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African Development Bank

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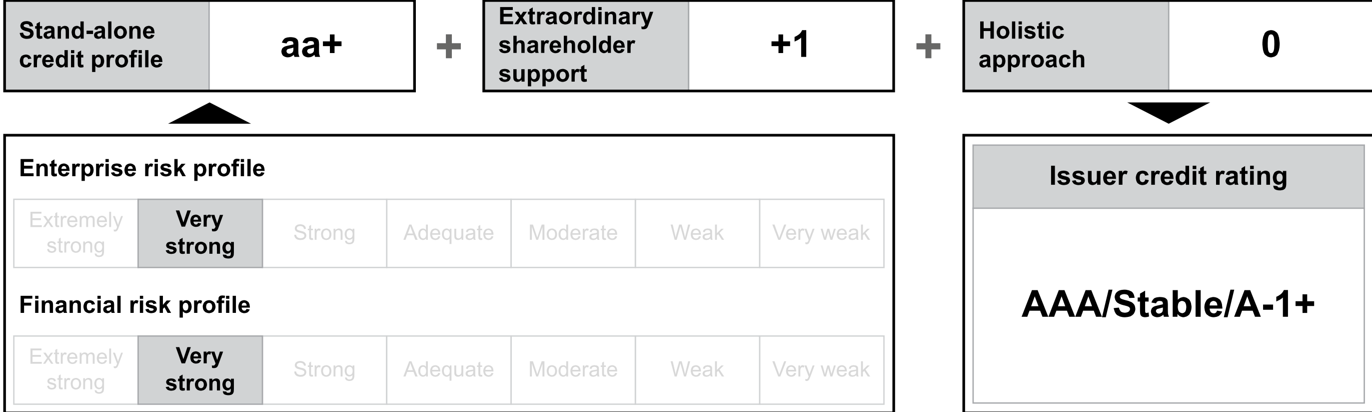


Issuer Credit Rating
Foreign Currency
AAA/Stable/A-1+

Outlook

The stable outlook reflects our expectation that, over the next two years, AfDB will prudently manage its capital while maintaining solid levels of high-quality liquidity assets and a robust funding profile. We also assume extraordinary shareholder support to the bank will remain unchanged.

We expect:

- Shareholders will remain supportive by providing timely capital payments;
- The bank will continue benefiting from preferred creditor treatment (PCT); and
- The bank will prudently manage growth in private-sector lending in a way that's aligned with its mandate.

We could lower our ratings over the next two years if we observe signs of weakening PCT from borrowing members, or if there are significant delays from shareholders in paying in capital, which could limit AfDB's ability to carry out its public-policy mandate.

We could also lower the ratings if capital adequacy and liquidity ratios deteriorate as the bank pursues private-sector or less-creditworthy sovereign exposures, or if we perceive internal controls to be ineffective.

Rationale

Our ratings on AfDB reflect its important role in Africa, marked by a long track record of fulfilling its policy mandate through economic cycles, combined with robust shareholder support. In October 2019, the bank's shareholders approved its seventh general capital increase (GCI-VII), effectively increasing the bank's capital base by $115 billion, of which 6% is paid-in and the remaining is in the form of callable capital, to $208 billion.

We expect the capital increase will enable AfDB to continue expanding its reach, particularly in light of the renewed focus on infrastructure financing and private-sector lending. The bank has already been growing steadily over the years--with total loans outstanding increasing by 5% to Special Drawing Rights (referred to as unit of account [UA] 20.2 billion as of year-end 2019. However, growth slowed in 2020 and we expect slower growth in the sovereign and non-sovereign portfolios over 2021 and 2022. In 2020, the bank lowered its approvals target to UA3.5 billion from UA5.5 billion and capped disbursements at UA4.0 billion. This slowdown largely relates to the fallout from COVID-19 and concerns over capital constraints, in the run-up to capital disbursements from the GCI-VII beginning in 2021. We expect the bank will increase approvals and disbursements as capital flows in, assuaging concerns over internal concentration and capital limits.

Despite capital constraints, AfDB will play a key role supporting the region, particularly in the context of COVID-19. The institution approved an up to $10 billion relief package for 2020, of which $6.9 billion will be financed by AfDB and the remainder through its concessional lending window. This relief package largely represents a repurposing of existing lending focusing on faster disbursing policy loans to help member countries' immediate healthcare and social spending needs, preventing stress on its capital position.

We view the bank's financial and risk management policies as conservative, and we believe it is equipped to handle the additional risk associated with increased private-sector lending. On the other hand, the shareholder structure and composition, with 60% of voting shares coming from regional members, is potentially vulnerable to agency risk, meaning the interests of borrowing members could differ from those of creditors--and this weighs on our governance assessment for AfDB. The remaining installments of paid-in capital from the GCI-VI and new installments from the GCI-VII will not change the shareholder structure, with ownership split 60% regional members and 40% non-regional members.

President Akinwumi Adesina was unanimously re-elected in August 2020 to a second term. The election follows an independent review of whistleblower allegations against him, absolving the president of any wrongdoing.

AfDB's financing capacity historically has run up against concentration and capital constraints, which have prompted it to implement a series of risk transfer mechanisms to free up capital. This, combined with active management of lending and capital and payments from the sixth and seventh general capital increase (GCI), supports a very strong capital adequacy assessment. As of June 2020, AfDB's risk-adjusted capital (RAC) ratio was 19.6%, down from 21.0% as of June 2019. We expect the RAC ratio to remain around this level as payments from the seventh GCI begin to increase in 2021, with the majority paid over 2021-2028.

AfDB's funding remains diverse in terms of investor, currency, and maturity. The bank maintains a robust liquidity

position, given its six- and 12-month coverage ratios of 5.17x and 2.33x, respectively, as of June 2020.

Environmental, Social, And Governance

Many of AfDB's members have significant environmental exposure--more than half of the world's 20 most vulnerable countries are in Africa. AfDB's institutional mandate focuses on five strategic priorities that cut across all the sustainable development goals (SDGs): light up and power Africa; feed Africa; industrialize Africa; integrate Africa; and improve the quality of life for the people of Africa. AfDB's loans are therefore highly concentrated in sectors such as transportation (25%) and power (22%), which carry high environmental risks. Given that natural disasters caused by climate effects can damage infrastructure, 40% of AfDB's financing is expected to be channeled to climate adaptation and mitigation finance. In addition, all projects are screened for climate change vulnerability, adaptation, and mitigation opportunities. Projects are underpinned by robust measurement of their environmental and social risks, and each must provide an additionality and development outcome assessment (DOA) to be considered by AfDB. These frameworks and policies, combined with other initiatives such as its pledge to stop financing coal projects, help AfDB to minimize environmental and energy transition risks on its balance sheet.

AfDB operates in many countries with high social needs and applies social principles to each loan. The DOA tries to quantify the key social effects of its loans, measuring elements such as the gender impact. AfDB's accountability mechanisms include a dedicated department to manage its integrated safeguards systems. It also publicly discloses data about environmental and social risks. In 2020, the bank issued a US$3 billion social bond, out of its social bond framework established in 2017, to help finance its response to the economic effects of COVID-19 on member countries. Having established a green bond framework in 2013, AfDB has been consistently active in the green bond market to mobilize sustainable financing on the continent. AfDB's shareholder structure is somewhat less diverse than for larger peers, with a higher concentration of borrowing member countries. Some of its key members also have relatively low rankings in terms of World Bank governance effectiveness indicators. This may result in agency risk, which we capture in the bank's governance score. That said, this is balanced by risk management policies and practices that we consider conservative and robust.

Enterprise Risk Profile: Recent Capital Increase Strengthens AfDB's Role And Policy Mandate

- AfDB's recently approved seventh general capital increase (GCI-7), which increases the capital base by $115 billion, of which $6.9 billion is paid-in, is reflected in our view of its robust shareholder support.
- We believe this will enable AfDB to successfully execute its renewed strategy largely focused on the private-sector and infrastructure financing, and strengthen its role in Africa.

Policy importance

Established by treaty in 1964, AfDB is the keystone member of the AFDB Group, which also includes soft-loan windows, the African Development Fund (ADF), and the Nigeria Trust Fund (NTF). There is no recourse to AfDB for obligations with respect to ADF and NTF liabilities.

Its mission is to promote sustainable economic growth and reduce poverty in Africa. More recently, AfDB refined its mandate to focus on two key objectives--inclusive growth and transitioning to a green economy, supported by five key priorities (light up Africa; feed Africa; industrialize Africa; integrate Africa; and improve the quality of life for the people of Africa).

The bank has a strong track record of fulfilling its mandate through economic cycles. The demand for the bank's lending--which led to a nearly 30% increase in its loan portfolio during the 2009 global financial crisis--was a clear testament of AfDB's important role to its members. Similarly, the bank provided countercyclical support largely through policy-based loans in 2016, with approvals peaking at UA6.3 billion, to support borrowers hit by the collapse in commodity prices during that period.

In response to the pandemic, AfDB Group has approved a US$10 billion COVID-19 Rapid Response Facility (CRF) to assist its member countries and the private sector. This $10 billion package includes $6.9 billion in approvals financed by the bank and $3.1 billion financed through its concessional window, The African Development Fund. We expect the share of policy-based loans to increase, to help support member countries' immediate financing needs during the pandemic. However, this COVID-19 response package does not necessarily include an increase in overall lending but would include repurposing of loans.

Historically, the bank's main financing vehicle has been medium- and long-term loans for public-sector projects, although more recently there is a renewed focus on private-sector lending and infrastructure financing, which is at the core of its 2013-2022 strategy. The bank also makes equity investments and provides a variety of financial and technical advisory services. While this may somewhat limit AfDB's ability to lend counter-cyclically to sovereigns, we view this as in line with its mandate and institutional strategy.

As of December 2019, private-sector lending exposure grew by 4% to UA4.4 billion, compared with 8% in 2018 and 16% in 2017. The bank expects to target a 40%/60% mix between private- and public-sector annual approvals, however the pandemic will slow the effort to increase private-sector exposure. We expect slow-to-flat growth in the private sector portfolio over 2020-2022. AfDB's increased private-sector focus will continue to bolster its important role in the region, especially in light of the renewed focus on the private-sector development model and mobilization to bridge the infrastructure financing gap in support of SDGs 2030 Agenda (see "It's Time For A Change: MLIs And Mobilization Of The Private Sector," Sept. 21, 2018).

The bank is in a good position to support increasing mobilization efforts and crowd-in additional private-sector funds in Africa--which, to date, have been meaningfully lower than envisaged by the SDGs, given its geographical reach and experience. So far, the bank has secured seven mandated lead arranger roles to support private-sector projects, including Air Cote d'Ivoire, Ghana Cocobod, SA Taxi (South Africa), and the Sahofika Hydro power plant project in Madagascar. From its own resources, AfDB will deploy US$540 million to leverage US$1.9 billion from international commercial banks through private-sector syndication.

Not all African members are eligible to borrow from AfDB and instead rely on funding from the soft-loan windows. But private-sector lending is not tied to any country restrictions, which can further enhance its developmental reach. Among African governments, 17 are eligible to borrow only from AfDB, while 32 members may borrow only from the

AfDF, and five countries are eligible to borrow under both windows. In 2014, the bank revised its credit policy to increase the number of member countries eligible to borrow, namely to include those that, while still economically developing, show improved creditworthiness, but are subject to strict criteria. AfDB's sovereign lending remains a key part of its strategy. Since 2017, AfDB has limited policy-based loans to 15% of annual approvals, although they increased to 30% in 2020, on a one-time basis, in response to the fallout from the pandemic. We believe sovereign investment lending is conducive to private-sector development because it typically can be linked to upstream and regulatory aspects that provide the right conditions to bring in commercial lenders.

As of December 2019, sovereign lending grew by 5.5% to UA15.8 billion, accounting for about 78% of total credit exposures. Most of this has been concentrated in more economically developed regional members with strong creditworthiness.

We view AfDB shareholder support as a key strength underpinning its very strong enterprise profile. In October 2019, the bank's shareholders approved its GCI-VII, effectively increasing its capital base by $115 billion, of which 6% is paid-in and the rest is in the form of callable capital, to $208 billion. The bank continues to receive timely payments from its sixth GCI (GCI-VI) approved in May 2010, which represented a 200% increase over the bank's capital. As of Dec. 31, 2019, total paid-in capital was UA4.73 billion, compared with UA4.54 billion at the end of 2018.

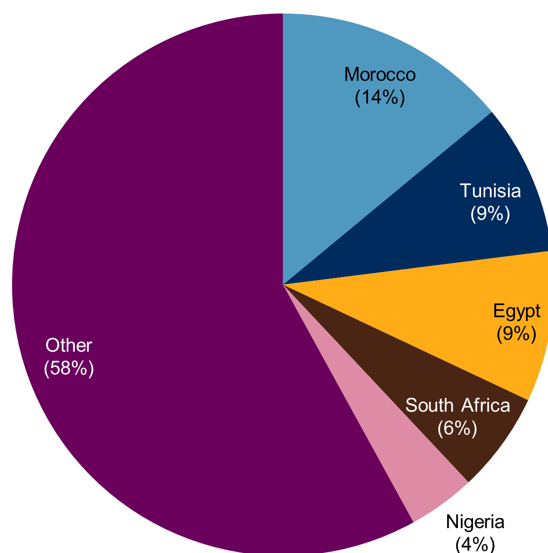
We have seen AfDB's shareholder base expand in recent years. Prior to GCI-VI, the board of governors authorized two special capital increases, which allowed Turkey and the Grand Duchy of Luxembourg to become the 78th and 79th members of the bank in October 2013 and May 2014, respectively. A special capital increase allowed South Sudan to become the 80th member country in 2015. In 2020, Ireland became the 81st member country.

We consider AfDB's PCT to be strong, based on our calculated arrears ratio of 1.7%--which incorporates Zimbabwe and Sudan, countries that continue to be in nonaccrual with the bank. Somalia cleared all arrears with the bank in the first quarter of 2020. Discussions about a potential arrears clearance program for Zimbabwe are ongoing, although there have been setbacks due to economic volatility in the country and the pandemic. The U.S. government recently removed Sudan from its list of state sponsors of terrorism, improving Sudan's prospects of clearing its arrears with AfDB.

While AfDB has participated in the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives (MDRI) in the past, we do not factor this into our PCT assessment because affected AfDB loans have been compensated by the HIPC trust fund, resulting in no loss to capital. We do not expect any other sovereign borrower to enter into arrears, although we note that the economic fallout from COVID-19 has negatively impacted many member countries' financial positions.

Chart 1

AfDB Five Largest Countries Purpose-Related Exposures
As a percentage of gross purpose-related assets plus guarantees



Source: S&P Global Ratings.
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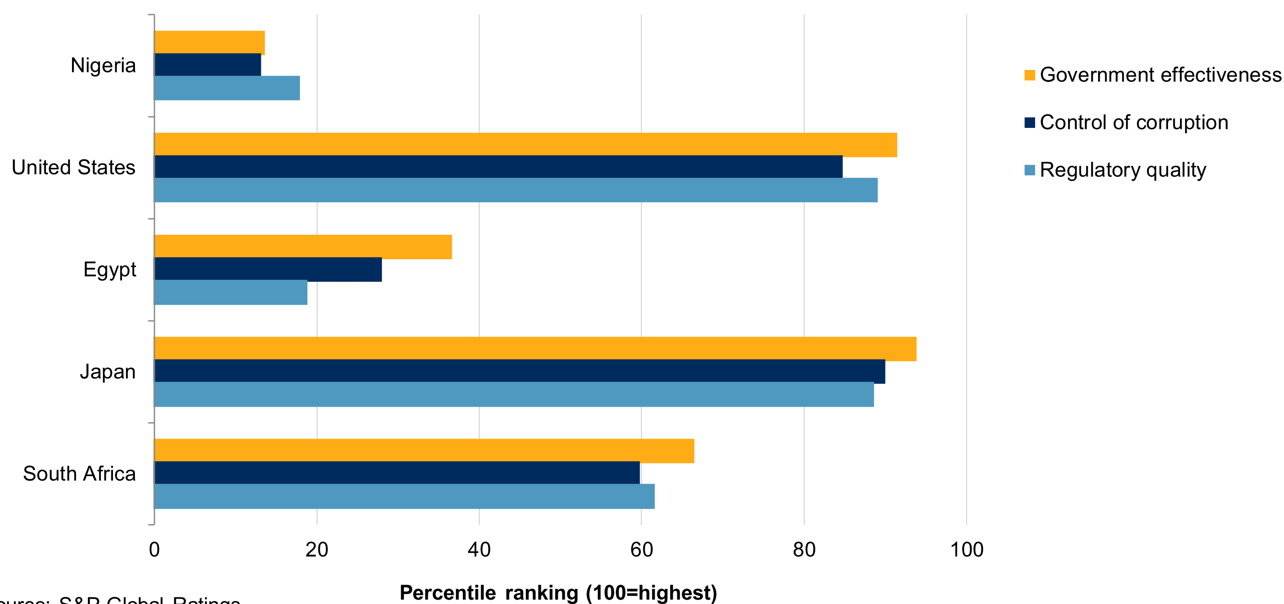
Governance and management expertise

The bank has a diverse shareholding structure--its members include all 54 African countries and 27 non-regional, non-borrowing countries. We view the shareholder structure, with the majority of voting shares (60% as of 2019) coming from borrowing-eligible members, as potentially vulnerable to agency risk, meaning the interests of borrowing members could differ from those of creditors.

Furthermore, AfDB's shareholders, on average, rank somewhat lower on World Bank governance effectiveness indicators compared with 'AAA' rated peers. Nigeria (9.4%), Egypt (5.6%), and South Africa (5%) are the largest regional shareholders, while the U.S. (6.6%), Japan (5.5%), and Germany (4.1%) are the largest non-regional shareholders.

Chart 2



Source: S&P Global Ratings.

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AfDB has no private-sector shareholding, and shareholders allow MLI earnings to be retained, which further supports our assessment of governance.

We view AFDB's management as robust given its strategic implementation track record, solid risk management policies, and its ability to withstand the loss of key personnel without disruptions to operations.

During 2017, the bank embarked on a comprehensive organizational restructuring in which internal processes were revamped or redesigned to increase efficiency. The bank rolled out an updated decentralization plan to bring it closer to its clients so it can carry out its work more quickly and efficiently. It established five regional offices--Tunisia, Kenya, Pretoria, and Abidjan, and Cameroon (the latter in progress). It also has 41 country/field offices. The decentralization plan did pose some personnel and cost pressures, but we expect AfDB to manage them well to minimize disruptions.

We believe AfDB will prudently manage risks associated with a larger share of private-sector exposure. AfDB has been retooling its operational structure to support these efforts by creating a Special Operations Unit in 2015 as well as a new Syndications, Co-financing and Clients Solution department in 2017. While we remain cautious about AfDB's private-sector lending initiatives, given that the geographic region is typically characterized by higher operating and credit risks, we believe that AfDB's comprehensive risk management will counterbalance these.

The bank revised its risk appetite statement in 2020, distinguishing between core risks (namely related to sovereign and non-sovereign lending) and non-core risks (such as market and operational risks) and managing these within prudential limits. We think that it has the proper policies, structure, and risk management capabilities to ensure risks are contained within the approved risk appetite.

AfDB's risk-appetite statement includes a clear mandate to maintain the 'AAA' rating and manage long-term financial sustainability within a 10-year horizon.

The bank has also made important strides to minimize and manage ESG risks. It uses a comprehensive development outcome and additionality framework, which is an ex-ante evaluation required for each project, alongside the project appraisal and credit note, to ensure that transactions provide value and deliver on their development outcomes.

Financial Risk Profile: Conservative Capital Management, Robust Funding, And Solid Liquidity

- AfDB's very strong capital adequacy balances the expected growth in lending against increases in capital from its seventh GCI.
- The bank has also implemented various risk transfer mechanisms to free up capital, as a response to concentration and capital constraints.
- AfDB is a regular benchmark issuer and its funding profile is further strengthened by its diversity in terms of investor base, currency, and maturity.

Capital adequacy

We think the recently approved $115 billion GCI, of which $6.9 billion will be paid-in, will support a solid capital position amid continued loan growth. We expect AfDB will slow its strong growth trajectory somewhat over 2020-2022, after total loans were up by 5% in 2019 and 8% in 2018, as capital payments from the GCI-VII flow in to support the bank's capital position.

AfDB's RAC ratio was 19.6% as of June 2020, compared with 21% as of June 2019, largely because of the increase in risk-weighted assets from higher growth and some downward ratings pressures, which was not compensated by the small increase in total adjusted capital. Capital payments from the sixth and seventh CGIs and moderated credit and growth assumptions will balance the pressure on the capital ratio over the next two years. The bank maintains an internal minimum threshold for the RAC ratio of 15%.

AfDB implemented its "Room to Run" initiative to free up capital and optimize balance sheet lending. This included a funded synthetic securitization bought on US$1 billion of its non-sovereign loan portfolio in September 2018, as well as US$500 million in credit insurance purchased from African Trade Insurance Agency on a portion of its financial-sector portfolio in October 2018. These risk-transfer mechanisms free up capital, although the potential benefit depends on the bank's ability to scale these types of transactions, combined with how the bank allocates additional capital.

AfDB's net income in 2019 was UA52.17 million, compared with UA41.68 million in the previous year. Income was high in 2017 because of the increase in interest income from larger volumes of loans and investments, reduced

impairment on nonsovereign loans, and a favorable valuation of borrowings and derivatives. Income subsequently declined in 2018 as a result of the implementation of IFRS 9 as well as an unfavorable valuation of borrowings and derivatives.

In second-quarter 2020, NPLs increased to 8.6%, up from 7.4% at year-end 2019, because of economic stress brought on by the pandemic. In 2019, NPLs on the nonsovereign portfolio increased to 7.4% of total private-sector loans, from 5.7% a year earlier, as one large project transitioned into stage 3. We note that recovery rates on defaulted private-sector loans tend to be very high.

AfDB's sovereign exposure is concentrated--the top-five borrowers account for approximately 41% of the total, resulting in a large penalization for sovereign concentration risk in our capital adequacy assessment. The Exposure Exchange Agreement implemented in 2015, which involved the concurrent swapping of credit risk on predefined sovereign exposures, with similar credit risk profiles with the Inter-American Development Bank (IADB) and the World Bank (IBRD), reduces the top-five concentration from 58%.

Table 1

AfDB--Risk-Adjusted Capital Framework Data: June 2020

(Mil. UA)	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	32,306.0	34,285.0	106.1
Institutions	4,701.5	2,736.9	58.2
Corporate	2,102.3	4,079.3	194.0
Retail			
Securitization	28.6	135.3	473.1
Other assets	74.3	190.4	256.4
Total credit risk	39,212.7	41,427.0	105.6
Market risk			
Equity in the banking book	971.2	4,945.5	509.2
Trading book market risk			
Total market risk		4,945.5	
Operational risk			
Total operational risk		2,876.6	
Risk transfer mechanisms			
Risk transfer mechanisms RWA	462.6	287.4	62.1
RWA before MLI Adjustments		49,536.5	100.0
MLI adjustments			
Single name (on corporate exposures)		1,161.5	28.5
Sector (on corporate portfolio)		(452.1)	(8.6)
Geographic		(3,881.3)	(8.2)
Preferred creditor treatment (on sovereign exposures)		(18,844.0)	(55.0)

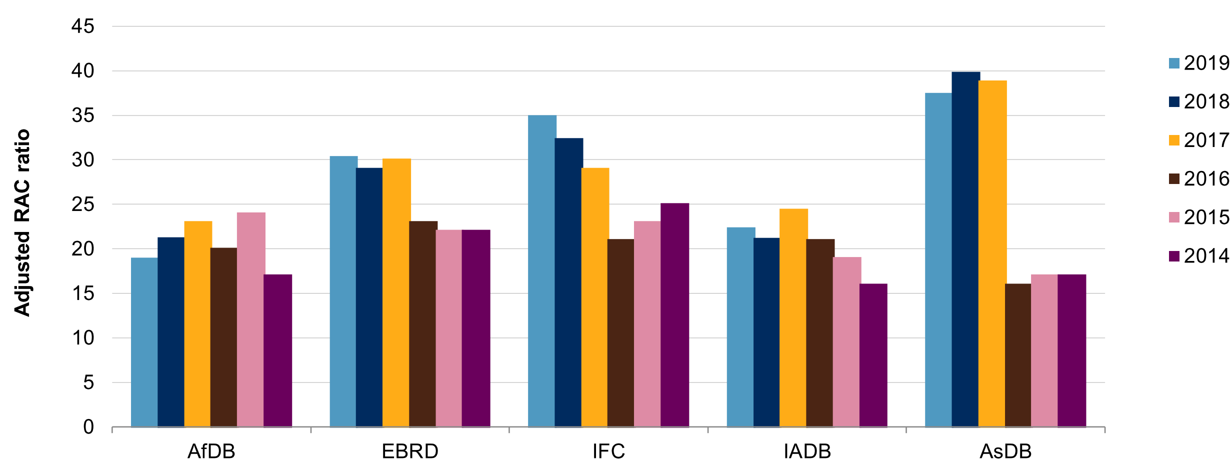
Table 1

AfDB--Risk-Adjusted Capital Framework Data: June 2020 (cont.)		
Preferential treatment (on FI and corporate exposures)	(713.1)	(10.5)
Single name (on sovereign exposures)	10,481.4	30.6
Total MLI adjustments	(12,247.5)	(24.7)
RWA after MLI adjustments	37,289.0	75.3
	Total adjusted capital	**S&P Global Ratings RAC Ratio (%)**
Capital ratio before adjustments	7,323.0	14.8
Capital ratio after adjustments	7,323.0	19.6

MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

Chart 3

Risk-Adjusted Capital Ratio Peer Comparison



Source: S&P Global Ratings.

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Funding and liquidity

Funding. AfDB's funding remains very diverse in terms of investor base, currency, and maturity, and it regularly issues benchmark bonds in both international and domestic debt capital markets.

As a result of its size and credit rating, AfDB can regularly issue well-priced global benchmark bonds. Its 2021 borrowing program allows a maximum of US$10.4 billion to be raised from debt capital markets.

The U.S. dollar remains the bank's major funding currency before swaps, followed by the euro, the Australian dollar, the Japanese yen, and the South African rand. The bank's policy framework has also broadened its scope of lending in local currencies. However, funding in local currencies depends on the depth of local capital markets and whether the bank is able to fund itself efficiently in the relevant market.

The bank has also developed and enhanced its green and social bond programs, established in 2013 and 2017,

respectively. In 2018, it issued a dual tranche US$500 million three-year fixed and US$100 million two-year secured overnight financing rate (SOFR)-linked green bond, becoming the first issuer to bring to the green bond market a SOFR-linked transaction. In 2020, it issued a US$3 billion social bond, its largest benchmark issuance to date, to help finance its response to the economic fallout from COVID-19 on member countries.

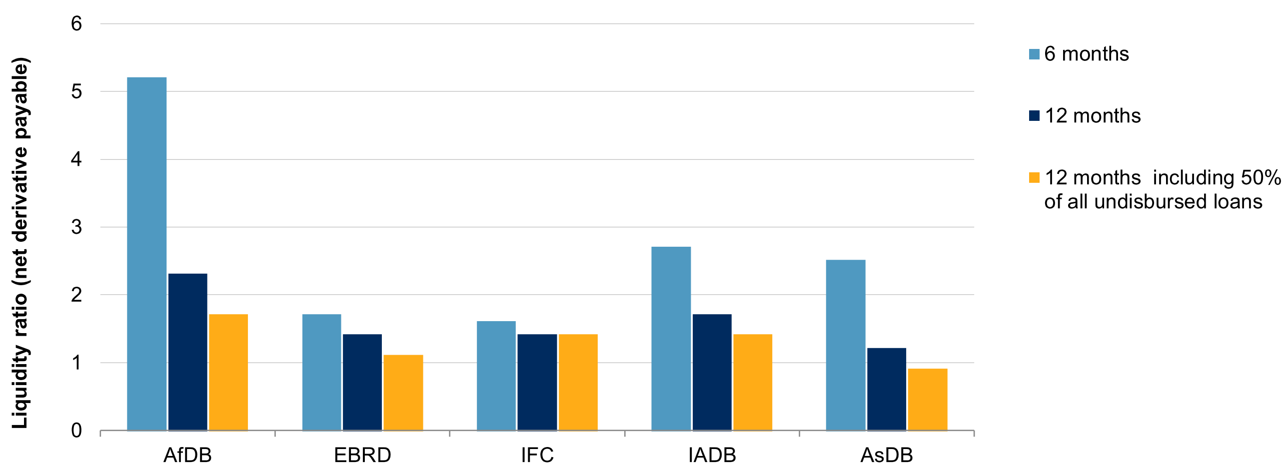
Our funding ratios indicate that AfDB would be able to fund its scheduled loan disbursements under normal market conditions. The June 2020 static funding gap at one year, calculated as maturing assets divided by maturing liabilities, was 2.7x without scheduled loan disbursements and 1.4x with scheduled loan disbursements.

Liquidity. The bank maintains a strong liquid asset cushion, accounting for 35% of adjusted total assets and 49% of gross debt as of Dec. 31, 2019. Liquid assets comprise high-quality bonds, largely in the 'AAA' (44%) and 'AA' (42%) rating categories, cash, and a small portfolio of asset-backed securities.

Our calculations of AfDB's liquidity incorporate stressed market conditions and assume no market access. Under these conditions, AfDB's liquid assets are sufficient to service its borrowing and maintain operations through the next year without slowing the pace of planned disbursements. Using June 2020 data, our 12-month liquidity ratio was 2.3x with scheduled loans disbursements, while the six-month ratio was 5.2x. However, we estimate that the bank would need to slow down planned disbursements under a stress scenario, which takes into account 50% all undisbursed loans, regardless of the planned disbursement date, as if they were coming due in the next 12 months.

Chart 4

Liquidity Stress Test Ratios Peer Comparison



Note: Data as of June 2020. Source: S&P Global Ratings.

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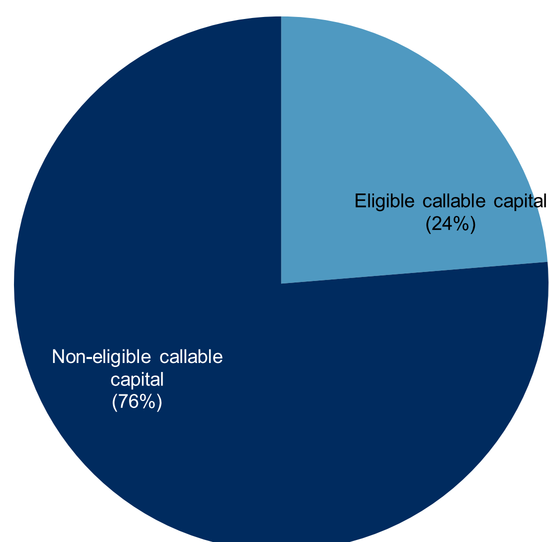
Extraordinary Shareholder Support

We factor extraordinary support in the form of callable capital into the rating on AfDB based on sovereigns rated at least equal to the MLI's stand-alone credit profile. Eligible callable capital from the bank's highly rated shareholders

('AA+' and 'AAA') provides a significant uplift to our RAC ratio and mitigates the impact on the financial risk profile following a potential deterioration of AfDB's capital adequacy. AfDB's largest 'AAA' and 'AA+' rated shareholders include the U.S, Canada, Germany, and the Nordic countries, which combined provide a total of UA14.5 billion in callable capital.

Chart 5

Callable Capital
As a percentage of total callable capital



Source: S&P Global Ratings.
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Table 2

African Development Bank Selected Indicators					
	2019	**2018**	**2017**	**2016**	**2015**
Enterprise profile					
Total purpose-related exposure (loans, equity, etc.) (Mil. UA)	22,696.9	21,105.4	19,522.0	16,961.8	14,643.7
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	72.3	72.5	72.7	72.7	70.1
Private-sector loans/purpose-related exposures (%)	23.2	23.4	23.2	23.0	25.0
Gross loan growth (%)	5.2	8.5	15.8	17.4	3.3
Preferred creditor treatment ratio (%)	1.7	1.8	1.8	N.A	N.A
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	58.9	58.9	59.2	59.2	59.6
Concentration of top two shareholders (%)	16.0	16.0	15.9	15.4	15.4

Table 2

African Development Bank Selected Indicators (cont.)

	2019	2018	2017	2016	2015
Eligible callable capital (mil. UA)	14,509.0	13,356.0	13,356.0	8,600.0	7,960.0
Financial risk profile					
RAC ratio (%)	18.9	21.2	23.0	20.0	24.0
Net interest income/average net loans (%)	1.9	1.9	1.4	1.2	1.2
Net income/average shareholders' equity (%)	0.7	0.6	2.6	0.4	(0.5)
Impaired loans and advances/total loans (%)	2.9	2.6	4.6	5.9	6.4
Liquidity ratios					
Liquid assets/adjusted total assets (%)	35.4	37.2	39.0	40.2	38.1
Liquid assets/gross debt (%)	48.9	52.3	54.8	57.9	58.7
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivate payables) (x)	2.0	2.4	2.6	1.9	1.9
12 months (net derivate payables) (x)	1.5	1.7	1.4	1.3	1.1
12 months (net derivate payables) including 50% of all undisbursed loans (x)	1.2	1.2	1.1	N.A	N.A
Funding ratios					
Gross debt/adjusted total assets (%)	72.3	71.0	71.1	69.5	64.9
Short-term debt (by remaining maturity)/gross debt (%)	18.5	16.1	22.3	19.6	22.7
Static funding gap (with planned disbursements)					
12 months (net derivate payables) (x)	1.4	1.6	1.2	1.4	1.4
Summary balance sheet					
Total assets (Mil. UA)	35,244.0	33,771.0	32,576.0	29,727.0	25,347.0
Total liabilities (Mil.UA)	27,870.0	26,585.0	25,483.0	23,121.0	18,867.0
Shareholders' equity (Mil. UA)	7,374.0	7,186.0	7,093.0	6,606.0	6,480.0

Source: S&P Global Ratings.

Table 3

African Development Bank Peer Comparison

	African Development Bank	European Bank for Reconstruction and Development	International Finance Corporation	Inter-American Development Bank	Asian Development Bank
Issuer credit ratings	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+
Total purpose-related exposure (Mil.UA)	22,696.9	27,023.5	33,937.2	70,309.9	87,808.4
Preferred creditor treatment ratio (%)	1.7	N.A	N.A	2.2	0.1
Risk adjusted capital ratio (%)	18.9	30.3	34.9	22.3	37.4
Liquidity ratio 12 months (net derivative payables; %)	1.5	1.2	1.4	1.4	1.3

Table 3

African Development Bank Peer Comparison (cont.)

	African Development Bank	European Bank for Reconstruction and Development	International Finance Corporation	Inter-American Development Bank	Asian Development Bank
Funding gap 12 months (net derivative payables; %)	1.4	1.4	1.2	1.3	1.2

Source: S&P Global Ratings.

Ratings Score Snapshot

Enterprise Risk Profile	Extremely strong	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak
Policy Importance	**Very strong**	Strong	Adequate	Moderate	Weak		
Governance and Management	Strong	**Adequate**	Weak				
Financial Risk Profile	Extremely strong	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak
Capital Adequacy	Extremely strong	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak
Funding and Liquidity	Very strong	**Strong**	Adequate	Moderate	Weak	Very weak	

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Dec. 14, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Principles Of Credit Ratings, Feb 16, 2011

Related Research

- Supranationals Special Edition 2020 Says Multilateral Lenders Are Addressing Challenges From COVID-19, Oct. 20, 2020
- Supranationals Edition 2020: Comparative Data For Multilateral Lending Institutions, Oct. 21, 2020

- Introduction To Supranationals Special Edition 2020, Oct. 20, 2020
- How Multilateral Lending Institutions Are Responding To The COVID-19 Pandemic, June 9, 2020
- Can Multilateral Lenders' Capital Bases Hold Up Against COVID-19?, June 9, 2020
- ESG Industry Report Card: Supranationals, Feb. 11, 2020

Ratings Detail (As Of January 29, 2021)*		
African Development Bank		
Issuer Credit Rating		
Foreign Currency		AAA/Stable/A-1+
Commercial Paper		
Foreign Currency		A-1+
Senior Unsecured		AAA
Short-Term Debt		A-1+
Subordinated		AA+
Issuer Credit Ratings History		
24-Jul-2003	*Foreign Currency*	AAA/Stable/A-1+
06-Jun-2001		AA+/Stable/A-1+
09-Aug-2000		AA+/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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