Economic Outlook
Resilient growth in the face of global and regional headwinds

Drivers of Africa’s growth

- Strong public investment in infrastructure
- Strong domestic consumer base
- Burgeoning services sector
- Gradual economic diversification

GDP growth (%)

Asia Pacific
Africa
North America
Europe
Latin America and the Caribbean
Lower growth due to depressed commodity prices as well as to the impact of the Ebola outbreak

Decline in oil and metal prices adversely affected growth in the region

Political instability in Burundi and South Sudan weighed down on growth in the region

Growth impacted by acute shortages of power, hostile weather conditions and low commodity prices

Five of the ten fastest-growing countries in the world with real GDP growth above 7% are in Africa

Diverse country-specific factors driving growth
Macroeconomic environment remains relatively stable

Low commodity prices depressed revenues, contributing to the widening of both fiscal and current accounts.

The strengthening of the US dollar also put additional pressure on the exchange rate of a number of countries.

Fiscal and monetary policies have proven prudent, keeping inflation generally stable aided by low fuel prices in importing countries.
Africa’s growth should remain favorable, in spite of challenges

Growth prospects remain positive, underpinned by relatively stable macroeconomic conditions, strong domestic consumer demand, robust public investment in infrastructure and fiscal consolidation in order to contain the commodity price shock.

Downside risks include a continued decline in commodity prices, power shortages, adverse weather, conflict, political instability and terrorism.

Africa has shown its resilience and should continue to maintain its position as the second fastest growing region of the world.
Overview of Bank Group Operations
At the center of Africa’s transformation
High 5s - Scaling up implementation of the Ten Year Strategy

Light up and power Africa
Unlock the continent’s energy potential in order to drive much-needed industrialization

Feed Africa
Transform agriculture to increase productivity, lower food prices, enhance food security, revive rural areas and create jobs for Africans

Industrialize Africa
Lead other partners in the process of industrializing Africa and developing the private sector to create wealth from natural assets

Integrate Africa
Address barriers, create regional value chains and leverage complementarities in order to tap the continent’s huge market potential

Improve the quality of life for the people of Africa
Develop innovative flagship programs to open up opportunities for youth employment, improve access to basic services and create economic opportunities for the extreme poor
Light up and power Africa

To provide universal energy access by 2025

- 162 GW electricity generation
- 130 million on-grid connections
- 75 million off-grid connections
- 150 million households with access to clean cooking solutions

Partnership-driven effort
Work with partners to develop a framework that takes into account different energy sources, geographic conditions, regulation and pricing, technologies and distribution mechanisms

AfDB to invest USD 12 billion and leverage about USD 50 billion over 5 years

Over 640 million Africans lack access to electricity

Per capita use of electricity
Africa 613 kWh; USA 13,000 kWh; Europe over 6,500 kWh

Energy in Africa, a grey picture

Hydropower provides about a fifth of current capacity but not even a tenth of its total potential is harnessed

Insufficient energy access
- Causes hundreds of thousands of deaths annually through the use of wood-burning stoves
- Undermines hospital and emergency services operations
- Compromises educational attainment
- Drives up cost of doing business due to the use of generators

Insufficient energy access
Africa’s poorest pay 60 – 80 times more per unit in northern Nigeria than residents of New York and London
Agriculture employs over 60% of the African workforce and accounts for 33% of the continent’s GDP, yet Africa is the world’s most food-insecure region.

Heavy dependence on food imports (over USD 35 billion)

More than 1 in 4 Africans is malnourished

Droughts, water scarcity and famine are well-known and real

60% of arable land in the world not yet put to production is in Africa

Africa’s potential for agricultural production is enormous

Our Goals:
- Adequately feed 150 million additional people
- Lift 100 million people out of poverty
- Restore productivity to 190 million hectares

“Feed Africa initiative” will deploy financial resources to enable African countries to seize the opportunity to promote agriculture related industrialization.

Accelerate support for massive agricultural transformation across Africa to:
- Create jobs
- Unlock the potential of agriculture
- Lower food prices
- Revive rural areas

AfDB’s investment to quadruple from a current annual average of USD 612 million to about USD 2.4 billion.
Industrialize Africa

African economies are largely dependent on sectors with low added value

- Africa’s share of global manufacturing at around 1.9%
- 62% of imports and 19% of exports are manufactured

Commodity dependence (% government revenue)
- Libya: 98%
- Equatorial Guinea: 85%
- Angola: 80%
- Nigeria: 74%

Industry GDP per capita
- North America: USD 11,500
- East Asia: USD 3,400
- Africa: USD 700

Our ambition
- Move Africa to the top of the value chain
- Increase industrial GDP by 130% to USD 1.55 trillion by 2025
- Develop efficient industry clusters
- Provide policy advisory services, technical assistance to governments and funding to key PPP projects
- Increase investment/financing to lend to small and medium enterprises (SMEs) and increase their capacity
- Improve access to market finance for African enterprises
- Catalyze funding into infrastructure and industrial projects
- Link up African enterprises and major projects with potential partners and investors

AfDB to invest about USD 5.6 billion per year

We cannot do it alone!

Low value-added activities lead to low GDP/capita

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We cannot do it alone!
Intra-African trade at 15%, lowest globally compared to

- 70% in the EU
- 60% in Asia
- 54% in the North America Free Trade Area

Policy
Regulatory
Institutional
Infrastructural

Regional integration challenges:

The Bank Group focus

Building regional infrastructure
Boosting intra-African trade and investment
Facilitating movement of people across borders

African countries are losing out on billions of dollars in potential trade every year because of fragmented regional markets and lack of cross-border production networks that can spur economic dynamism

Our ambition.....to lead several continent-wide initiatives targeting both “hard” and “soft” infrastructure
- Continental Free Trade Area – to address Africa’s low internal and external trade performances
- Comprehensive Africa Agriculture Development Program
- Program for Infrastructure Development in Africa – designed to develop a vision and strategic framework for the development of regional and continental infrastructure
- Sahel and the Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa

AfDB to invest about USD 3.5 billion per year from 2016 to develop high quality regional infrastructure
Ensuring that Africa’s demographic growth yields significant economic dividends and contributes to inclusive growth will allow all Africans across different countries to have access to:

- Basic services (education, health care, water and sanitation)
- Productive employment and entrepreneurship opportunities

Our vision

Widespread inclusive growth, allowing all Africans across different countries to have access to

- Basic services (education, health care, water and sanitation)
- Productive employment and entrepreneurship opportunities

Improving access to water and sanitation

Catalytic approach will turn demographic growth into economic dividends

Strengthen health systems

Build critical skills

Create 80 million jobs

Offer a new hope for younger generations

Contribute to halting the migration flows draining African youth

Create millions of jobs

Improve the quality of life for the people of Africa
Path to green growth

Several African countries have already embarked on ambitious programs that integrate climate action with sustainable development.

AfDB is committed to tripling climate finance to USD 5 billion per year by 2020.

Rwanda

- **National Strategy for Climate Change and Low Carbon Development**
  - Combines sustainability, wealth creation and poverty reduction measures
  - Power generation from renewable energy to increase to 50% by 2017 from 4% in 2008

Ethiopia

- **Climate Resilient Green Economy Strategy**
  - Almost all electricity comes from hydropower and generation capacity has tripled since 2005
  - 53.5% of the population now enjoying access to electricity compared to 16% eight years ago

- **Climate Investment Funds** USD 973 million
- **Global Environment Facility** USD 252 million
- **Africa Climate Change Fund** USD 11 million
- **Sustainable Energy Fund for Africa** USD 102 million
- **Green Climate Fund** USD 2.5 billion funding target for 2016
In 2015, 13 projects worth USD 531 million were approved for development of the water and sanitation sector in Africa.
Delivering on a strong pipeline of projects

Sectoral distribution of 2015 approvals

- Industry: 0.1%
- Agriculture: 8.1%
- Social: 9.4%
- Multi-sector*: 12.5%
- Finance: 21.3%
- Infrastructure: 48.6%

Breakdown of infrastructure approvals

- Transport: 27.20%
- Energy: 13.80%
- Water Supply and Sanitation: 6.30%
- Communications: 1.40%

* Multi-sector includes public finance management and other governance-related operations

Approvals by region

- West: 10.80%
- South: 20.80%
- North: 17.70%
- East: 18.30%
- Central: 9.60%
- Multi-national: 22.80%

In USD million

2013: 6,754
2014: 7,316
2015: 8,778

- ADB
- ADF
- NTF
- Special Funds

Approvals in USD million:

- Transport: 27.20%
- Water Supply and Sanitation: 6.30%
- Agriculture: 8.10%
- Energy: 13.80%
- Industry: 0.10%
- Finance: 21.30%
- Social: 9.40%
- Multi-sector*: 12.50%
Bamako - San Pedro Corridor

**Before implementation**

- **Traffic Flow Improvement**: Reduce transportation time and costs between Mali and the port of San Pedro.
- **Corridor Utilization**: Serve as a transit port for neighboring countries.

**Expected Impact**

- **Traffic Volume**: Increase by 59,200 truckloads per year.
- **Travel Time**: Reduce transportation time by 12 hours.
- **Cost Savings**: Lower costs by 0.8 USD/km for trucks.
- **Accessibility**: Improve rural access by 25%.
- **Port Efficiency**: Enhance port operations by 24 hours.

**Key Information**

- **Total Cost**: USD 235.8 million
- **2015**: Project Approval
- **2016**: Start of civil works
- **2020**: Completion
- **140 km** of road in Mali
- **135 km** of road in Côte d’Ivoire
- **1** border post
- **2,700,000** beneficiaries

**Partners**

- **AfDB**: USD 56.2 million
- **West African Economic and Monetary Union**: USD 3.3 million
- **Government of Côte d’Ivoire and Mali**: USD 33.5 million
- **ADF**: USD 142.7 million

**Corridor Description**

- **Bamako - San Pedro Corridor**
- **Objective**: Improve traffic flow and reduce transportation time and costs between Mali and the port of San Pedro.
- **Impact**: Serve as a transit port for neighboring countries.
Africa Backbone Project

Contributes to the diversification of Cameroon’s economy

Promotes regional integration by enabling neighboring countries to access fiber optic infrastructure

916 km of optical fibre
616,000 Beneficiaries

Total Cost: USD 52.6 million

- **2015**: Project Approval
- **2016**: Start of civil works
- **2020**: Completion

Before implementation

<table>
<thead>
<tr>
<th>Expected impact</th>
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<tbody>
<tr>
<td>53.5% of ICT contribution to the tertiary sector</td>
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<tr>
<td>6% penetration of internet services</td>
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<td>76% of Tele-density (mobile)</td>
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<tr>
<td>0 e-Banking customers</td>
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<td>20,000</td>
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USD 1.8 million
USD 8.4 million
USD 42.4 million
Dar Es Salaam Bus Rapid Transit System Project - Phase 2

Enhance and improve traffic flow

Positively impact businesses

20 km of exclusive bus lanes
1,200,000 Beneficiaries

Before implementation

Expected impact

Total Cost: USD 159.3 million

2015 30 September Project Approval
2016 September Start of civil works
2017
2019 December Completion
Private sector - Nacala Rail and Port - Mozambique, Malawi

- Support the construction/rehabilitation of 912 km of railway and associated port infrastructure from Mozambique to Malawi
- Provide efficient and environmentally-friendly transport of mineral resources, general freight and passengers
- Facilitate trade and development across the region
- Improve global competitiveness of the region’s mineral, agricultural and manufacturing exports

Total Cost
USD 4.6 billion

AfDB financing
USD 300 million
Arusha Sustainable Urban Water Project - Tanzania

• Existing sanitation system caters to only 7.6% of Arusha city, and is concentrated in the Central Business District. The sewage treatment plant is critically overloaded.

• Project will provide safe, reliable and sustainable water and sanitation services in Arusha.

• Contribute to improvements in health, social well-being and living standards of the more than 850,000 residents.

Total Cost
USD 234 million

AfDB Financing
USD 169 million
The Gambia River Basin Development Organization

Energy Project

Gambia, Guinea, Guinea-Bissau, Senegal

- Pooling of hydropower to end power shortages
- 1.3 million people will benefit from regular and more affordable electricity
- Interconnection network among the four countries will help share energy from power plants in the area

Gambia 12%
Guinea-Bissau 19%
Gambia 35%
Senegal 57%
Uganda 14%

USD 1 billion with USD 134 million financed by the Bank

Uganda

- 58,000 rural households in 16 districts representing around 280,000 people will benefit from the investment
- Project will significantly improve public institutions and businesses in the area
- Provide a reliable energy supply to 5,320 business centers and 1,470 public institutions

Rural Electricity Access

USD 121 million project with USD 100 million financed by the Bank

Addressing the energy gap

Low electricity access rates

Guinea 12%
Guinea-Bissau 19%
Gambia 35%
Senegal 57%
Uganda 14%

Low electricity access rates

Gambia, Guinea, Guinea-Bissau, Senegal

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USD 1 billion with USD 134 million financed by the Bank

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USD 1 billion with USD 134 million financed by the Bank

Uganda

- 58,000 rural households in 16 districts representing around 280,000 people will benefit from the investment
- Project will significantly improve public institutions and businesses in the area
- Provide a reliable energy supply to 5,320 business centers and 1,470 public institutions

Rural Electricity Access

USD 121 million project with USD 100 million financed by the Bank
Fostering development through Trade Finance

Unmet demand estimated at USD 120 billion annually

Trade Finance Program provides:
• Guarantees to major international banks
• Trade liquidity support to local banks and soft commodity corporates

Local partners provide finance to SMEs and local corporates, promoting intra-African and international trade

Two-thirds of the transactions benefited SMEs

Benefits countries by facilitating international trade, critical for economic growth

Consistent partner, even in times of market stress

Supported more than 1,000 trade transactions worth USD 3 billion since inception

Liquidity and risk mitigation to more than 85 local banks in more than 20 African countries, most of which are in low-income countries and/or fragile and transition states

Ample array of trade finance products

Risk Participation Agreements
USD 1 billion

Trade Finance Lines of Credit
USD 305 million

Soft Commodity Finance Facilities
USD 110 million

AfDB 2014 Best Development Financial Institution in Trade Finance in Africa
Building resilient health systems

AfDB made a valuable contribution towards the rapid containment of the Ebola outbreak

- Many lives saved versus the prediction of millions dying
- Health systems strengthened, human resources capacity built to respond effectively to Ebola virus disease and other infectious diseases
- Communities empowered to effectively respond to Ebola
- Psychosocial support provided to survivors
- An estimated 321 million people in the ECOWAS sub region benefited from AfDB Ebola containment projects
- Bank now supporting Post Ebola efforts through the Post Ebola Recovery Social Investment Fund project
Deepening and broadening African capital markets

Leading regional financial markets integration operations

- **Investment in Africlear Global**, a pan-African platform providing technology to other African Central Securities Depository companies
  - To ensure a sound ecosystem for regional financial infrastructure
  - To drive efficiency and lower costs of capital markets clearing settlements and depository transactions
  - To create Africa based products that will add value to institutional investors and listed companies

- **Piloting the integration of 4 regional hubs** (Casablanca, Nigeria, Johannesburg, Nairobi stock exchanges) in collaboration with the Africa Stock Exchanges Association (ASEA)
  - To enhance regional capital markets policy dialogue and transparency of information
  - To create new financial products (indices)
  - To facilitate cross-border trading and capital raising to improve liquidity in Africa’s capital markets

- **Bolstering the financial markets ecosystem with a USD 2.2 million Trust Fund**, providing grants and technical assistance to strengthen the regulatory and legal framework
  - To support the financial technology infrastructure
  - To improve capacity building in Eastern, Western and North Africa

- **African Financial Markets Initiative (AFMI)** to support the development of domestic bond markets
  - Launch of the African Financial Markets Database, the most comprehensive and accurate knowledge hub on African debt markets, in partnership with African Central Banks
  - Launch of the African Domestic Bond Fund, a USD 500 million fund with AfDB the anchor investor and promoter, to provide additional sources of funding for local African governments and corporate bond issuers

Financial markets have played an important role in Africa’s recent economic progress by providing better access to financing for various African governments and corporates

The AfDB is facilitating strong financial system governance, providing technical assistance, and institutional strengthening programs to address institutional deficiencies.
Improving governance in Africa

Over 100 governance projects completed, resulting in better macroeconomic management, increased tax revenue, more foreign direct investment and less time required to start a business

Mali USD 21 million
To improve public expenditure management in support of economic recovery

Project will enhance fiscal decentralization, ensure greater efficiency and transparency in public procurement and strengthen internal controls

Morocco USD 111 million
To strengthen the commercial legal system, institute tax reforms and promote Public-Private Partnerships (PPPs) and institutions to combat corruption

Project will support competitiveness and SME growth

Tanzania USD 69 million
For policy reforms in the power utilities sector

Reforms will address governance of state owned enterprises

Zimbabwe USD 3 million
To support Civil Society Organizations working in economic and financial governance, women’s rights and Parliamentary capacity building initiatives on women’s economic empowerment

29 governance operations approved in 25 countries for USD 1.1 billion in 2015
A public international organization created and hosted by the AfDB

- Kenya, Tanzania, Togo, Sierra Leone, Malawi, Comoros, Mauritania, Guinea-Bissau, Somalia, and Madagascar
- Benin, Burkina Faso, Cameroon, Ethiopia, Gambia, Mali, Mauritania, and Senegal

59 members, including 52 states and 7 international organizations

Negotiation of complex commercial transactions

Capacity building

Commercial creditor litigation

88 projects since inception

29 projects approved in 2015

Supported 8 countries in negotiating energy deals

Currently facilitating negotiations in at least 15 countries to resolve issues in major natural resource contracts

Trained over 1,000 African experts in commercial legal issues (energy projects, PPPs, natural resources contracts, investment treaties)
Consolidating the gains from decentralization

Presence in 40 African countries

Projects managed locally increased from 51% in 2014 to 60% in 2015

Regional Resource centers empowering faster business delivery and stronger regional dialogue
Financial Profile and Capital Market Activities
Innovating and crowding-in resources to do more

Large scale partnerships that enlarge the Bank’s footprint in Africa

- **Enhanced Private Sector Assistance for Africa (Japan)**
  - USD 3 billion

- **Africa Growing Together Fund (China)**
  - USD 2 billion

- **Africa 50**
  - USD 830 million

- **Africa 50**
  - USD 1 billion

Risk transfer instruments improving capital efficiency

- **Private Sector Credit Enhancement Facility**
  - Risk sharing vehicle that enables AfDB to support more private sector projects in lower income countries to increase development impact
  - Expected to catalyze USD 1 billion of additional lending over 3 years
Africa has been less successful than other developing regions in attracting private investment.

Risk perception often leads to an additional 10-15% risk premium on projects compared to other regions of the world.

This skewed perception of risk impacts the cost and volume of commercial financing and capital investment.

Addressing the perception of Africa as high risk

AfDB Guarantees

Risk Sharing

Crowding In
Partial Risk Guarantee, an innovative political risk mitigation instrument

**Government Benefits**
- Leverages country borrowing program
- Risk sharing with private sector
- Facilitates privatizations and PPPs
- Project benefits from Bank’s safeguards
- No additional contingent liability to the country

**Private Sector Benefits**
- Mitigates some lending risks
- Improves a project’s financial viability
- Project benefits from Bank’s safeguards
- Reinforces government undertakings
- Provides lender confidence to invest

PRGs extended by the Bank for Sovereign governments and sovereign owned entities with the Bank signing a counter-guarantee with the respective governments

To protect private lenders against...
- Inability to repatriate or convert currency earned in the country
- Confiscation, expropriation, nationalization and deprivation
- Not honoring contractual obligations
- Changes in law and force majeure risks
Over USD 2.7 billion in investments catalyzed through AfDB PRGs

**Kenya**

October 2013

Lake Turkana Wind Farm Project

- **EUR 20 million**
  - 300 MW wind energy capacity and 428 km of transmission lines
  - PRG used to cover risk of construction and completion delays in the transmission interconnection by KETRACO, the state-owned transmission company

**Nigeria**

December 2013

Energy Sector Reform and Restructuring Program

- **USD 180 million**
  - Boost private sector confidence to invest in independent power producers (IPPs) through the operationalization of Nigeria’s Bulk Electricity Trading Plc (NBET), a government entity established to act as intermediary for an interim period between IPPs and distribution companies
  - PRG used to mitigate the risk of NBET not fulfilling its payment obligations under its PPAs with IPPs

**Kenya**

October 2014

Power generation with Geothermal Development Corporation

- **USD 12.4 million**
  - Three 35 MW geothermal power plants
  - PRG to mitigate the risk of non-payment from Kenya Power and Lighting Company for power purchases and the Geothermal Development Company of Kenya for non-supply of steam
Partial Credit Guarantees crowd-in investors for Africa’s transformation

**PCGs extended by AfDB for**
- Eligible Regional Member Countries
- Sovereign owned entities
- Private sector project sponsors that meet the Bank’s due diligence criteria for loans

**To protect against**
- Debt service defaults, including both
  - Political risk
    - Availability of foreign exchange and convertibility into foreign exchange
    - Expropriation and nationalization
    - Contractual obligations
    - Changes in law
  - Commercial risks such as demand risk, market risks, etc.

**For the benefit of**
- Private lenders to both private sector clients and/or sovereign clients
- Bondholders of both public and corporate debt
Partial Credit Guarantees helping Africa open access to debt markets

**CAMEROON**

**MTN PCG**

**EUR 13 MILLION**

**(2000)**

Guarantee to allow syndicate of lenders to provide local currency to invest in IT telephony expansion across Cameroon

Introduced limited recourse project finance to local banks allowing them to provide longer term funding (5 years) in an environment where the longest maturity was limited to 2 years

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**MULTINATIONAL**

**GOWE PCG**

**USD 16 MILLION**

**(2007)**

Growth Oriented Women’s Enterprises (GOWE) Portfolio Guarantee together with USAID extended a 50% loss sharing portfolio guarantee to African banks

Facilitated access to finance for women entrepreneurs and SMEs through guarantees

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**SEYCHELLES**

**POLICY REFORM PCG**

**USD 10 MILLION**

**(2010)**

Seychelles Economic Reform Partial Credit Guarantee, part of a policy-based program to support the implementation of economic reforms by reducing public debt to more sustainable levels

Eased re-entry into international capital markets following a crisis / default which facilitated the restructuring of USD 320 million worth of debt

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**CAMEROON**

**DERIVATIVES PCG**

**USD 500 MILLION**

**(2015)**

Partial Credit Guarantee to the Republic of Cameroon covering its payment obligations under cross currency swaps executed with commercial banks to hedge the proceeds of an USD denominated Eurobond

Lowered FX exposure, provided better and cheaper terms from hedging counterparties and an estimated EUR 24 million in annual savings
New Fully Flexible Loan allows middle-income countries to

- Extend the maximum maturity of loans from 20 to 25 years and grace period from 5 to 8 years by introducing maturity-based pricing
- Cap, collar or convert the base interest rate from floating to fixed and vice versa throughout the life of the loan
- Convert the currency of disbursed or undisbursed loans throughout the life of the loans into any other lending currency, including local currencies, on a best efforts basis

Providing innovative financial solutions
Local currency loans to facilitate infrastructure and entrepreneurship

Foreign exchange risk management through synthetic local currency loans

- Loans denominated and disbursed in foreign currency
- Clients’ repayments denominated in foreign currency but indexed to local currency interest and exchange rates through an agreed formula
- Limits potential increases in amounts due in local currency terms

Supporting Africa’s micro, small and medium size enterprises

Providing standardized multi-currency lines of credit to around 25 target financial institutions (FIs) and microfinance institutions (MFIs), primarily in lower income countries.

The funding will support the ability of FIs and MFIs to:
- Provide micro as well as small and medium size enterprises with relevant products and tenors
- Expand outreach to entrepreneurs and challenged (rural) communities.

Risk assessment includes commercial viability using benchmarks regarding profitability, capital adequacy, asset concentration and quality, corporate governance, management experience and quality, earnings consistency and quality and lastly liquidity management policies.

Sector is crucial to Africa’s growth, contributing more than 58% in employment and 33% to GDP.

<table>
<thead>
<tr>
<th>Project</th>
<th>Country</th>
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<tbody>
<tr>
<td>XINA Solar One Project</td>
<td>South Africa</td>
</tr>
<tr>
<td>Africa SME Program LOC - Mozabanco</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Moulin Moderne du Mali</td>
<td>Mali</td>
</tr>
<tr>
<td>LEKKI Toll Road Project</td>
<td>Nigeria</td>
</tr>
</tbody>
</table>
A solid institution to pursue Africa’s development goals

Critical development mandate
Solid financial risk management
Robust capitalization
Diversified funding profile

Aaa/AAA/AAA

Strong levels of liquidity
Preferred creditor status
Strong support from shareholders

“Our assessment of AfDB’s financial profile as very strong, predominantly reflects an improvement in the Bank’s capital adequacy.”
S&P
September 2015

Intrinsic financial strength bolstered by shareholders’ support
“AfDB’s high level of capitalisation is one of the key factors supporting its ‘AAA’ rating” Fitch, September 2015

“Continued improvement in single-name sovereign concentrations…” S&P, September 2015

“The AfDB’s Asset Coverage Ratio (ACR)… exceeds the median Aaa ACR of 29.8%…” Moody’s, August 2015

“AfDB’s liquidity is excellent” Fitch, September 2015
Risk capital increased by USD 2 billion since 2006

Strong risk bearing capacity to support business growth

Adequate portion of earnings incorporated into reserves

Reinforced capital base bolstered by payments received under the sixth general capital increase approved in 2010

USD 1.8 billion of additional paid-in capital expected from 2016 to 2026

* In 2013, AfDB adopted the economic capital framework and as a result, in computing risk capital, reserves were reduced after taking into account adjustments for valuations of equity investments and borrowings through other comprehensive income

“AfDB is one of the most highly capitalized regional MDBs”
Fitch, September 2015
A comfortable cushion for risk bearing activities

Measuring and monitoring capital requirements for credit, counterparty, market and operational risks

As of 31 December 2015

Capital utilization driven by the volume and quality of the Bank’s various risk exposures

* Diversification benefit stems from correlation between risks
Similar to other regional Multilateral Development Banks (MDBs), AfDB's credit rating is affected by concentration risks.

- **Sovereign limit**: 45% of risk capital
- **Non-sovereign limit**: 45% of risk capital
- **Non-core risk limits (e.g. market and operational)**: 10% of risk capital
- **Country limit**: 15% of risk capital
- **Equity limit**: 15% of risk capital
- **Single name limit**: 6% of the non-sovereign risk capital
- **Sector limit**: 25% of the non-sovereign risk capital (for financial sector 35%)

*The EEA involves a simultaneous exchange of equivalent credit risk on defined sovereign credit exposure with each participating MDB retaining a minimum of 50% of the total exposure to each country that is part of the EEA. Under the EEA, the MDB that originates the sovereign loans continues to be the lender of record.*
Safeguarding stakeholders’ interests

Key prudential ratios well within statutory limits

Leverage
Debt / usable capital
(usable capital = \(\Sigma\) paid-in capital, reserves, callable capital of non-borrowing countries rated A- and above)

Gearing
Loans* + equity investments + guarantees / subscribed capital** + surplus + reserves
*Including undisbursed
** Unimpaired

Leverage ratio
Gearing ratio
Limit
58%
28%
Falling commodity prices have negatively impacted resource based non-sovereign projects notwithstanding....

A defined risk appetite for the lending portfolio: BB+ to B+ (i.e. 3 to 4)

Managing the Bank’s portfolio in a challenging environment

In USD million

<table>
<thead>
<tr>
<th>Year</th>
<th>Sovereign</th>
<th>Non-sovereign</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>8,044</td>
<td>4,000</td>
</tr>
<tr>
<td>2007</td>
<td>8,952</td>
<td>8,044</td>
</tr>
<tr>
<td>2008</td>
<td>9,180</td>
<td>12,000</td>
</tr>
<tr>
<td>2009</td>
<td>12,088</td>
<td>13,093</td>
</tr>
<tr>
<td>2010</td>
<td>13,093</td>
<td>14,788</td>
</tr>
<tr>
<td>2011</td>
<td>17,530</td>
<td>18,577</td>
</tr>
<tr>
<td>2012</td>
<td>19,055</td>
<td>19,282</td>
</tr>
<tr>
<td>2013</td>
<td>19,282</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Positive income in a negative operating environment

Allocable income at comfortable level reinforces the Bank’s financial capacity

Reserves have first claim on earnings

USD 2.9 billion of allocable income since 2006

USD 1.2 billion allocated to reserves

USD 1.7 billion allocated to high development impact initiatives and surplus accounts

- Non-sovereign operations generated a proportionally larger share of revenue but higher profit margins were counterbalanced by slightly higher provision rates

- Increase in non-sovereign operations provisioning resulted from unfavorable operating context

- Low interest rate environment

AfDB cost-to-income ratio continues to be the lowest among peers
Mitigating interest rate risk
- Minimized by matching interest rate characteristics of assets and liabilities
- Stabilize net interest margin

Prohibited from taking foreign exchange rate risk
- Liabilities in any currency matched with assets in the same currency
- Currency composition of net assets aligned with the SDR* currency basket

Minimize credit risk exposure with credit and derivative counterparties
- Minimum credit ratings established for investments (A)
- Minimum ratings for derivative counterparties (A-)

Relying on our own resources in the face of shocks before shareholders’ support materializes
- Ability to meet net cash flow requirements including debt redemption and loan disbursements for 1-year without access to additional resources

*SDR: Special Drawing Rights

Conservative principles underlying our asset and liability management
Conservative management of liquidity

**USD 12 billion of treasury investments**
- Trading portfolio to meet short and medium term cash flow needs
- Held at amortized cost to stabilize net interest margin

**Investment objectives**
- Capital preservation
- Liquidity
- Return

**Multi-currency portfolio including:**
- USD
- EUR
- GBP
- JPY
- CHF
- CAD
- ZAR

**Investment portfolio**
- Sovereign, Supranational and Agencies: 70%
- Covered bonds: 15%
- Corporate bonds: 6%
- ABS/MBS*: 5%
- Money market investments: 4%

* ABS/MBS = Asset/Mortgage Backed Securities

As of 31 December 2015
Callable capital from AAA rated members fully covers net debt.

History of consistent support for capital increases demonstrates strength and stability of relationship with shareholders.

Convening power allows the Bank to mobilize and align stakeholders around shared development outcomes.

Shareholders support

Expanding membership

- 48 member countries in 1979
- 77 member countries in 1994
- 80 member countries in 2015

Callable capital

General Capital Increase

In USD million

- GCI-I: 527
- GCI-II: 5,584
- GCI-III: 1,545
- GCI-IV: 14,966
- GCI-V: 7,857
- GCI-VI: 60,612
Funding needs driven by development financing commitments

Borrowing program

<table>
<thead>
<tr>
<th>Year</th>
<th>In USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3,844</td>
</tr>
<tr>
<td>2013</td>
<td>5,667</td>
</tr>
<tr>
<td>2014</td>
<td>4,664</td>
</tr>
<tr>
<td>2015</td>
<td>3,912</td>
</tr>
<tr>
<td>2016</td>
<td>8,580</td>
</tr>
</tbody>
</table>

Outstanding borrowings of USD 22 billion

Issuing AAA bonds across continents...

Derivatives used to protect against currency risks and interest rate risks
A global footprint

Sourcing funding opportunities for the Bank and its clients while catering to investor demand

Outstanding borrowings before swaps

“AfDB’s funding profile remains very diverse in terms of investor base, currency, and maturity.” S&P, September 2015

As of 31 December 2015
Quality and rarity continue to drive successful issuances

Attracting strong investor interest...

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Banks and Official Institutions</td>
<td>71%</td>
</tr>
<tr>
<td>Asset Managers</td>
<td>13%</td>
</tr>
<tr>
<td>Bank Treasuries</td>
<td>8%</td>
</tr>
<tr>
<td>Pension Funds</td>
<td>4%</td>
</tr>
<tr>
<td>Corporates</td>
<td>3%</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>1%</td>
</tr>
</tbody>
</table>

Pristine AAA rating and fundamentals
Solid reputation
High quality of execution
Performance in the secondary market
A very strong development mandate and business profile

Across the globe...

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>24%</td>
</tr>
<tr>
<td>Europe</td>
<td>35%</td>
</tr>
<tr>
<td>Americas</td>
<td>30%</td>
</tr>
<tr>
<td>Africa</td>
<td>9%</td>
</tr>
<tr>
<td>Middle-East</td>
<td>2%</td>
</tr>
</tbody>
</table>

A very good run for AfDB global benchmarks
Socially responsible issuer tapping sustainable markets

AfDB adheres to the Green Bond Principles

<table>
<thead>
<tr>
<th>AfDB Green bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>USD 500 mln</td>
</tr>
</tbody>
</table>

Good Environmental, Social and Governance (ESG) credentials

Strong name recognition in Japanese Socially Responsible Investing (SRI) markets

AfDB Green bonds

South Africa - Xina Solar One Concentrated Solar Power Plant
Nigeria - Urban Water Sector Reform and Port Harcourt Water Supply and Sanitation
Kenya - Lake Turkana Wind Farm
Zambia - Ithezi-Tezhi Hydropower Plant
Morocco - Power Transmission and Distribution Development

Dedicated AfDB green investors


Helping Africa gradually transition to green growth

A strong and transparent Green Bond Framework underpinned by transformative climate adaptation and mitigation projects

USD 20 million Infrastructure bond due July 2025
AUD 100 million Food Security bond due April 2020

"Best Green Bond" EMEA Finance
Kangaroos and Bulldogs

Building a curve in Australia...

AUD 375 million issued in 2015

In AUD million

Jan 2018 500
Feb 2019 250
Jan 2020 300
Mar 2022 1000
Mar 2024 650
Jan 2025 325
Jun 2026 130

Distribution of Kangaroo trades in 2015 by investor type

- Central Banks and Official Institutions: 34%
- Bank Treasuries: 35%
- Fund Managers: 11%
- Insurance Funds: 11%

A new GBP 250 million bond due December 2018

Distribution by investor type

- Bank Treasuries: 85%
- Fund Managers: 11%
- Central Banks and Official Institutions: 4%

First issuance in Arab Emirate Dirham (AED) by AfDB

Note: Bulldogs and Kangaroos are bonds issued in the UK and Australia, respectively, by a foreign borrower
## AfDB Income Statement (UA million)

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Income and Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from Loans</td>
<td>350.20</td>
<td>342.13</td>
<td>335.01</td>
<td>351.16</td>
<td>314.92</td>
</tr>
<tr>
<td>Income from Investments and related derivatives</td>
<td>122.21</td>
<td>132.41</td>
<td>131.24</td>
<td>199.35</td>
<td>168.85</td>
</tr>
<tr>
<td>Income from Other Securities</td>
<td>3.73</td>
<td>3.85</td>
<td>3.95</td>
<td>4.83</td>
<td>5.41</td>
</tr>
<tr>
<td>Total income from Loans and Investments</td>
<td>491.20</td>
<td>484.73</td>
<td>470.20</td>
<td>555.34</td>
<td>489.18</td>
</tr>
<tr>
<td>Interest and amortized issuance costs</td>
<td>(346.13)</td>
<td>(375.96)</td>
<td>(302.99)</td>
<td>(356.41)</td>
<td>(316.82)</td>
</tr>
<tr>
<td>Net interest on borrowing-related derivatives</td>
<td>180.22</td>
<td>221.21</td>
<td>111.85</td>
<td>139.16</td>
<td>112.16</td>
</tr>
<tr>
<td>Unrealized losses on borrowings, related derivatives and others</td>
<td>(49.51)</td>
<td>(29.83)</td>
<td>34.11</td>
<td>(10.17)</td>
<td>(3.04)</td>
</tr>
<tr>
<td>Provision for Impairment on Loan Principal and Charges Receivable</td>
<td>(65.43)</td>
<td>(18.02)</td>
<td>(41.14)</td>
<td>(29.69)</td>
<td>(17.68)</td>
</tr>
<tr>
<td>Provision for Impairment on Equity Investments</td>
<td>0.43</td>
<td>0.75</td>
<td>0.76</td>
<td>(0.05)</td>
<td>(0.15)</td>
</tr>
<tr>
<td>Provision for Impairment on Investments</td>
<td>-</td>
<td>-</td>
<td>9.19</td>
<td>0.29</td>
<td>6.39</td>
</tr>
<tr>
<td>Translation Gains/(Losses)</td>
<td>14.60</td>
<td>(4.07)</td>
<td>13.33</td>
<td>(2.27)</td>
<td>(27.95)</td>
</tr>
<tr>
<td>Other Income</td>
<td>4.27</td>
<td>3.39</td>
<td>3.02</td>
<td>15.29</td>
<td>4.46</td>
</tr>
<tr>
<td>Net Operational Income</td>
<td>229.66</td>
<td>282.20</td>
<td>302.98</td>
<td>309.79</td>
<td>246.55</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>(122.00)</td>
<td>(123.16)</td>
<td>(110.97)</td>
<td>(107.55)</td>
<td>(79.50)</td>
</tr>
<tr>
<td>Depreciation – Property, Equipment and Intangible Assets</td>
<td>(9.05)</td>
<td>(7.61)</td>
<td>(6.70)</td>
<td>(4.59)</td>
<td>(4.47)</td>
</tr>
<tr>
<td>Sundry (Expenses)/Income</td>
<td>(5.44)</td>
<td>0.26</td>
<td>(4.98)</td>
<td>(1.94)</td>
<td>1.93</td>
</tr>
<tr>
<td>Total Other Expenses</td>
<td>(136.49)</td>
<td>(130.50)</td>
<td>(122.65)</td>
<td>(114.07)</td>
<td>(82.04)</td>
</tr>
<tr>
<td>Income before Distributions Approved by the Board of Governors</td>
<td>93.16</td>
<td>151.69</td>
<td>180.33</td>
<td>195.71</td>
<td>164.51</td>
</tr>
<tr>
<td>Distributions of Income Approved by the Board of Governors</td>
<td>(124.00)</td>
<td>(120.00)</td>
<td>(107.50)</td>
<td>(110.00)</td>
<td>(113.00)</td>
</tr>
<tr>
<td><strong>Net Income for the Year</strong></td>
<td><strong>(30.84)</strong></td>
<td><strong>31.69</strong></td>
<td><strong>72.83</strong></td>
<td><strong>85.71</strong></td>
<td><strong>51.51</strong></td>
</tr>
</tbody>
</table>

### AfDB Balance Sheet Highlights (UA million)

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from Banks</td>
<td>1,214.61</td>
<td>406.71</td>
<td>954.13</td>
<td>881.45</td>
<td>344.16</td>
</tr>
<tr>
<td>Demand Obligations</td>
<td>3.80</td>
<td>3.80</td>
<td>3.80</td>
<td>3.80</td>
<td>3.80</td>
</tr>
<tr>
<td>Treasury Investments</td>
<td>8,392.26</td>
<td>7,341.62</td>
<td>6,058.45</td>
<td>6,487.51</td>
<td>7,590.47</td>
</tr>
<tr>
<td>Derivative Assets</td>
<td>1,454.62</td>
<td>1,143.68</td>
<td>985.96</td>
<td>1,558.33</td>
<td>1,696.68</td>
</tr>
<tr>
<td>Non-Negotiable Instruments on Account of Capital</td>
<td>0.27</td>
<td>0.74</td>
<td>1.20</td>
<td>1.97</td>
<td>3.04</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>489.54</td>
<td>640.16</td>
<td>843.86</td>
<td>762.67</td>
<td>914.85</td>
</tr>
<tr>
<td>Outstanding Loans</td>
<td>12,868.55</td>
<td>12,496.52</td>
<td>11,440.70</td>
<td>10,885.80</td>
<td>9,373.52</td>
</tr>
<tr>
<td>Hedged Loans – Fair Value Adjustment</td>
<td>79.84</td>
<td>112.70</td>
<td>32.49</td>
<td>86.85</td>
<td>49.87</td>
</tr>
<tr>
<td>Equity Participations</td>
<td>703.27</td>
<td>596.82</td>
<td>525.01</td>
<td>438.56</td>
<td>309.76</td>
</tr>
<tr>
<td>Other Securities</td>
<td>46.42</td>
<td>94.11</td>
<td>82.90</td>
<td>76.54</td>
<td>79.99</td>
</tr>
<tr>
<td>Other Assets</td>
<td>93.56</td>
<td>79.46</td>
<td>41.22</td>
<td>31.06</td>
<td>13.34</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>25,346.74</strong></td>
<td><strong>22,950.83</strong></td>
<td><strong>20,996.72</strong></td>
<td><strong>21,214.55</strong></td>
<td><strong>20,261.45</strong></td>
</tr>
</tbody>
</table>

| **Liabilities, Capital and Reserves** |               |               |               |               |               |
| Accounts Payable       | 1,332.39      | 1,211.81      | 1,246.11      | 2,083.07      | 1,974.68      |
| Derivative Liabilities | 1,084.99      | 853.74        | 971.85        | 512.60        | 502.29        |
| Borrowings             | 16,449.26     | 14,375.95     | 12,947.44     | 13,278.80     | 12,902.96     |
| Capital Subscriptions Paid | 3,727.69 | 3,438.23 | 3,147.08 | 2,839.48 | 2,505.97 |
| Reserves               | 2,921.25      | 2,815.32      | 2,856.88      | 2,667.44      | 2,536.18      |
| **Total Liabilities, Capital and Reserves** | **25,346.74** | **22,950.83** | **20,996.72** | **21,214.55** | **20,261.45** |