

# Asian Development Bank (AsDB)

## Update

### Ratings

Long-Term IDR	AAA
Short-Term IDR	F1+

### Outlook

Long-Term IDR	Stable
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### Financial Data

#### Asian Development Bank (AsDB)

	1 Jan 17	31 Dec 15
Total assets (USDbn)	156.7	117.7
Equity/assets (%)	38.4	20.2
Average rating of loans and guarantees	BB+	BBB-
Impaired loans ratio (%)	0.02	0.03
Five-largest exposures/total loans (%)	57.9	71.0
Share of non-sovereign exposure (%)	7.7	9.5
Net income/equity (%)	0.0	3.3

### Key Rating Drivers

**Consolidation Credit Positive:** Fitch Ratings believes the consolidation of Asian Development Bank (AsDB)'s concessional arm, Asian Development Fund (ADF), with its ordinary operations balance sheet – effective 1 January 2017 – has been credit positive. Capitalisation and concentration metrics in particular have improved considerably, and have further enhanced the AsDB's solvency assessment.

**Excellent Capitalisation:** AsDB's intrinsic rating is underpinned by its excellent capital base. Capitalisation had been stable since 2013, with an equity/adjusted-assets ratio of 20.2% at end-2015; but as a result of the ADF consolidation, this ratio had improved to 38.4% as of 1 January 2017 due to ADF's capital base consisting mainly of paid-in contributions. This is also extremely favourable compared with 'AAA' rated peers.

**Medium-Risk Business Environment:** Fitch deems AsDB's business profile as low-risk, due to its large banking portfolio and high governance standards. However, the consolidation has weakened the AsDB's overall operating environment compared with 2016, as ADF's loan exposures include mostly low-rated countries such as Bangladesh (BB-/Stable), Pakistan (B/Stable), Vietnam (BB-/Positive), Sri Lanka (B+/Stable) and Afghanistan (not rated).

**Excellent Liquidity:** AsDB's liquidity buffers are consistent with an 'AAA' rating; its liquid-assets/short-term-debt ratio was 161% as of January 2017. Fitch expects coverage of short-term debt by liquid assets to reach 1.8x-2.0x in the near term, as ADF is not funded by debt and holds a large liquidity cushion. The share of 'AAA' and 'AA' rated treasury assets was 68.5%. AsDB benefits from strong access to capital markets and a diversified investor base.

**Deteriorating Credit Quality:** Loan-book quality deteriorated in 2016 as a result of the aforementioned ADF merger, with an average loan rating of 'BB+' at January 2017 compared with 'BBB-' at end-2015. The AsDB does, however, benefit from a 'strong' assessment of preferred creditor status, leading to an overall 'low' assessment of credit risk. Fitch does not expect the consolidation to affect AsDB's low NPL ratio of 0.02% at January 2017.

**Improving Concentration Risk:** The concentration of AsDB's lending portfolio improved considerably as a result of the merger with the ADF; with the five-largest borrowers accounting for 49.3% of total banking exposure as of January 2017 (71% at end-2015). As outlined in Fitch's criteria, this improvement shifts the concentration assessment from 'high risk' to 'medium risk', which, in turn, further enhances the AsDB's solvency assessment.

**Strong but Declining Shareholder Support:** Net debt is no longer covered by callable capital from 'AAA' or 'AA+' shareholders, owing to increased indebtedness and a fall in the value of AsDB's callable capital due to currency movements. However, the bank does not need credit uplift from support to achieve an overall 'AAA' rating, due to its excellent intrinsic strength.

### Rating Sensitivities

**Decline in Asset Quality:** AsDB's ratings could be downgraded if its loan portfolio quality were to decline due to rising exposure to private-sector operations or following a breach of its preferred creditor status on sovereign loans.

**Deteriorating Risk Management:** A significant loosening of risk-management standards leading to deterioration in AsDB's risk profile would have negative rating implications.

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## Asian Development Bank (AsDB) Balance Sheet

	01 Jan 2017		31 Dec 2015		31 Dec 2014		31 Dec 2013	
	Year End USDm Original	As % of Assets Original	Year End USDm Original	As % of Assets Original	Year End USDm Original	As % of Assets Original	Year End USDm Original	As % of Assets Original
<b>A. LOANS</b>								
1. To / Guaranteed by Sovereigns	89,438.0	57.09	57,555.0	48.90	52,351.0	45.26	49,947.0	43.11
2. To / Guaranteed by public institutions	411.0	0.26	418.0	0.36	371.0	0.32	359.0	0.31
3. To / Guaranteed by Private Sector	4,820.0	3.08	4,002.0	3.40	3,203.0	2.77	2,818.0	2.43
4. Trade Financing Loans (memo)	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other Loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Loan Loss Reserves (deducted)	45.0	0.03	34.0	0.03	35.0	0.03	36.0	0.03
<b>TOTAL A</b>	<b>94,624.0</b>	<b>60.40</b>	<b>61,941.0</b>	<b>52.63</b>	<b>55,890.0</b>	<b>48.32</b>	<b>53,088.0</b>	<b>45.82</b>
<b>B. OTHER EARNING ASSETS</b>								
1. Deposits with Banks	661.0	0.42	753.0	0.64	417.0	0.36	316.0	0.27
2. Securities held for Sale & Trading	8,595.0	5.49	7,405.0	6.29	9,749.0	8.43	13,852.0	11.95
3. Investment Debt Securities - (incl. other invest.)	21,390.0	13.65	16,036.0	13.62	14,544.0	12.57	11,498.0	9.92
4. Equity Investments	814.0	0.52	862.0	0.73	862.0	0.75	819.0	0.71
5. Derivatives (incl. Fair-value of guarantees)	29,143.0	18.60	29,538.0	25.10	33,092.0	28.61	35,043.0	30.24
<b>TOTAL B</b>	<b>60,603.0</b>	<b>38.68</b>	<b>54,594.0</b>	<b>46.39</b>	<b>58,664.0</b>	<b>50.72</b>	<b>61,528.0</b>	<b>53.10</b>
<b>C. TOTAL EARNING ASSETS (A+B)</b>	<b>155,227.0</b>	<b>99.08</b>	<b>116,535.0</b>	<b>99.01</b>	<b>114,554.0</b>	<b>99.04</b>	<b>114,616.0</b>	<b>98.92</b>
<b>D. FIXED ASSETS</b>	<b>163.0</b>	<b>0.10</b>	<b>168.0</b>	<b>0.14</b>	<b>173.0</b>	<b>0.15</b>	<b>167.0</b>	<b>0.14</b>
<b>E. NON-EARNING ASSETS</b>								
1. Cash and Due from Banks	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other	1,276.0	0.81	994.0	0.84	933.0	0.81	1,085.0	0.94
<b>F. TOTAL ASSETS</b>	<b>156,666.0</b>	<b>100.00</b>	<b>117,697.0</b>	<b>100.00</b>	<b>115,660.0</b>	<b>100.00</b>	<b>115,868.0</b>	<b>100.00</b>
<b>G. SHORT-TERM FUNDING</b>								
1. Bank Borrowings (< 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Securities Issues (< 1 Year)	18,548.0	11.84	14,234.0	12.09	14,053.0	12.15	13,265.0	11.45
3. Other (incl. Deposits)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>TOTAL G</b>	<b>18,548.0</b>	<b>11.84</b>	<b>14,234.0</b>	<b>12.09</b>	<b>14,053.0</b>	<b>12.15</b>	<b>13,265.0</b>	<b>11.45</b>
<b>H. OTHER FUNDING</b>								
1. Bank Borrowings (> 1 Year)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Borrowings (incl. Securities Issues)	55,928.0	35.7	51,820.0	44.0	48,648.0	42.1	48,365.0	41.7
3. Subordinated Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Hybrid Capital	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>TOTAL H</b>	<b>55,928.0</b>	<b>35.70</b>	<b>51,820.0</b>	<b>44.03</b>	<b>48,648.0</b>	<b>42.06</b>	<b>48,365.0</b>	<b>41.74</b>
<b>I. OTHER (Non-Int Bearing)</b>								
1. Derivatives (incl. Fair value of guarantees)	32,079.0	20.48	32,272.0	27.42	33,987.0	29.39	34,347.0	29.64
2. Fair value portion of debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other (Non-Int Bearing)	2,085.0	1.33	1,925.0	1.64	2,034.0	1.76	2,753.0	2.38
<b>TOTAL I</b>	<b>34,164.0</b>	<b>21.81</b>	<b>34,197.0</b>	<b>29.06</b>	<b>36,021.0</b>	<b>31.14</b>	<b>37,100.0</b>	<b>32.02</b>
<b>J. GENERAL PROVISIONS &amp; RESERVES</b>	<b>172.0</b>	<b>0.11</b>	<b>215.0</b>	<b>0.18</b>	<b>230.0</b>	<b>0.20</b>	<b>261.0</b>	<b>0.23</b>
<b>L. EQUITY</b>								
1. Preference Shares	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Subscribed Capital	142,699.0	91.08	147,052.0	124.94	153,056.0	132.33	162,809.0	140.51
3. Callable Capital	(135,545.0)	(86.52)	(139,678.0)	(118.68)	(145,376.0)	(125.69)	(154,640.0)	(133.46)
4. Arrears/Advances on Capital	(2,150.0)	(1.37)	(2,476.0)	(2.10)	(3,002.0)	(2.60)	(3,586.0)	(3.09)
5. Paid in Capital (memo)	7,154.0	4.57	7,374.0	6.27	7,680.0	6.64	8,169.0	7.05
6. Reserves (incl. Net Income for the year)	44,338.0	28.30	13,824.0	11.75	13,209.0	11.42	12,973.0	11.20
7. Fair-value revaluation reserve	(1,488.0)	(0.95)	(1,491.0)	(1.27)	(1,179.0)	(1.02)	(679.0)	(0.59)
<b>TOTAL L</b>	<b>47,854.0</b>	<b>30.55</b>	<b>17,231.0</b>	<b>14.64</b>	<b>16,708.0</b>	<b>14.45</b>	<b>16,877.0</b>	<b>14.57</b>
<b>M. TOTAL LIABILITIES &amp; EQUITY</b>	<b>156,666.0</b>	<b>100.00</b>	<b>117,697.0</b>	<b>100.00</b>	<b>115,660.0</b>	<b>100.00</b>	<b>115,868.0</b>	<b>100.00</b>
Exchange rate	USD1 = USD1		USD1 = USD1		USD1 = USD1		USD1 = USD1	

### Related Criteria

[Supranational Rating Criteria \(May 2017\)](#)

**Asian Development Bank (AsDB)**  
**Income Statement**

	01 Jan 2017		31 Dec 2015		31 Dec 2014		31 Dec 2013	
	Year End USDm	As % of Earning	Year End USDm	As % of Earning	Year End USDm	As % of Earning	Year End USDm	As % of Earning
	Original	Assets	Original	Assets	Original	Assets	Original	Assets
1. Interest Received	1,450.0	0.93	995.0	0.85	901.0	0.79	976.0	0.85
2. Interest Paid	751.0	0.48	373.0	0.32	317.0	0.28	400.0	0.35
<b>3. NET INTEREST REVENUE</b>	<b>699.0</b>	<b>0.45</b>	<b>622.0</b>	<b>0.53</b>	<b>584.0</b>	<b>0.51</b>	<b>576.0</b>	<b>0.50</b>
4. Other Operating Income	64.0	0.04	30.0	0.03	67.0	0.06	62.0	0.05
5. Other Income	165.0	0.1	48.0	0.0	280.0	0.2	183.0	0.2
6. Personnel Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Non-Interest Expenses	390.0	0.25	383.0	0.33	352.0	0.31	411.0	0.36
8. Impairment charge	11.0	0.0	(1.0)	0.0	(1.0)	0.0	(6.0)	0.0
9. Other Provisions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>10. PRE-DERIVATIVE OPERATING PROFIT</b>	<b>527.0</b>	<b>0.34</b>	<b>318.0</b>	<b>0.27</b>	<b>580.0</b>	<b>0.51</b>	<b>416.0</b>	<b>0.36</b>
11. Net gains / (losses) on non-trading derivative instruments	(520.0)	-0.3	238.0	0.2	(193.0)	-0.2	150.0	0.1
<b>12. POST-DERIVATIVE OPERATING PROFIT</b>	<b>7.0</b>	<b>0.00</b>	<b>556.0</b>	<b>0.48</b>	<b>387.0</b>	<b>0.34</b>	<b>566.0</b>	<b>0.49</b>
13. Other income and expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>14. NET INCOME</b>	<b>7.0</b>	<b>0.00</b>	<b>556.0</b>	<b>0.48</b>	<b>387.0</b>	<b>0.34</b>	<b>566.0</b>	<b>0.49</b>
15. Fair value revaluations recognised in equity	(210.0)	-0.1	(128.0)	-0.1	(597.0)	-0.5	157.0	0.1
<b>16. FITCH'S COMPREHENSIVE NET INCOME</b>	<b>(203.0)</b>	<b>(0.13)</b>	<b>428.0</b>	<b>0.37</b>	<b>(210.0)</b>	<b>(0.18)</b>	<b>723.0</b>	<b>0.63</b>

**Asian Development Bank (AsDB)  
Ratio Analysis**

	01 Jan 2017	31 Dec 2015	31 Dec 2014	31 Dec 2013
	Year End	Year End	Year End	Year End
	%	%	%	%
	Original	Original	Original	Original
<b>I. PROFITABILITY LEVEL</b>				
1. Net Income/Equity (av.)	0.02	3.28	2.30	3.42
2. Net Income/Total Assets (av.)	0.01	0.47	0.33	0.47
3. Net Interest Revenue + Commitment Fees / Gross Loans + Treasury Assets + Guarantees (av.)	0.69	0.79	0.78	0.78
4. Cost-Income Ratio	51.11	58.74	54.07	64.42
5. Income from Equity Investment / Equity Investment (av.)	2.2	(2.2)	2.0	1.1
6. Provisions / Average Total Banking Exposure (excl LCs)	0.0	0.0	0.0	(0.0)
<b>II. CAPITAL ADEQUACY</b>				
1. Net Total Banking Exposure (excl LCs) / Subscribed Capital + Reserves	52.2	39.9	35.2	31.7
2. Equity/Adjusted Total Assets	38.41	20.17	20.46	20.70
3. Equity /Adjusted Total Assets + Guarantees	37.77	19.84	20.03	20.26
4. Paid-in capital / Subscribed capital	5.01	5.01	5.02	5.02
5. Internal Capital Generation after Distributions	(0.6)	2.5	(1.3)	4.4
<b>III. LIQUIDITY</b>				
1. Liquid Assets / Short-term debt	160.85	169.97	175.83	193.49
2. Treasury Assets / Total Assets	19.56	20.56	21.36	22.15
3. Treasury Assets IG + eligible non IG / Total Assets	19.56	14.22	14.75	12.69
4. Unimpaired Trade Financing Loans / Total Assets	0.00	0.00	0.00	0.00
5. Liquid Assets / Total Assets	19.04	14.22	14.75	12.69
6. Liquid Assets / Undisbursed Loans & Equity	7,069.67	3,875.23	3,939.03	2,505.62
<b>IV. ASSET QUALITY</b>				
1. Impaired Loans /Gross Loans	0.0	0.0	0.0	0.1
2. Loan Loss Reserves / Gross Loans	0.2	0.4	0.5	0.6
3. Total reserves / Gross Loans, Equity Investment & Guarantees	0.2	0.4	0.5	0.5
4. Loan Loss Reserves/Impaired Loans	1,085.0	1,383.3	1,261.9	1,142.3
<b>V. LEVERAGE</b>				
1. Debt/Equity	155.63	383.34	375.28	365.17
2. Debt/Subscribed Capital + Reserves	40.14	41.44	37.98	35.20
3. Debt/Callable Capital	54.95	47.29	43.13	39.85
4. Net Income + Interest Paid/Interest Paid	100.93	249.06	222.08	241.50

**Asian Development Bank (AsDB)  
Spread Sheet Annex**

	01 Jan 2017	31 Dec 2015	31 Dec 2014	31 Dec 2013
	USDm	USDm	USDm	USDm
	Original	Original	Original	Original
<b>1. LENDING OPERATIONS</b>				
1. Loans outstanding	94,669.0	61,975.0	55,925.0	53,124.0
2. Undisbursed Loans	26,898.0	25,911.0	26,140.0	21,907.0
3. Approved Loans	13,572.0	12,941.0	10,233.0	10,186.0
4. Disbursed Loans	9,763.0	9,667.0	7,368.0	5,985.0
5. Loan Repayments	4,129.0	3,479.0	4,306.0	5,126.0
6. Net disbursements	5,634.0	6,188.0	3,062.0	859.0
<b>2. OTHER BANKING OPERATIONS</b>				
1. Equity participations	814.0	862.0	862.0	819.0
2. Guarantees plus LCs and other off BS credit commitments	2,105.0	1,407.0	1,740.0	1,780.0
3. Total banking exposure (BS & off BS)	97,588.0	64,244.0	58,527.0	55,723.0
4. Growth in total banking exposure (BS and off BS)	51.9	9.8	5.0	0.0
<b>3. SUPPORT</b>				
1. Share of AAA / AA shareholders in callable capital	46.78	46.72	46.88	46.86
2. Share of A / BBB shareholders in callable capital	43.60	44.34	45.69	45.71
3. Share of Speculative Grade shareholders in callable capital	9.60	8.95	7.43	7.43
4. Rating of callable capital ensuring full coverage of net debt	AA	AA+	AAA	AAA
5. Weighted Average Rating of Key Shareholders	A+	A+	AA-	AA-
<b>4. BREAKDOWN OF BANKING PORTFOLIO</b>				
1. Loans to Sovereigns / Total Banking Exposure	91.65	89.59	89.45	89.63
2. Loans to Non Sovereigns / Total Banking Exposure	5.36	6.88	6.11	5.70
3. Equity participation / Total Banking Exposure	0.83	1.34	1.47	1.47
4. Non Sovereign Exposure (incl. guarantees)/Total Banking Exposure	7.66	9.45	9.28	8.71
<b>5. CONCENTRATION MEASURES</b>				
1. Largest exposure	15,615.0	14,646.0	14,039.0	13,225.0
2. Five largest exposures	56,562.0	45,620.0	43,196.0	41,332.0
3. Largest exposure / Equity (%)	32.63	85.00	84.03	78.36
4. Five largest exposures / Equity (%)	118.00	264.76	258.53	244.90
6. Five largest exposures / Total Banking Exposure (%)	57.96	71.01	73.81	74.17
<b>6. CREDIT RISK</b>				
1. Average Rating of Loans & Guarantees	BB+	BBB-	BBB-	BBB-
2. Loans to Investment Grade Borrowers / Gross Loans	49.74	76.76	75.16	67.59
3. Share of Treasury Assets rated AAA-AA	68.50	69.19	69.02	57.31

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