information and Communication Technology (ICT)

Project Cost: USD 37 million

AfDB Financing: USD 19 million

Objectives: Laying of 1,000 km of cable to boost ICT connectivity

Expected outcomes:

- Expanded internet access to at least 20% of the population
- Increased ICT sector's contribution to government revenue from 10% in 2015 to 15% by 2021
- At least 20,000 beneficiaries

SENEGAL

Dakar–Diamniadio–Blaise
Diagne Airport Regional
Express Train (TER), Phase 1 -
Urban development

Project Cost: EUR 867 million

AfDB Financing:
EUR 183 million

Objectives: 55 km Regional
Express Train from Dakar to
Blaise Diagne International
Airport

Expected outcomes:

- 113,000 passengers per day
- Beneficiaries: users of transport services and 3.5 million people in project area
- Reduced travel time from 108 to 45 minutes by 2019
- 337,000 tons of CO₂ avoided at project completion
- Creation of 75,000 jobs

Creating productive jobs for the youth to unlock the demographic dividend



Gender equality, a social and economic imperative

Strengthening textile and clothing value chain from cotton farms to retail shelves - *Fashionomics*



Supporting growth of African food and cuisine value chain, from farmers to chefs - *FoodCuisine*



Launching of *AfDB/ECA Africa Gender Index* to gauge how women are faring alongside male counterparts in economic, social and political representation

Developing online *gender data portal*

A focused approach

- Legal status and property rights for women
- Economic empowerment for women
- Knowledge and capacity building

Mainstreaming gender across Bank operations

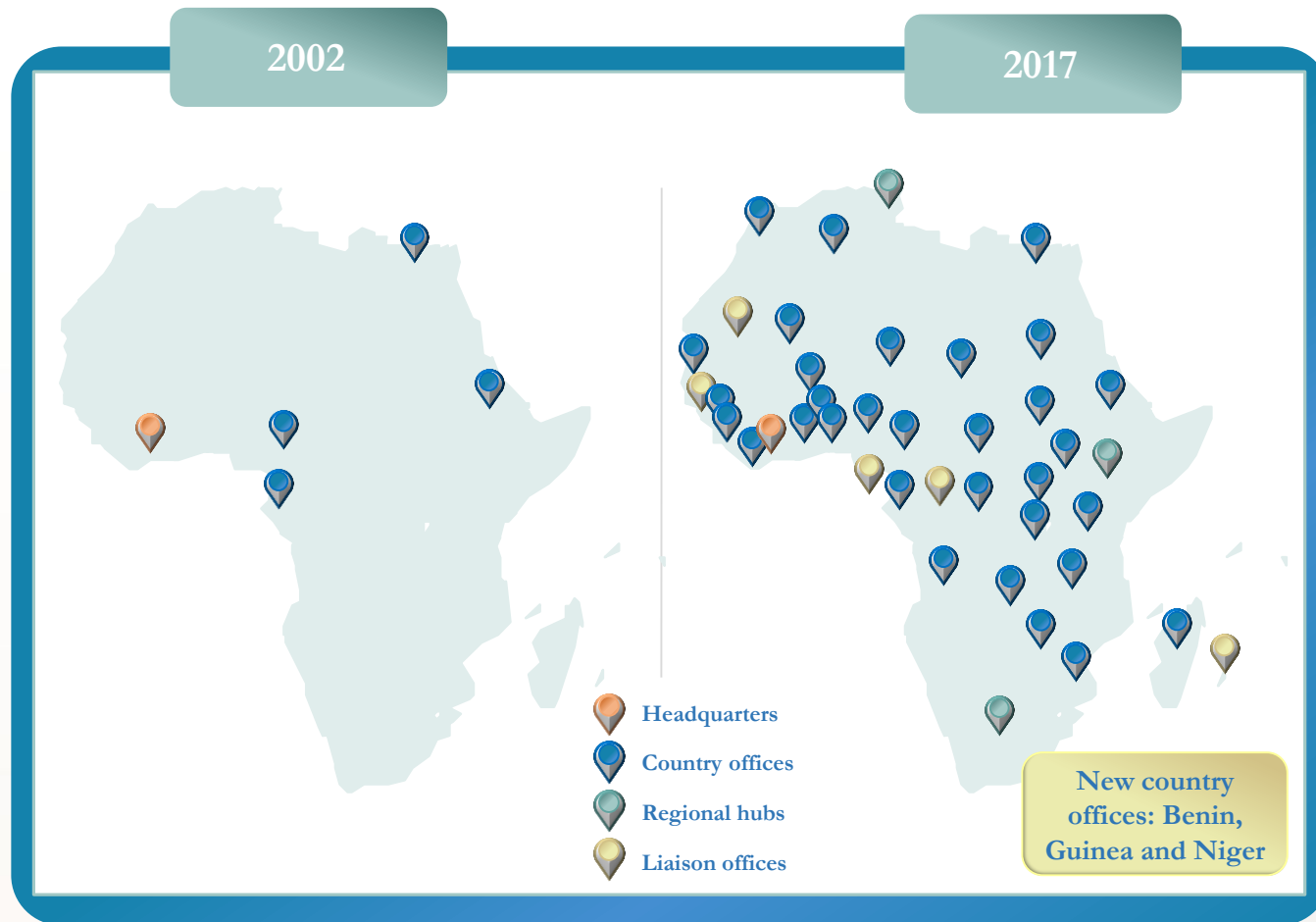
- Gender Marker System approved to categorize operations based on their impact on gender equality
- Gender Specialists deployed in regional hubs to support projects from design to implementation
- Toolkits and guidelines developed to guide task managers in mainstreaming gender in projects

Affirmative Finance Action for Women in Africa

- Pan-African initiative to close gender financing gap and scale-up support for women's enterprises
- Targeting a diversity of women in business: from small-scale farmers to large enterprises owned or operated by women
- Built on 3 main pillars: Finance, Technical Assistance, Enabling environment



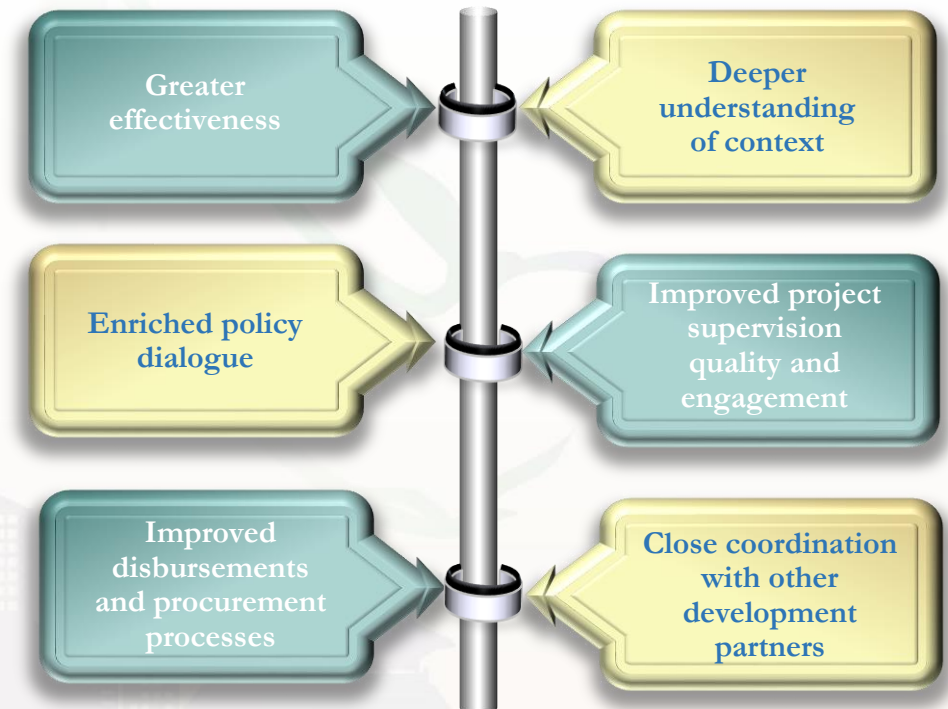
Closer to clients for bespoke solutions



Strong presence in 41 countries, expanded to fragile states

- 39% of Bank staff working in field offices
- 76% of projects managed from those field offices

Ideally placed to identify unique needs of each country



African Legal Support Facility, ensuring fair negotiations

The ALSF was established by Treaty in 2008 to serve Regional Member Countries



Hosted by the African Development Bank

60 members, including 53 states, and 7 international organizations

Protection against inadequate local legal capacity, improper legal representation, vulture fund litigation, poorly-drafted concessions agreements and investment contracts

Infrastructure, Mining and Energy

Agreements/Contract negotiation support signed through ALSF in 2017

- Simandou Mining Project Restructuring in Guinea
- Corbetti Geothermal Project in Ethiopia
- Bugesera Airport in Rwanda

Sovereign Debt

Guinea-Bissau vs China Exim Bank – Debt Restructuring Advisory Services – Signed in 2017

- ✓ Assisted Government by responding to a creditor litigation suit brought by Export-Import Bank of China
- ✓ Helped Government settle dispute out of court, facilitated settlement and debt restructuring negotiations
- ✓ As a result, outstanding debt reduced from USD 50 million to USD 5 million, resulting in savings of about 22% of annual budget for Guinea-Bissau

Democratic Republic of Congo (DRC) vs FG Hemisphere - Vulture Fund Litigation, judgement issued in 2013

- ✓ Assisting DRC in defending litigation claims issued by a vulture fund in 8 jurisdictions
- ✓ Allowed DRC to successfully win appeals in New York and Paris courts
- ✓ In New York Court appeal, judgement resulted in savings of over USD 100 million for DRC

Agriculture

Liberia - Firestone Natural Rubber Company - signed in 2017

- ✓ Firestone is the largest employer and exporter in Liberia, responsible for the livelihoods of over 80,000 people. It operates rubber farms, woods, constructs electric power plants and 120 housing communities with schools, and a medical clinic for employees
- ✓ Before intervention, Firestone was considering shutting down operations and laying-off people
- ✓ Through ALSF interventions, Government able to save jobs and secure tax revenues

Crowding-in resources through co-financing and partnerships

AFIF



EUR 2.2 billion

Africa Investment Facility: a co-financing partnership with the European Union that combines loans, grants, technical assistance and equity investments to support transformational projects

Japan



USD 6 billion

Government of Japan launched Japan-Africa Energy Initiative to provide concessional and non-concessional finance to support New Deal on Energy for Africa

AGTF



USD 2 billion

Africa Growing Together Fund: a co-financing facility with China to support sovereign and non-sovereign projects in infrastructure, transport, energy and water

AFD



EUR 1.5 billion

A co-financing agreement with Agence Française de Développement to support projects focusing on renewable energy and climate finance, transport and agriculture

South Korea



USD 620 million

A co-financing agreement with Korea Exim Bank to provide loans for sovereign operations, targeting energy, infrastructure, water, ICT, green growth, agriculture and human development



A responsive and effective partner

Increased demand for African Development Bank resources in a dynamic environment

Growing number of countries reaching middle-income status

Providing selective access to Bank resources for countries with sound macroeconomic position and sustainable debt profile

Supporting our clients, however challenging the environment

- ▶ Graduation to ADB:
Cape Verde (2011)
Angola (2012)
Congo (2014)
Nigeria (2014)
- ▶ Graduation to blend financing:
Cameroon (2014)
Zambia (2014)
Kenya (2015)
Senegal (2018)

- ▶ ADF countries currently benefiting from access to the Bank's sovereign financing window: Benin, Burkina Faso, Côte d'Ivoire, Rwanda, Tanzania, Uganda
- ▶ Approvals of USD 2.6 billion (2014-2017)

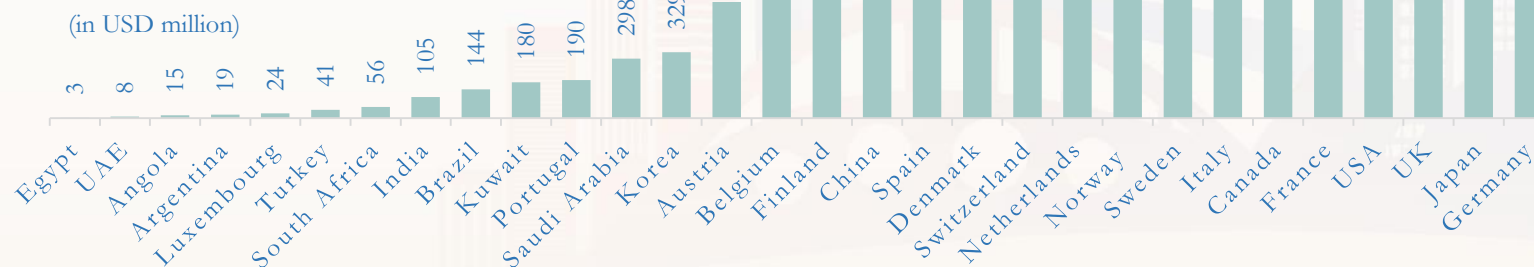
- ▶ The Arab Spring - Downgrades of some of the Bank's larger clients
- ▶ Commodity price slump
- ▶ Depreciation of local currencies

Focus on the African Development Fund

Official Development Assistance, a key source of funding for long-term sustainability



* Angola, Cameroon, Ethiopia, Ghana, Cote d'Ivoire, Kenya, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Zambia

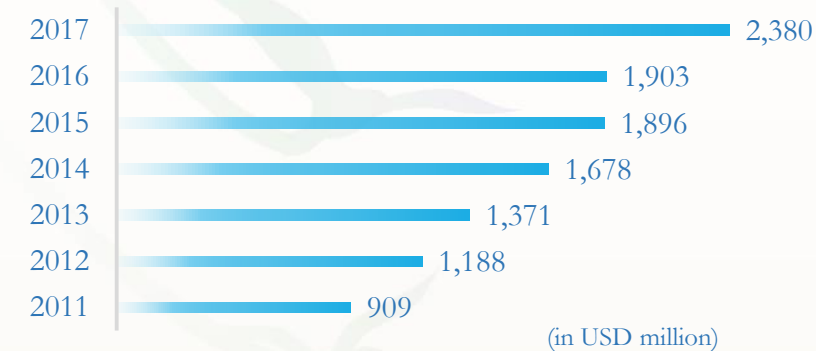


Donor contributions to ADF

(as of 31st December 2017)

The ADF working group is exploring viable financial innovations to provide more development resources and increase effectiveness

Outstanding private sector operations in ADF countries *



* Excluding blend countries

The Private Sector Credit Enhancement Facility is an ADF-funded, arms-length, off-balance-sheet vehicle, allowing scaling-up of private sector interventions in high-risk, low-income countries

African Development Bank, Financial Profile



A very strong financial profile at the service of Africa

FitchRatings

MOODY'S

STANDARD
& POOR'S

JCR Japan Credit Rating Agency, Ltd.

**AAA re-affirmed with
a stable outlook**

A key investment driver
for bond investors

Cost-effective resources
mobilized in global
capital markets

Attractive and
sustainable loan pricing
for clients

Exceptional access to
funding, even in times of
market distress

Facilitates crowding-in
of private sector investors

**The pillars of
our AAA rating**

Strong
capitalization

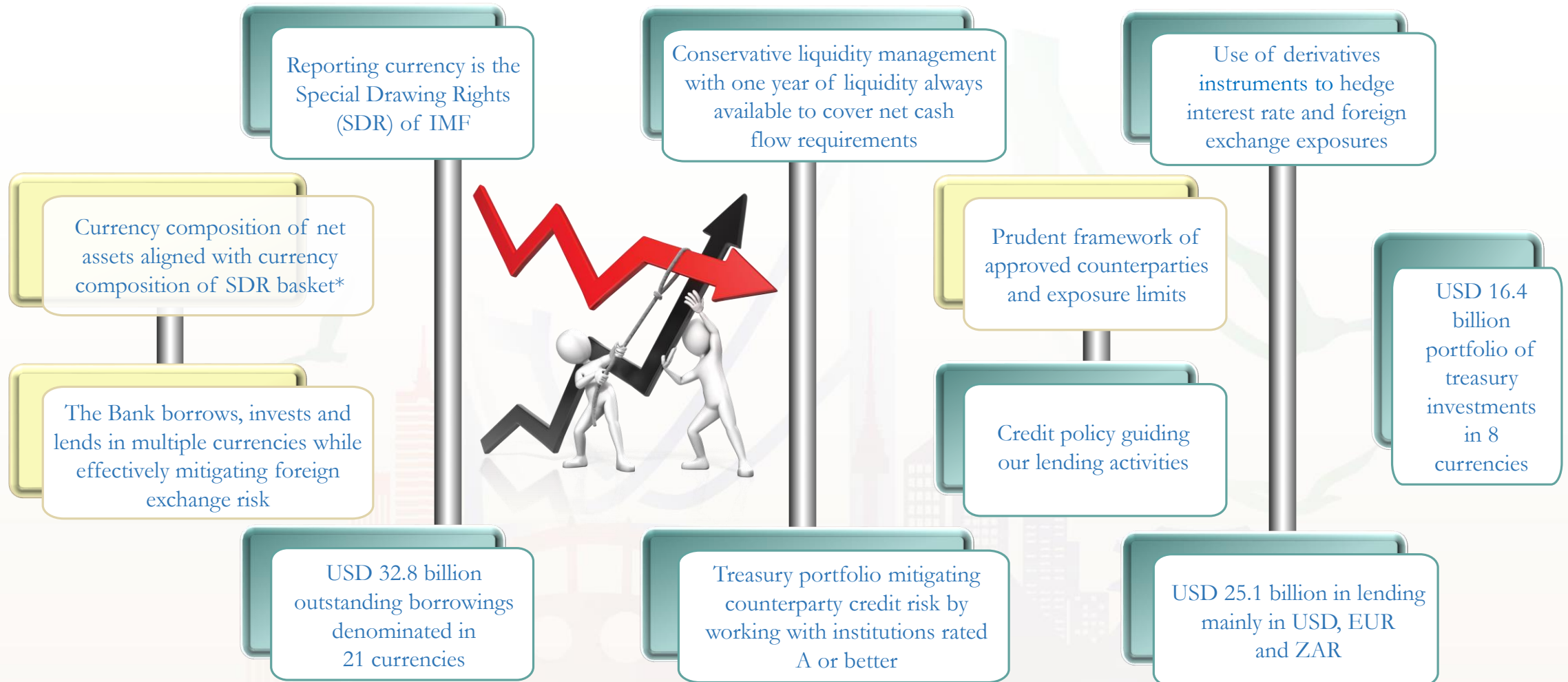
Prudent
financial & risk
management
policies

Excellent
liquidity

Preferred
Creditor
Status

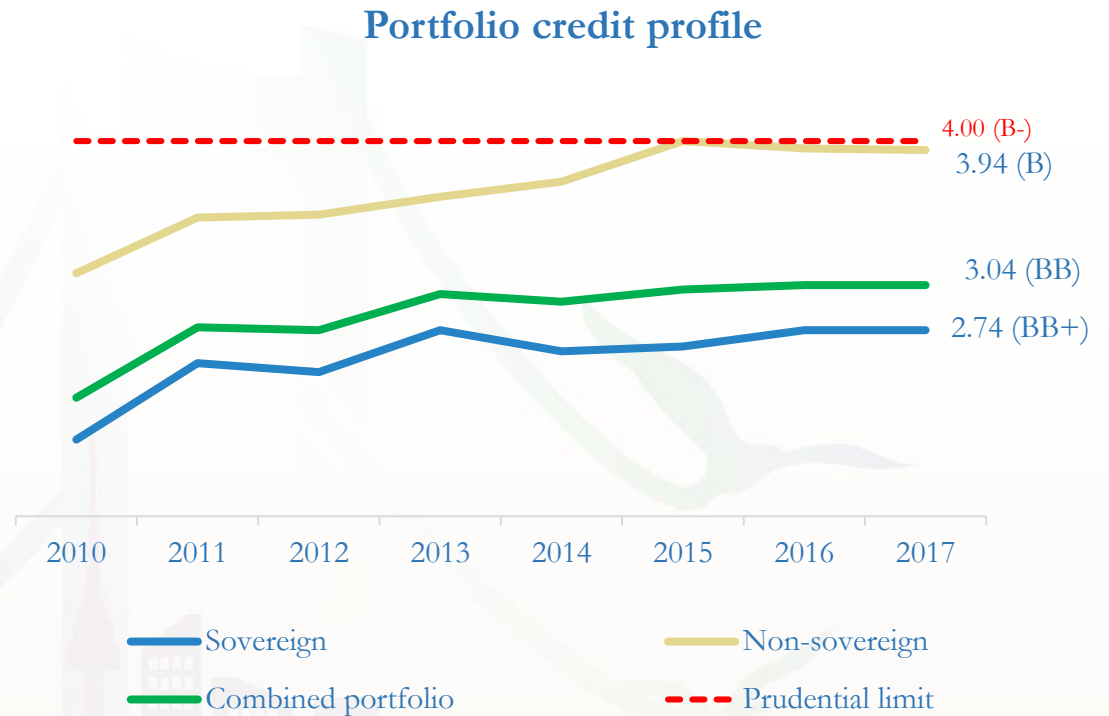
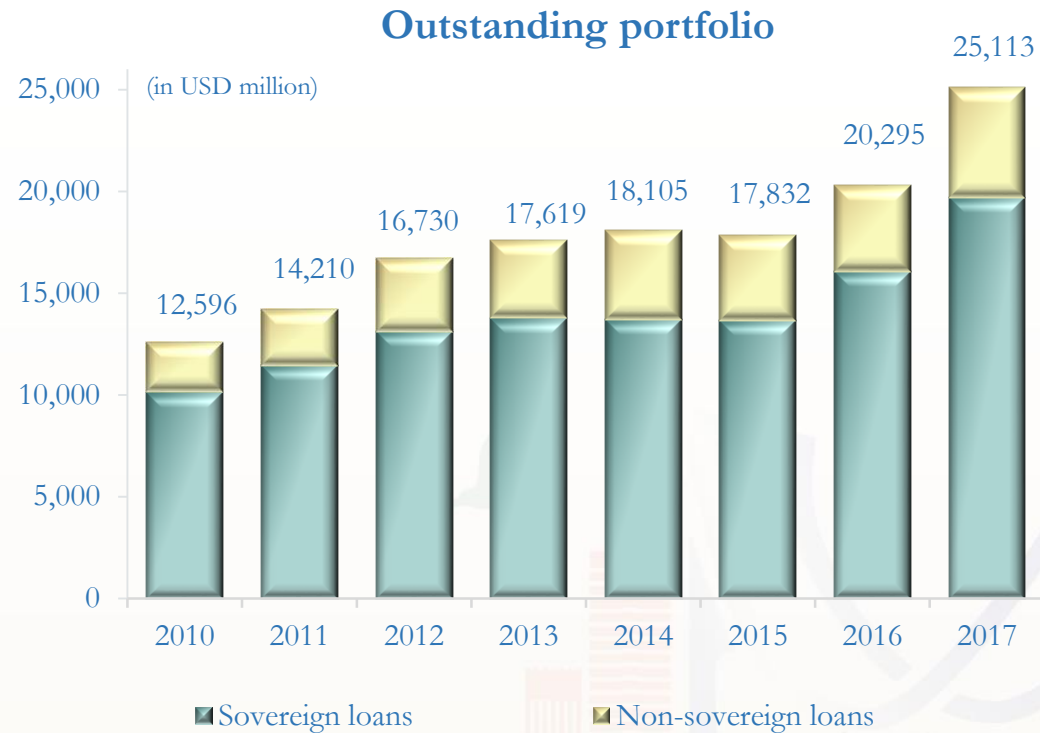
Extraordinary
shareholder
support

Prudent risk management policies consistent with our rating



* Composed of USD, EUR, JPY, GBP, RMB

A clearly defined risk appetite for lending to the continent



The Bank's risk appetite statement
 Weighted Average Risk Rating of the Bank's
 lending portfolio target range between BB+ and B-

Prudent credit portfolio risk management to enable maximum development impact

Capital base, the foundation supporting the Bank's mission

Risk capital reinforced by on-going capital payments and income transfer to reserves

(in USD million)



USD 1,024 million additional paid-in capital expected over 2018-2026 will reinforce capital position

Risks assumed through development operations entirely covered by risk capital

(in USD million)



*Diversification benefit stems from correlation between risks
 **After adjustments for valuations of equity investments and borrowings

Development-related exposures consumed 73% of capital

2015 Exposure Exchange Agreement had positive impact of 3.8% on Risk Capital Utilization Rate in 2017

Private Sector Credit Enhancement facility funded by ADF increased risk capital base by 1% in 2017

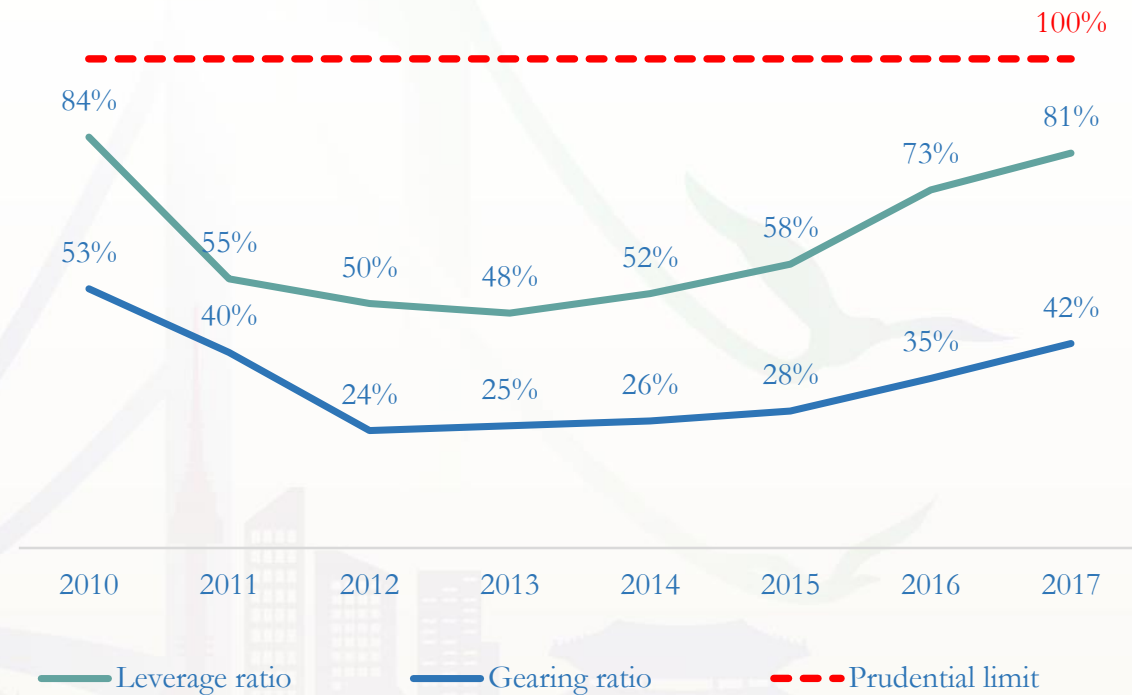
Prudential ratios closely monitored to protect stakeholders

Leverage ratio: Maximum capacity to borrow should not exceed the usable capital (i.e. sum of callable capital of members rated A- or better, plus reserves and paid-in capital)

Positive impact of 6th General Capital Increase

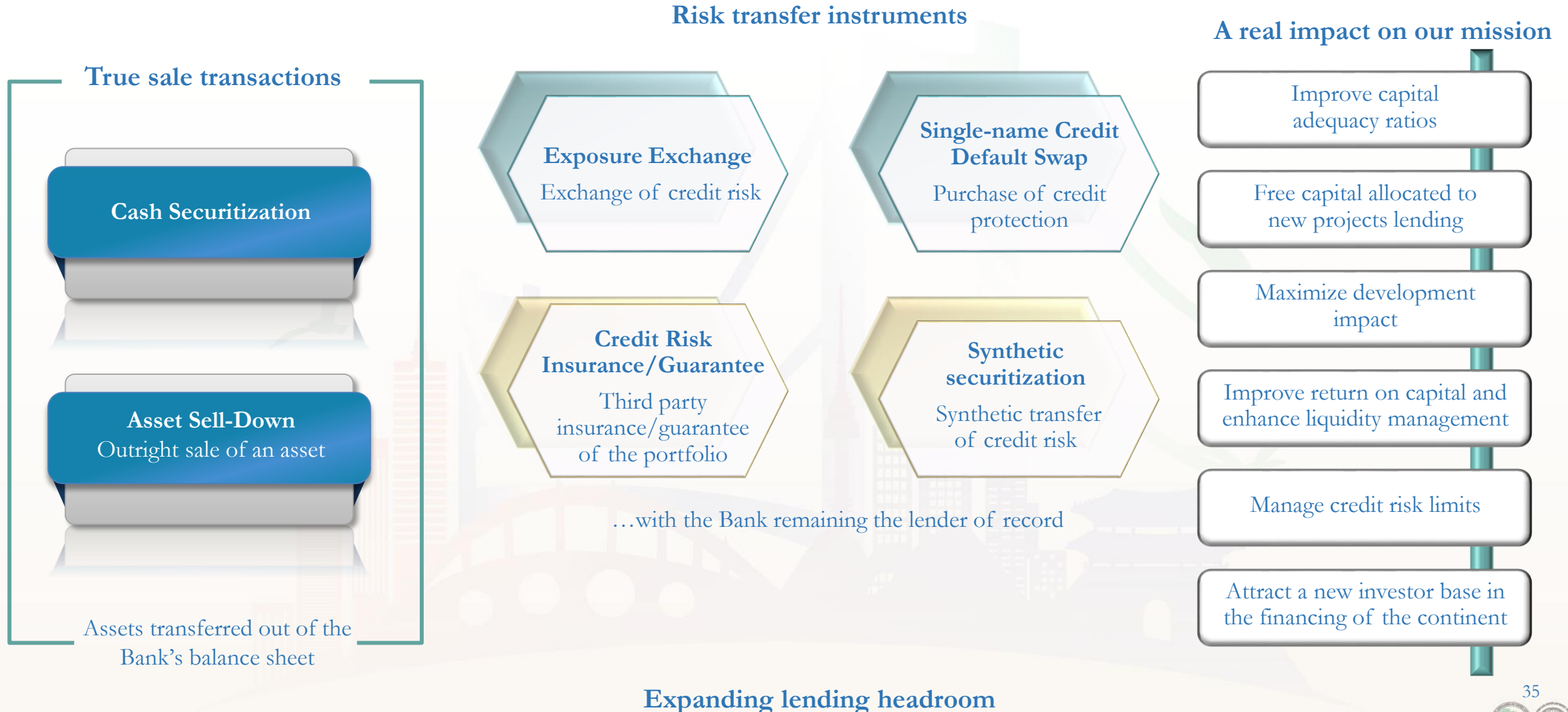
Gearing ratio: Maximum capacity to lend should not exceed the sum of unimpaired subscribed capital plus reserves and surplus

Key prudential ratios remain within statutory thresholds



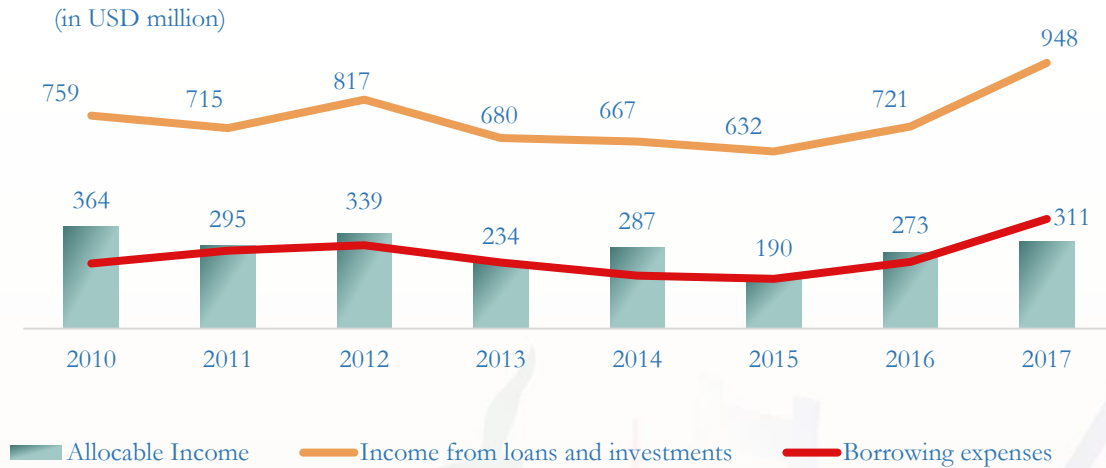
Outstanding debt of USD 33 billion fully covered by total usable capital of USD 41 billion

Redeploying capital for the High 5s with balance sheet optimization



A profitable institution operating in a challenging environment

A solid Bank with a strong performance

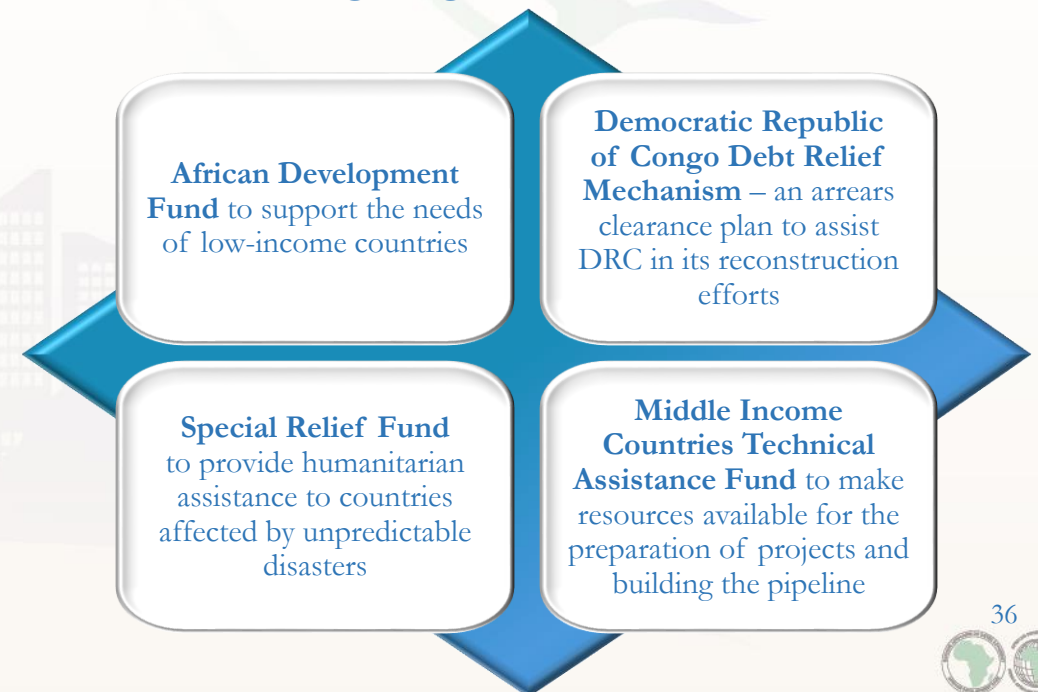


USD 2.2 billion in income earned since 2010

Highest transfer to reserves in 2017 to support business growth

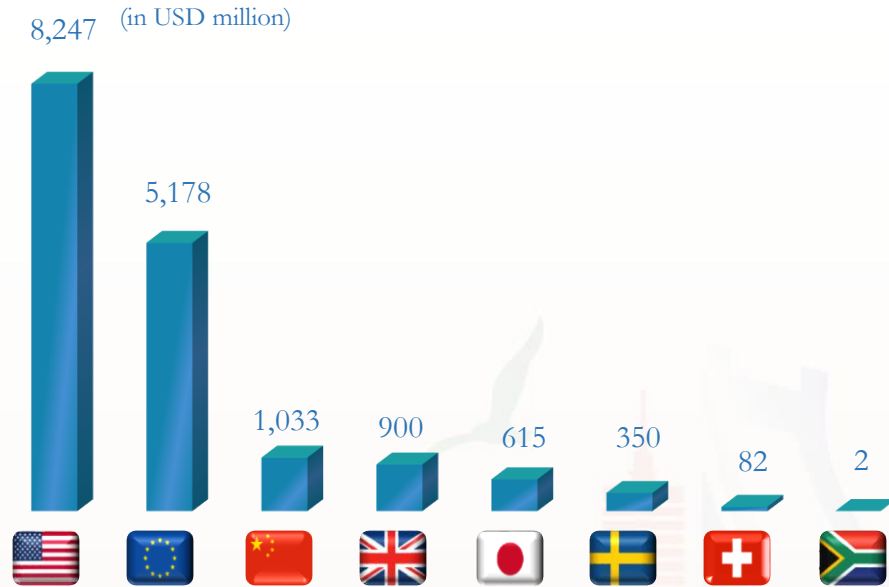
Distributions	2010-2017	2017
To reserves	USD 1,050 million	USD 189 million (proposed)
To key development initiatives	USD 1,169 million	USD 121 million (proposed)

Reinvesting for greater development impact



Conservative investment strategy underpins our strong liquidity profile

USD 16.4 billion multi-currency portfolio



(As of 31st December 2017)

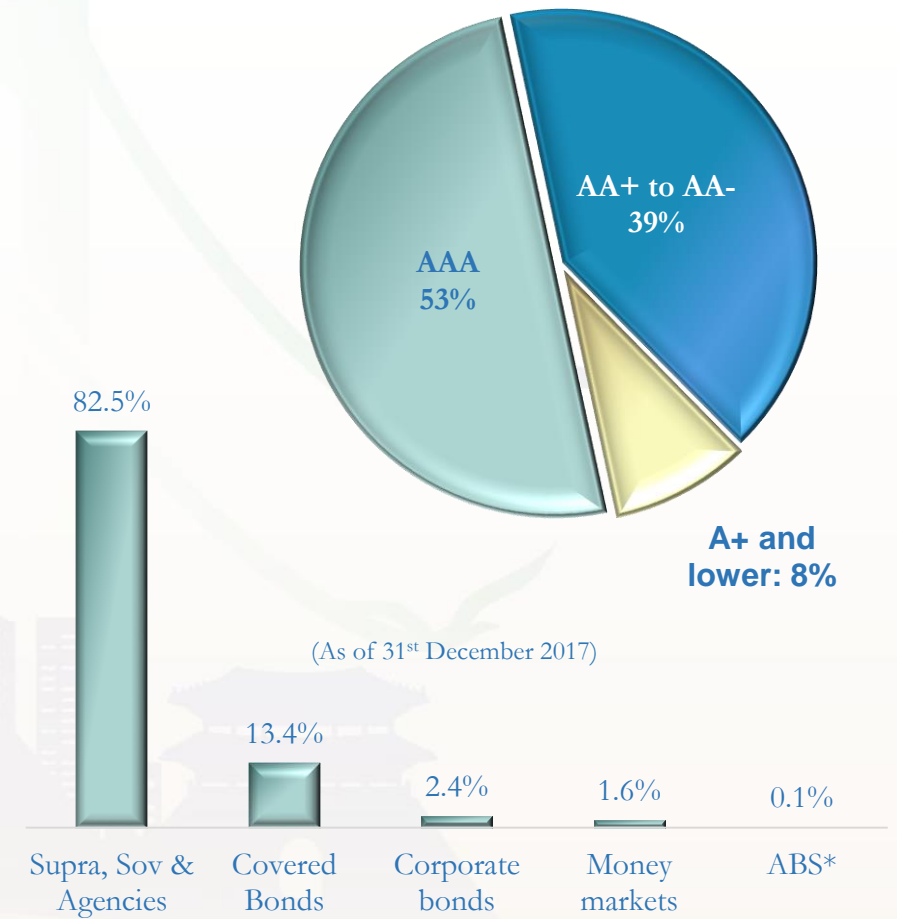
Investment Strategy

Capital
preservation

Liquidity

Return

High quality treasury investments



(As of 31st December 2017)

Held-at-fair-value
trading portfolio of
USD 9.5 billion to
meet short-term
liquidity needs

Two treasury sub-portfolios

Held-at-amortized-
cost portfolio of USD
6.8 billion to stabilize
net interest margin

* Asset-Backed Securities



Capital Market Activities

GlobalCapital

[News & Data ▾](#)[The Weekly](#)[Bank Profiles](#)[Special Reports](#)[Polls & Awards](#)

SSA - SUPRANATIONALS & AGENCIES

AfDB impresses with sub-Libor dollar threes as swap spreads rise

The African Development Bank was awash with superlatives from SSA bankers watching on jealously as it printed a \$2bn March 2021 global through mid-swaps on Wednesday. The supranational — like other SSAs in dollars this week — benefited from widening swap spreads that some analysts believe have further to go.

By Craig McGlashan 04:30 PM

Leads **Bank of America Merrill Lynch, Barclays, BMO Capital Markets, Nomura** and **TD Securities** set the spread on the bond at minus 1bp when orders topped \$4bn (excluding those from the leads), with the book later closing at over \$4.25bn. Guidance was swaps ...

Leveraging our AAA rating to meet Africa's needs

A diversified funding profile in multiple markets and currencies across the world

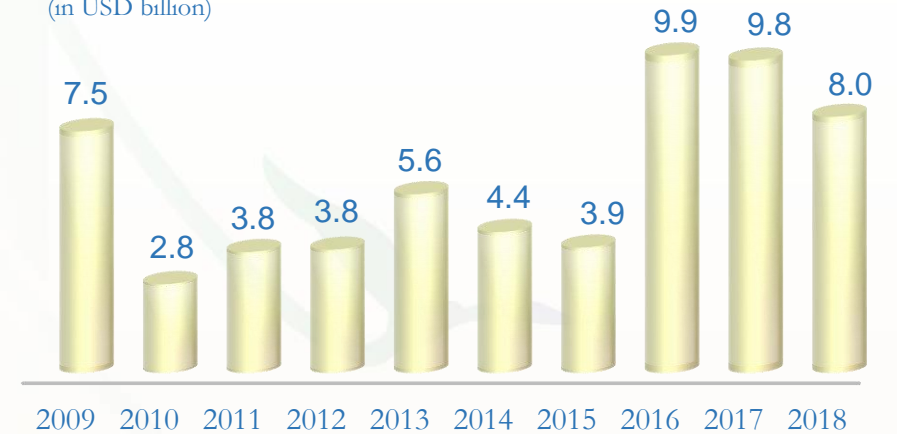
Outstanding
borrowings
of USD
32.8 billion

(As of 31st
December 2017)



Borrowing program

(in USD billion)



Maintaining a strong
track record in
issuing liquid global
benchmarks

Catering to the
needs of Socially
Responsible
Investors

Deepening and
widening our
investor base across
the world

Promoting
African capital
markets

**STANDARD
& POOR'S**

“AfDB’s funding profile remains very diverse in
terms of investor base, currency and maturity”
Standard & Poor’s, July 2017

Attracting competitive funding levels for the benefit of the continent

Larger size USD benchmarks seal widespread name recognition

Strategic repositioning as a more liquid issuer

March 2017

October 2017

March 2018

AAA rating and strong fundamentals

High quality of execution

High quality order books

Secondary market performance

Strong developmental mission



3-year USD 2.5 billion
1.875% due Mar 2020

US Treasuries + 25.8 bps
Midswaps + 3 bps

BAML/Daiwa/Goldman
Sachs/JP Morgan/
TD Securities

**Largest
ever AfDB
Transaction**



5-year USD 2 billion
2.125% due Nov 2022

US Treasuries + 19.3 bps
Midswaps + 12 bps

Barclays/BNP/Citigroup/
JP Morgan/Wells Fargo

**Largest
ever 5-year
USD
benchmark
Issuance**



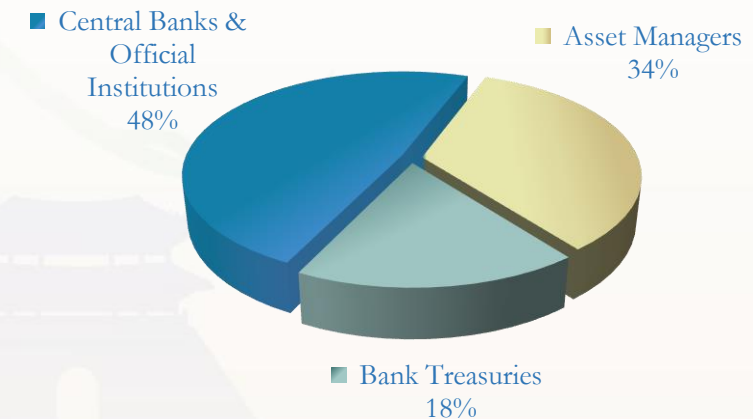
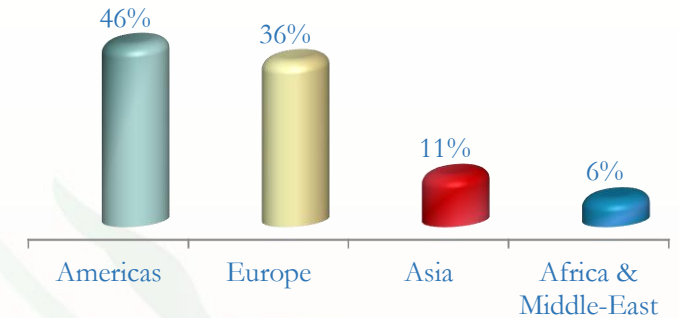
3-year USD 2 billion
2.625% due Mar 2021

US Treasuries + 26.3 bps
Midswaps -1 bp

BAML/Barclays/BMO/
Nomura/TD

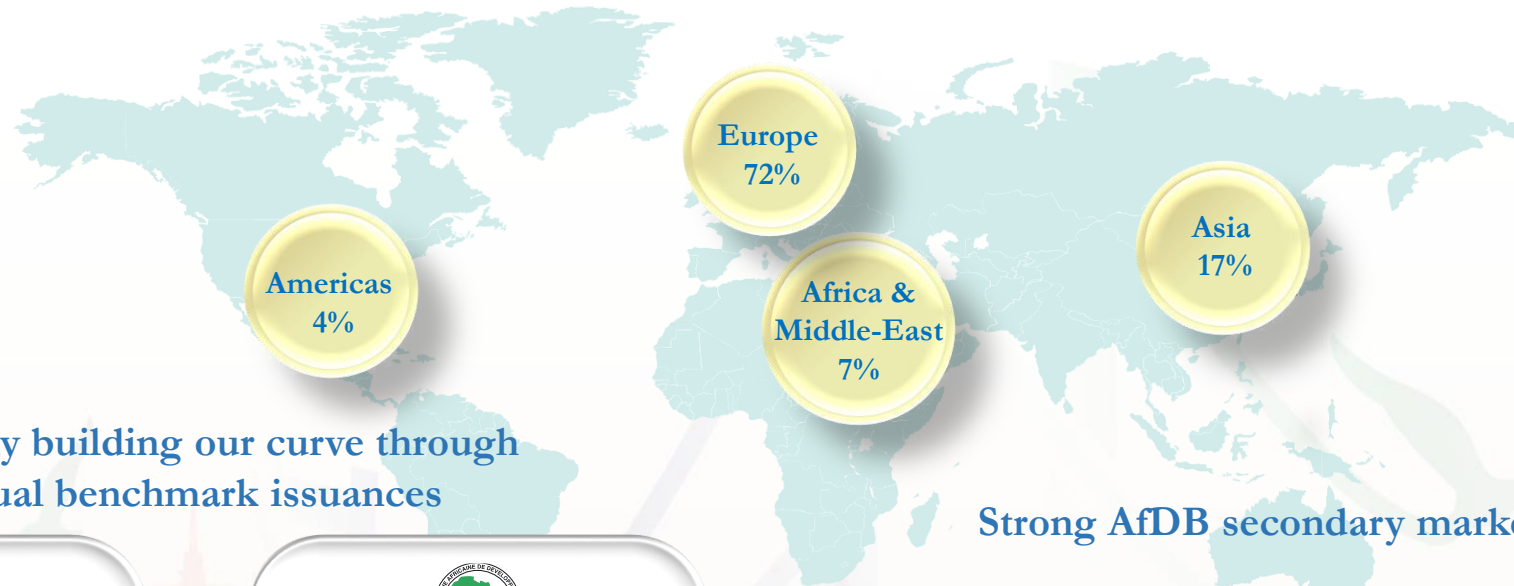
**GlobalCapital
BondMarker
Top Scorer
Q1 2018**

...Deepening and widening the Bank's investor base



Euro issuance, expanding our footprint

Attracting new investors



Gradually building our curve through annual benchmark issuances

Inaugural
EUR
benchmark



10-year
EUR 750 million
0.125% due Oct 2026

Bund + 29.5 bps
OAT + 3 bps
Midswaps – 10 bps

Barclays/Goldman Sachs/
Societe Generale

October 2016



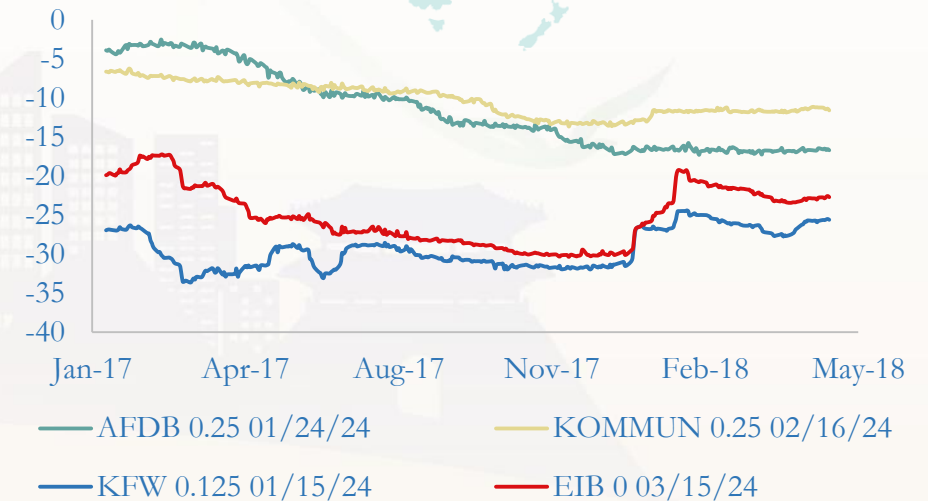
7-year
EUR 1 billion
0.25% due Jan 2024

Bund + 45.5 bps
OAT + 8 bps
Midswaps – 3 bps

Barclays/Natixis/Natwest/
Credit Agricole

January 2017

Strong AfDB secondary market performance



A well-established force in the Green Bond market

A credible and transparent Green Bond framework to finance climate change mitigation and adaptation



Contributing to GHG emission reduction of approximately 43 million tons of CO₂ at projects' completions



Greenfield Renewable Energy Generation



Vehicle energy efficiency fleet retrofit or urban transport modal change



Demand-side Brownfield and Greenfield Energy Efficiency



Water Supply and Access



Financing inclusive and sustainable growth in Africa

POSITIVE IMPACT



Social Bond
EUR 500 million
0.25% due Nov 2024

Credit Agricole, HSBC,
Goldman Sachs

3x oversubscribed
in 150 minutes

Showcasing
concrete actions
to alleviate
poverty
on the continent
with our Social
Bond program



Water supply & sanitation
Education & vocational training
Healthcare
Job creation
Electricity last-mile connectivity
Information and Communication Technologies
Food security
Financial inclusion
Gender

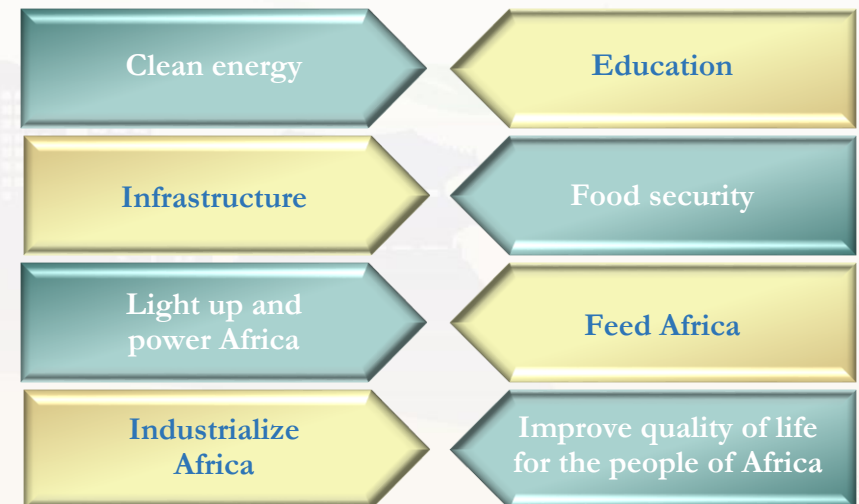
**Multi-currency theme bonds linked to the High 5s catering
to Japanese Socially Responsible Investors**

2017
Global deal
of the year
award by
mtn-i



10-year
SEK 733 million
**“Light Up And
Power Africa”**
theme bond
1.245% due
September 2027

“Overall, Sustainalytics is of the opinion
that the AfDB’s Social Bond Framework is credible
and transparent, and aligns with the four pillars of
the Social Bond Principles 2017”, *September 2017*



Favorable rating on Environmental, Social and Governance



Corporate Social Responsibility
performance: **63/100 (Advanced)**
(10 points improvement vs 2014)

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

“AfDB displays an homogeneous approach to the management of its ESG impacts, achieving an advanced performance in all the three pillars. ... The institution Environmental strategy addresses the material issues related to its business operations, and environmental and climate safeguards are implemented”.
Vigeo, August 2016

MSCI

ESG rating: **A**
(unchanged vs 2014)

“AfDB has moderately high exposure to credit risks arising from the environmental impact of the countries and activities it finances. The Bank's strong set of environmental policies and formalized ESG risk management systems place it in a strong position to mitigate the environmental risk inherent in the projects and activities it finances..”

MSCI ESG Research, June 2017



Corporate rating: **C+ (Prime)**
(unchanged vs 2014)

“The company acknowledges climate change as a major challenge and states its commitment to reduce greenhouse gas emissions stemming from its own operations. In addition the company is committed to reducing some of the emissions in the corporate value chain (e.g. lending and investment activities) through the endorsement of renewable energies and/or clients' energy efficiency.”

Oekom Corporate Rating, January 2018



Promoting the development of African capital markets

Expanding the Bank's African lending currencies



ZMW – Zambian Kwacha



NGN – Nigerian Naira



UGX – Ugandan Shilling



ZAR – South African Rand



BWP – Botswanan Pula



XOF – CFA Franc BCEAO



XAF – CFA Franc BEAC



EGP – Egyptian Pound



KES – Kenyan Shilling

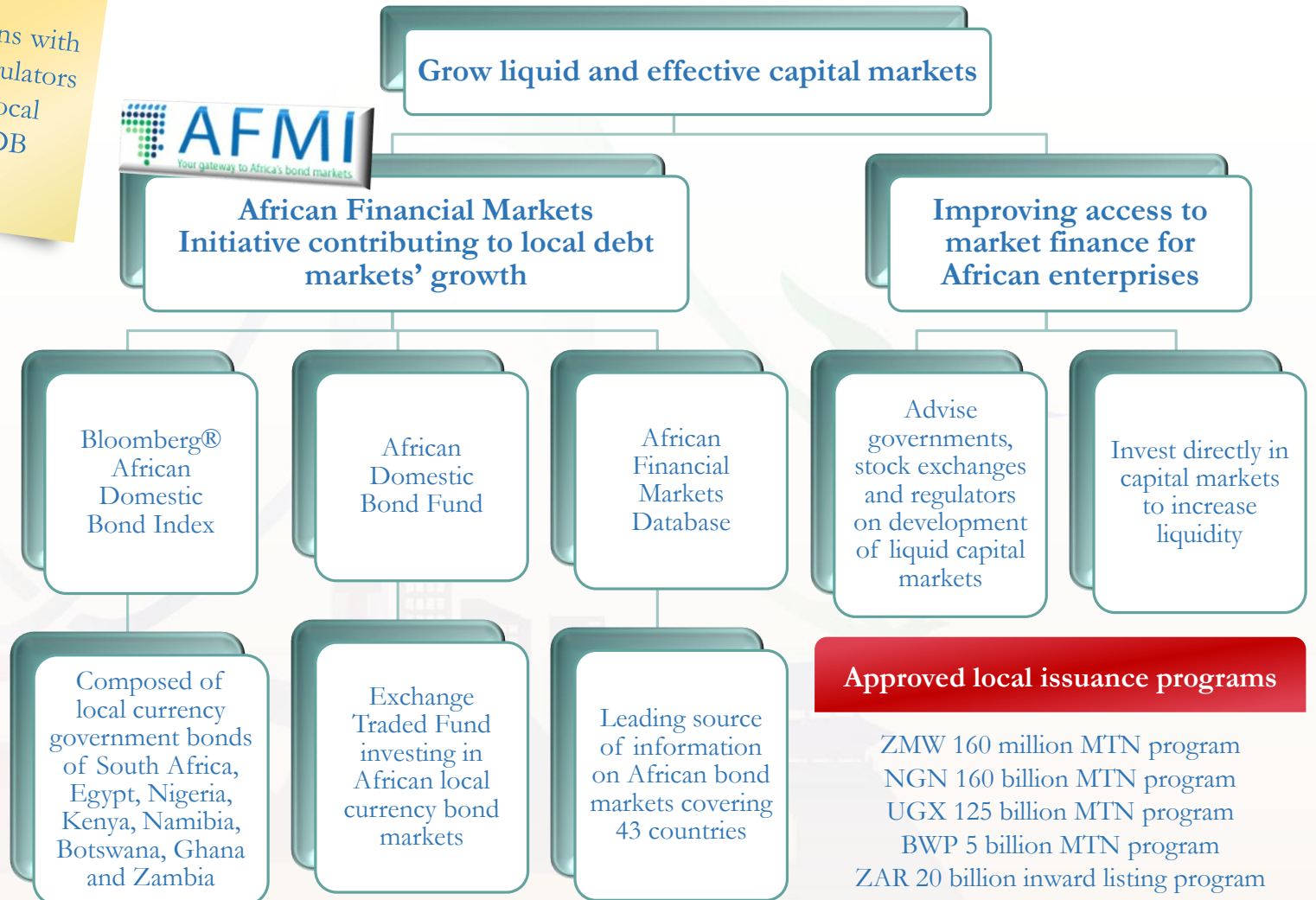


TZS – Tanzanian Shilling

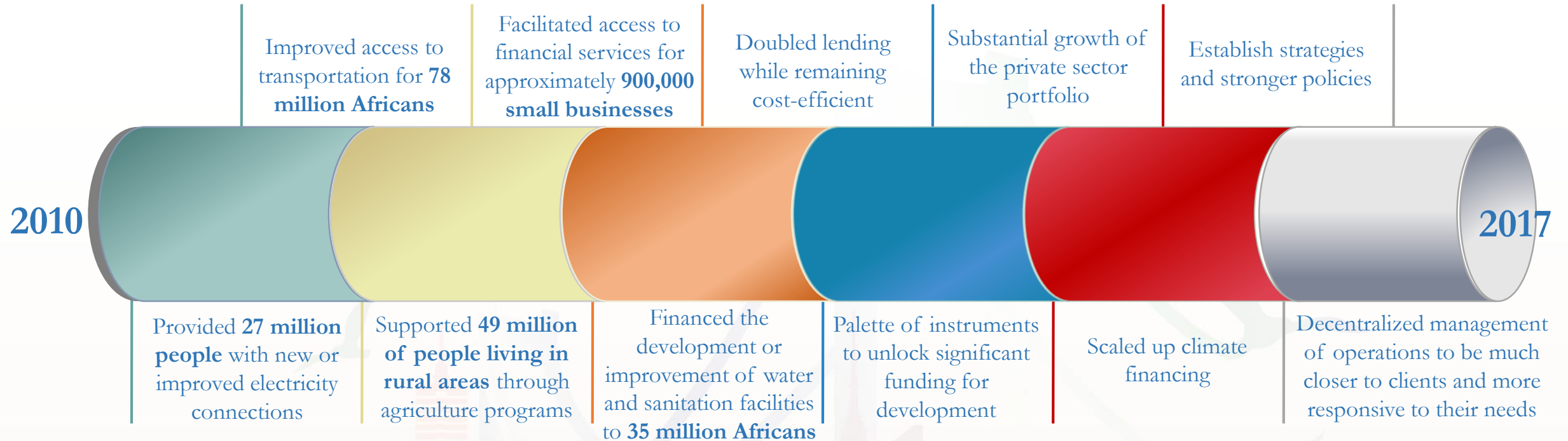


GHS – Ghanaian Cedi

On-going negotiations with governments and regulators to approve more local currencies for AfDB bond issuance



Spearheading Africa's economic transformation



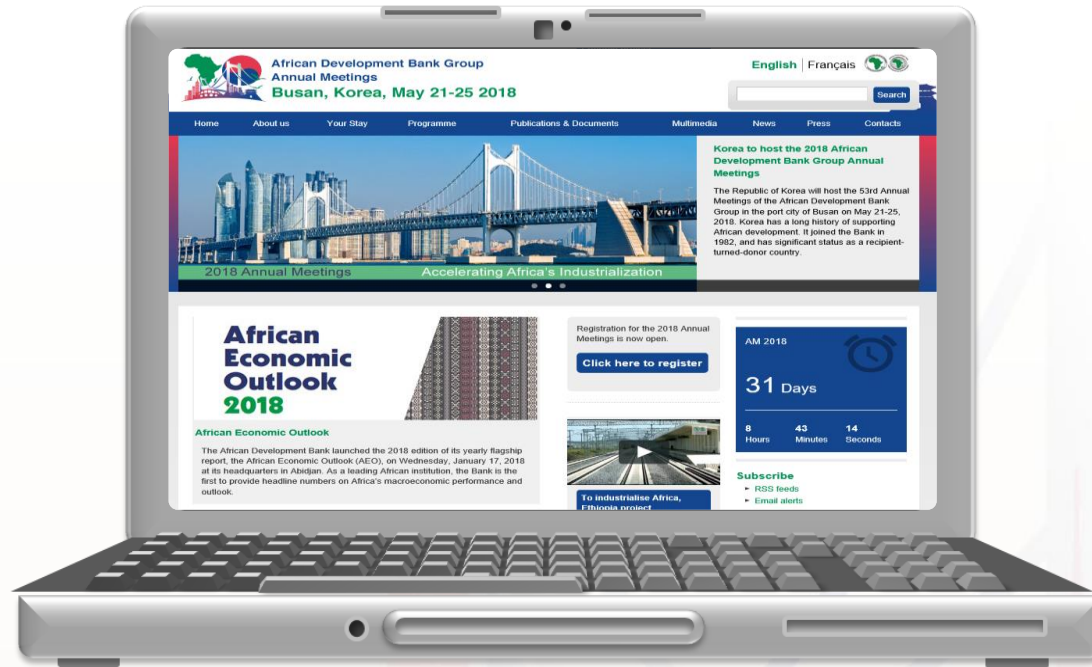
Standing shoulder to shoulder with the most effective, efficient and transparent multilateral organizations, as highlighted by...



At the service of Africa's development



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Financial and operational analysis

Documentation for debt programs

Rating agency reports

Financial products for borrowers

Annual report



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African
Development
Bank Group



AfDB_Group



www.afdb.org



Contact:
FundingDesk@afdb.org



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(225) 20 26 29 06

Appendix

AfDB Income Statement (UA million)

Year ended 31 December	2017	2016	2015	2014	2013
Operational Income and Expenses					
Loans and related derivatives	459.29	369.19	314.78	317.92	296.78
Income from Investments and related derivatives	195.04	155.71	122.21	132.41	131.25
Income from Other Securities	2.15	3.78	3.73	3.85	3.95
Total income from Loans and Investments	665.76	536.02	455.78	460.52	441.42
Interest and amortized issuance costs	(428.92)	(373.05)	(346.13)	(375.96)	(302.99)
Net interest on borrowing-related derivatives	154.02	196.26	217.62	245.42	150.08
Unrealized losses on borrowings, related derivatives and others	48.13	(68.04)	(38.81)	(36.73)	46.82
Provision for Impairment on Loan Principal and Charges Receivable	(16.97)	(67.81)	(65.43)	(18.02)	(41.14)
Provision for Impairment on Equity Investments	(0.02)	0.16	0.43	0.75	0.76
Provision for Impairment on Investments	-	-	-	-	9.19
Translation Gains/(Losses)	(1.45)	1.00	14.61	(4.07)	13.33
Other Income	3.61	9.51	2.30	3.39	3.03
Net Operational Income	426.46	261.49	229.65	282.20	302.98
Administrative Expenses	(147.77)	(130.06)	(122.00)	(123.16)	(110.97)
Depreciation – Property, Equipment and Intangible Assets	(15.22)	(10.04)	(9.05)	(7.61)	(6.70)
Sundry (Expenses)/Income	(5.04)	(1.32)	(5.44)	0.26	(4.98)
Total Other Expenses	(168.03)	(141.42)	(136.49)	(130.50)	(122.65)
Income before Distributions Approved by the Board of Governors	258.43	120.07	93.16	151.70	180.33
Distributions of Income Approved by the Board of Governors	(82.00)	(95.00)	(124.00)	(120.00)	(107.50)
Net Income for the Year	176.43	25.07	(30.84)	31.70	72.83

1 UA = 1 SDR = 1.54000 (2013) ; 1.44881 (2014) ; 1.38573 (2015) ; 1.34433 (2016) ; 1.42413 (2017)

AfDB Balance Sheet highlights (UA million)

Year ended 31 December	2017	2016	2015	2014	2013
Assets					
Cash	1,173.10	1,306.82	1,214.61	406.71	954.13
Demand Obligations	3.8	3.8	3.8	3.8	3.8
Treasury Investments	11,521.07	10,590.04	8,392.26	7,341.62	6,058.45
Derivative Assets	717.02	1,233.75	1,454.62	1,143.68	985.96
Non-Negotiable Instruments on Account of Capital	0.08	0.16	0.27	0.74	1.2
Accounts Receivable	594.97	543.83	489.54	640.16	843.86
Outstanding Loans	17,818.24	15,348.44	13,070.40	12,647.81	11,585.84
Hedged Loans – Fair Value Adjustment	54.45	80.23	79.84	112.7	32.49
Equity Participations	781.22	719.38	703.27	596.82	525.01
Other Securities	-	54.36	46.42	94.11	82.9
Other Assets	96.37	97.7	93.56	79.46	41.22
Total Assets	32,575.73	29,727.09	25,346.74	22,950.83	20,996.72
Liabilities, Capital and Reserves					
Accounts Payable	1,255.59	1,615.99	1,332.38	1,211.81	1,246.11
Derivative Liabilities	1,051.63	861.27	1,084.99	853.74	971.85
Borrowings	23,175.69	20,644.15	16,449.27	14,375.95	12,947.44
Capital Subscriptions Paid	4,268.81	4,019.88	3,727.69	3,438.23	3,147.08
Cumulative exchange adjustment on subscriptions	(158.04)	(161.04)	(168.84)	(173.54)	(172.65)
Reserves	2,982.05	2,746.84	2,921.25	2,815.32	2,856.88
Total Liabilities, Capital and Reserves	32,575.73	29,727.09	25,346.74	22,950.83	20,996.72

1 UA = 1 SDR = 1.54000 (2013) ; 1.44881 (2014) ; 1.38573 (2015) ; 1.34433 (2016) ; 1.42413 (2017)

