Financial Presentation
The African Development Bank
Economic Outlook

Operations

Financial Profile

Capital Market Activities
Africa – still the second fastest growing region

Slowdown in Africa mainly from commodity exporters

Despite economic achievements, poverty remains pervasive

Drivers of growth and resilience

- Natural resources and primary commodities still major drivers, but their importance has declined while domestic factors including consumption demand play an increasing role
- Improved supply conditions & business environment
- Prudent macroeconomic management
- Favorable external financial flows
- High public spending

Challenges

- Weaknesses in the global economy including receding demand from China
- Low commodity prices
- Climate change induced events
- Conflicts and instability
- Fiscal constraints

Source: African Economic Outlook

GDP Growth

- Africa
- Asia Pacific
- Euro area
- North America
- Latin America and the Caribbean

Population in poverty

- 2000: 375 million
- 2005: 385 million
- 2010: 391 million
- 2015: 400 million

Poverty ratio

- 2000: 55%
- 2005: 50%
- 2010: 45%
- 2015: 40%
Growing macroeconomic imbalances

Fiscal balance including grants (% GDP)

Fiscal consolidation measures implemented by several governments to respond to widening deficits

Current account balance (% GDP)

Falling commodity prices, policy uncertainties and weakening of countries’ currencies

Inflation (%)

Inflationary pressures affecting macroeconomic stability in spite of tight monetary policies

Source: African Economic Outlook
3.3% - Growth driven by recoveries in Egypt of 4.3% and Algeria of 3.5%. However, persistent political uncertainties and reduced oil production in Libya, weigh down growth in the region.

0.4% - Côte d'Ivoire and Senegal maintained strong economic performance while recession in Nigeria (-1.5%) impacted growth of the region.

0.8% - Low commodity prices impacted regional growth while some countries proved resilient (Cameroon). Central African Republic and São Tomé and Príncipe improved their economic performance.

5.3% - Real GDP growth in the region is the highest in Africa driven by strong performance in Ethiopia and Tanzania. 3 out of the top 5 countries in 2016 were in East Africa (Djibouti, Ethiopia and Tanzania).

1.1% - South Africa and Angola, 2 major commodity exporters hit by drought, persistent power outages and adverse terms-of-trade shocks while Madagascar and Mozambique were rare bright spots, posting growth rates above 4%.

Largest share of Africa’s GDP:
- Nigeria (29%)
- South Africa (19%)

Cote d'Ivoire: 8.4%  Djibouti: 6.3%  Senegal: 6.7%  Ethiopia: 8%  Tanzania: 7.2%
Overall, external flows slowed...

FDI increased slightly reaching USD 56.5 billion. With urbanization, African cities are growing with consumer markets increasingly targeted by foreign investors.

ODA remains the most important source of public finance, but slightly declined by 1.7%.

Remittances represent a key source of capital for African countries totaling USD 64.6 billion in 2016.

Therefore still insufficient to fully meet development challenges.
An improved outlook

The High 5s to spearhead Africa’s economic diversification and growth in broad based economic opportunities that will shield the continent from future commodity shocks and enhance their resilience.

Downside risks include rising debt, structural weaknesses, power outages, climate change, conflict, political instability and terrorism.

Growth prospects boosted by expected increases in commodity prices, strong domestic demand, better macroeconomic governance and an improved business environment.

- 2017: 3.4%
- 2018: 4.3%
- 2019: 4.7%

2019: 4.7%

2018: 4.3%

2017: 3.4%
The High 5s – A compelling opportunity to accelerate Africa’s transformation

If the Sustainable Development Goals (SDGs) are not met in Africa, they will not be met globally

Priority areas

- Light up and Power Africa
- Feed Africa
- Industrialize Africa
- Integrate Africa
- Improve the quality of life for the people of Africa

The High 5s will help Africa achieve 90% of the United Nation’s SDGs and are intrinsically linked to the African Union’s Agenda 2063

Delivering on the Bank's Ten Year Strategy to achieve inclusive growth and help Africa gradually transition to green growth
Light up and power Africa
Realizing Africa's energy potential will bridge the continent's energy deficit

- Manufacturing sector experiences power outage 56 days per year on average
- Power shortages estimated to cost Africa about 2-4% of GDP annually, cause up to 16% loss of sales revenues in the informal sector and 6% in the formal sector
- 600,000 Africans die each year because of lack of clean cooking energy
- Over 90% of Africa’s primary schools lack electricity

Africa’s installed capacity of 170 GW

- Over 645 million Africans live without electricity

Energy deficit is undermining efforts to lift Africans out of poverty

Africa has ample reserves of fossil fuels but an even more extensive renewable energy potential

Renewable energy generation (17% in 2013) expected to account for nearly half of Africa’s power by 2025

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Over 645 million Africans live without electricity
Bold actions to light up and power Africa

Our goal is to expand Africa’s capacity by 160 GW by 2025

Create 130 million on-grid connections
Add 75 million off-grid connections
Provide 150 million households with access to clean cooking energy

Energy sector commitments from 2012-2016

USD 2 billion mobilized by the Bank
USD 7 billion invested by the Bank
USD 12 billion attracted in external co-financing

Ex-ante projects approved during 2012-2016 (full project cost)

Over 6 GW additional capacity
6,300 km of transmission lines along with 36,300 km of distribution lines and associated substations/transformers
1.3 million new electricity connections
~21 million tons of CO2 avoided per year
~40,000 jobs created during construction phase and ~9,000 during maintenance phase and 1,700 staff trained

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Power making a difference

New Deal on Energy for Africa
- 29 operations for USD 1.7 billion of investments
- 526 MW additional installed capacity from renewable energy out of a total of 546 MW
- 21,264 km of transmission lines
- 688,950 new households/businesses receiving electricity access
- 1,600 jobs created
- 700,000 tons CO2 avoided per year

A snapshot of actions in 2016

Segou Solar Photovoltaic Power Plant project - Mali
Project cost: EUR 49 million – AfDB financing: EUR 8 million
- First large-scale solar photovoltaic plant in Mali
- Expected to add 33 MW to the installed power generation capacity of about 528 MW
- Allow the utility to meet its peak load demand
- Diversify current energy supply options which include hydroelectric and fossil fuel sources
- 55,000 equivalent tons of CO2 avoided each year
- Produce enough power for approximately 60,000 households

2016 Approved projects spread across 22 countries

Achwa II Hydro Power project (HPP) - Uganda
Project cost: USD 110 million – AfDB financing: USD 20 million
- First HPP in Northern Uganda
- Increase access to electricity by generating approximately 162 GWh of hydropower annually
- Allow the country to rely on domestic resources rather than imported oil
- Improve the rural road network

AfDB development impact in 2016

3.3 million Africans benefitted from new electricity connections
Africa could help meet food needs of the planet's 9 billion people by 2050

**Barriers to moving Africa towards food independence**

- Vulnerability to climate change and weather events
- Low productivity and yields
- Insufficient and undeveloped hard and soft infrastructure
- Inadequate mechanization and insecure land tenure
- Limited access to finance, fertilizers and technology
- Underperforming value chains
- Limited inclusivity, sustainability and nutrition
- Adverse agri-business environment

**Today's Reality**

- More than 60% of the African workforce depend on agriculture for their livelihoods
- Accounts for roughly 1/3 of the continent’s GDP
- 25% of the world's fertile land and 65% of the world’s untilled arable land
- Heavy dependence on food imports with USD 35 billion spent annually
- Deficit of investments of USD 32 to 40 billion in the agro-industrial sector
- More than 1 in 4 Africans are malnourished

It remains the most food insecure region

Yet…
Creating wealth, improving lives while preserving the environment

Agricultural transformation

350 million young people to enter labor force by 2035 in sub-Saharan Africa and only 25% will be employed

Farming and self-employment to provide gainful employment for at least 70% of young Africans entering the labor force until 2030

Agriculture will not be attractive to young people until earnings in the sector increase substantially

Our Priorities
- Increased productivity and value addition
- Greater investment in infrastructure
- Expanded agricultural finance
- Improved agribusiness environment
- Increased inclusivity, sustainability, and nutrition
- Enhanced partnerships

Our Goals
- End extreme poverty, hunger and malnutrition
- Achieve net export status for agricultural commodities
- Eliminate malnourishment for about 240 million people
- Double Africa’s share of market value select processed agricultural commodities

AfDB development impact in 2016

5.7 million Africans benefitted from improvement to agriculture through the Bank’s work

Technical assistance to local farmers, civil society and governments to provide policy advice and capacity building

Climate smart agriculture practices and reduction of emissions from forest degradation
Development of commercial value chains for cassava in Zambia

Project cost: USD 35.25 million – AfDB financing: USD 30 million

- Directly benefits 17,000 cassava farmers, and indirectly over 5 million people in targeted districts
- Increases cassava yields per hectare from 5 ton/ha (2015) to 10 ton/ha (2018)
- Expands processed cassava into value added products from 10% (2015) to 30% (2020)

Development of commercial value chains for cassava in Zambia

- Over 16 million farmers served
- Extended improved farming technologies to nearly 2 million rural farmers
- Expanded access to agricultural land with improved access to water management by 112,000 hectares

Think Big for African ‘Agripreneurs’

- To spur 250,000 agribusiness enterprises and 1.25 million jobs over the next 10 years
- Enable Youth Projects approved in 2016, with total funding of USD 607 million including Nigeria (USD 280 million) and Sudan (USD 27 million)

A partner of choice for agriculture

Food security impact development results (2014–2016)

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2016 approvals

- 45 operations related to agriculture and rural development, climate-proofing and adaptation

Expected outcomes

- Support farm income and forestry conservation in Uganda
- Catalyze development of the blue economy in Cabo Verde
- Provide irrigation in Morocco and Swaziland
- Develop agricultural value chains in Cameroon, Côte d’Ivoire and Gambia
- Support youth entrepreneurship in agriculture and agribusiness in DR Congo

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Industrialization is a key driver of prosperity

Africa share of global manufacturing exports less than 1% compared to over 16% for East Asia

Manufacturing sector contribution to Africa’s GDP: 18% in 1975 but 11% in 2014

A necessity for the continent to boost productivity by introducing new equipment and technology

Structural challenges:

Impediments to develop SMEs
- Unsupportive business environment
- Large infrastructure deficit & poor policies
- Insufficient investment in education and skills development with labor force poorly equipped to work in more complex sectors

Limited capacity of African economies to diversify and create jobs, to generate higher incomes through greater value addition and to drive inclusive growth
- Low access to finance and capital
- Barriers to regional trade and movement of production resources

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Doubling industrial GDP to USD 1.72 trillion by 2025

Foster successful industrial policies: Leverage balance sheet and strong relationship with governments to provide funding through technical assistance, capacity building and advisory projects.

USD 1.7 billion to be invested annually by the Bank.

Support African countries move up global value chains and create jobs.

Promote strategic partnerships: Launch the Africa Investment Forum to connect African-based enterprises with investors.

Promote and drive enterprise development: Lines of credits to SMEs to reach USD 521 million annually.

Catalyze funding in infrastructure and industry projects: Boost private sector operations and mobilize funding through co-financing and trust funds.

Expand liquid and effective capital markets: Support 20 financial markets across Africa through technical assistance and advisory services, promote market integration, increase guarantee interventions and support introduction of new products and services.

Aim to facilitate cumulative investments of USD 56 billion by 2025.

By supporting the development of the private sector and unlocking potential for SMEs.
Benefits of industrialization within our reach

Approvals for "Industrialize Africa" USD 1.3 billion in 2016
- Loans
- Lines of credit
- Trade Finance
- Equity Participation
- Guarantees

To ensure funds are on lent to income generation sectors including SMEs

To help liquidity constrained banks to recapitalize & stay solvent

Boost Africa Initiative
Jointly designed by the AfDB and the European Investment Bank, to provide support to the earliest and riskiest stage of the entrepreneurial value chain. With the expected EUR 150 million equity capital available, the fund will leverage up to 6 times the amount of local capital invested. A technical assistance facility and an innovation lab will foster a vibrant entrepreneurial ecosystem and build sustainable ‘supply side’ capacity of specialized financiers to support early stage and start-up SMEs

Fashionomics
To invest and build capacity of micro-enterprises and SMEs in the fashion sector, provide access to finance for entrepreneurs, and incubate and accelerate startups by identifying and financing projects.

In Madagascar, USD 2 million in a textile sector support Fund to provide technical assistance to 50 micro-enterprises by 2018
Integrate Africa is an imperative

Billions of dollars in potential trade lost because of lack of cross-border production networks

Roadblocks to integrate Africa

- Intra-African trade lowest globally at 15%, compared to 61% in Asia, 60% in the EU and 41% in the North America Free Trade Area
  - Poor infrastructure road network, inefficient transport system
  - Partial implementation of regional commitments
  - Capital outflows obstructed by poorly developed financial markets
  - Low labor mobility
  - Little economic diversification
- High trade costs with small markets, scattered and far from major markets

AfDB development impact in 2016

7 million Africans benefitted from improved access to transport through the Bank’s work

Our focus

- Develop a vision and strategic framework for the development of regional and continental infrastructure
- Create larger, more attractive markets
- Link landlocked countries to international markets
- Support intra-African trade
- Address Africa’s low internal and external trade performances

Powering regional integration

<table>
<thead>
<tr>
<th>Tariffs on intra-regional imports</th>
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<tbody>
<tr>
<td>East African Community 0%</td>
<td></td>
</tr>
<tr>
<td>Economic Community of Central African States &amp; Common Market for Eastern and Southern Africa 1.9%</td>
<td></td>
</tr>
<tr>
<td>Southern African Development Community 3.8%</td>
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<tr>
<td>Economic Community of West African States 5.7%</td>
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</tbody>
</table>

NEPAD-IPPF (Infrastructure Project Preparation Facility):
72 grants approved since 2005 for complex, cross-border regional infrastructure projects resulting in downstream financing of USD 7.88 billion
Focus on mobility to integrate Africa

People, goods, services and investments

USD 1.7 billion approved in 2016 for:

- Building or rehabilitating 1,120 km of roads including a bridge on the Senegal River, roads linking Lome and Cotonou, Rwanda and Uganda, Kenya and Tanzania
- Financing of 100 km of highways in Abidjan, Accra and Kampala
- Benefit an estimated 17 million people

Transport critical to the Integrate Africa strategy

Trade costs in landlocked countries about 1.5 times higher than for coastal countries

Uganda–Rwanda Transport Project

Project cost: USD 323.4 million
AfDB financing: USD 245 million

In Rwanda:
- Rehabilitation of 208 km of paved road in eastern Rwanda
- Average vehicle travel time reduced from 6 to 3 hours between the Northern and Central Corridors
- Average passenger fare reduced by 20%
- Travel cost per km reduced by 33%
- 1.1 million people directly served

In Uganda:
- Construction of a 23.7 km expressway
- Average vehicle travel time from Kampala city center to the Northern Corridor reduced by 50%, from 6 to 3 hours
- Average passenger fare reduced by 67%
- Travel cost per km reduced by 150%

TransSaharan Optical Fiber Backbone project

Project cost: USD 110 million – AfDB financing: USD 48 million

- High-speed broadband access to citizens of Chad and Niger
- Establishing links and consolidating interconnections with neighboring countries
Numerous challenges affecting human and social development

More than half of Africa’s youths are unemployed, underemployed or inactive

- Limited access to quality education and vocational training
- Rising income inequalities
- Migrants from Africa increased by 2.7% annually from 2000 to 2015, with over 3,500 loss of lives in the Mediterranean Sea in 2015
- Low access to sanitation (39%) and safe drinking water (71%)
- Rising number of people living in urban slums
- Health outcomes among the lowest in the world with low access to quality healthcare
- Life expectancy across Africa at 59 years vs 79 years in North America
- 1/3 of African children completing primary school do not remain literate in their adulthood
- Skill mismatches, low productivity, unemployment, job insecurity and informality characterize the labor market
- More than half of Africa’s youths are unemployed, underemployed or inactive

Limited access to quality education and vocational training
Unlocking human capital, an opportunity for prosperity

**Potential engines of productivity**

- The world's youngest population with 420 million aged between 15 and 35
- 36 out of the world's 40 youngest countries are in Africa

**Our objectives**

Harnessing Africa’s demographic dividend to drive robust and inclusive economic growth

- Create jobs
- Develop entrepreneurship
- Promote equal opportunities

**Jobs for Youth in Africa over 2016-2025**

AfDB financing: USD 4.8 billion

- Create 25 million jobs by 2025
- Impact 50 million young people by strengthening human capital, creating durable labor market linkages and creating better opportunities
- Support policies and institutions in African countries
- Implement flagship programs in agriculture, ICT and industry to strengthen skills and stimulate entrepreneurship
- Generate USD 30 billion in income gains for African economies

**AfDB development impact in 2016**

1.6 million jobs created across all sectors, financing windows and High 5s
Promote access to basic services

- Facilitate access to safe water supply and improved sanitation
- Strengthen health systems
- Promote public health and nutrition
- Improve access to high quality education
- Promote technical and vocational training

Our objectives

Babalola University Expansion Plan - Nigeria
Project cost: USD 100 million – AfDB financing: USD 40 million

- Construct a 400-bed teaching hospital for the Medical School, an industrial research park, a post-graduate school and a small scale hydro-power plant installation
- Enhance a farmer training program to benefit over 2,400 smallholder farmers
- Improve access to high quality education to more than 10,000 students per year and double student capacity by 2025
- Generate 12,000 employable graduates
- Create 250 permanent and 1,000 temporary jobs
- Provide scholarships to more than 500 students

Kenya Sustainable Town Water Supply
Project cost: USD 441 million – AfDB financing: USD 383 million

- Improve access, availability and sustainability of water supply and wastewater management services in multiple towns in Kenya
- Water supply infrastructure in 19 towns and sanitation infrastructures in 17 towns
- 2.1 million people to benefit from sustainable water access and more than 1.3 million people from sewage systems
- Creation of 15,000 jobs

AfDB development impact in 2016

- 480,000 young Africans benefitted from better access to education
- 3.7 million people got improved access to water and sanitation
- 9.3 million people got better health care services
The golden threads linking the High 5s

Women's legal and property rights - Economic empowerment

- Access to affordable credit and business support services
- Investing in women's and girls' education, and increasing young women in labor force participation in formal industrial workforce
- Ensuring energy access for women, with a focus on renewable and clean energy for cooking

Fragile countries home to 300 million people

- Fragility lens applied for situation of fragility to build resilience and inclusive development
- Enhancing country presence
- 28 operations approved in 2016 for USD 240 million

Building climate-resilient & low-carbon development

- Cost of climate change for the continent estimated at approximatively USD 45 billion per year by 2040
- Energy efficiency, climate smart agriculture, green infrastructure & industries
- Commitment to tripling climate finance to USD 5 billion a year by 2020

Improving public financial management

- Improve transparency and accountability in the use of public resources
- Domestic resources mobilization
- 22 operations approved for USD 3 billion in 2016
- Business enabling environment through appropriate policies and regulatory framework

Cost of climate change for the continent estimated at approximatively USD 45 billion per year by 2040
Record operations to address burning challenges

Extensive efforts to grow the Bank’s operations

Higher demand from African countries for development assistance

Serving a larger number of countries, now eligible for AfDB financing

In USD million

- 12,000
- 10,000
- 8,000
- 6,000
- 4,000
- 2,000


Largest approvals in 2016

EUR 900 million loan to finance the Industrial and Energy Competitiveness Support Program in Algeria

Implementation of economic reforms to create conditions conducive to inclusive growth:

- Consolidate budget
- Private sector development through an improved business climate
- Improve efficiency of the energy sector and promote renewable energy
- Greater economic diversification
- Job creation

Disbursements
Sovereign approvals
Non-sovereign approvals
Africa Growing Together Fund, a special fund established with China in November 2014 to co-finance eligible sovereign and non-sovereign projects with the objective to become a leading African infrastructure investor.

Co-financing multiplier* of 6 times in 2016

*Ratio of Bank’s investment vs value of projects financed
SYNDICATION
2016: Arranged the largest syndicated A/B Loan ever done in Africa

GUARANTEES
Partial Credit Guarantee (PCG): covers scheduled repayments of private sector lenders against risk of default, irrespective of the cause of default
Partial Risk Guarantee (PRG): covers private sector lenders against government failing to perform its obligations vis-à-vis a specific project

ESKOM A/B Loan
USD 975 million loan
• Participation from 9 commercial banks

PCG to Madagascar
• First ever ADF PCG transaction
• 1.4 times leverage allowing a EUR 51.3 million syndicated loan
• Extended loan maturity and significantly lowered interest rate

Continuous use and development of innovative financial products to attract financing from private sector
Closer to clients – Repositioning for greater effectiveness and efficiency

5 new Regional Development, Integration and Business Delivery Hubs to deliver on the Bank Group's operations

- Improve visibility and franchise value
- Better dialogue with clients
- Enhanced portfolio management
- Improved organizational effectiveness
- Develop new business opportunities

65% of projects managed from the field
42% Operations professional staff based in field offices
Economic Outlook

Operations

Financial Profile

Capital Market Activities
A solid Bank with a strong financial performance

USD 828 million kept in reserves since 2010 to reinforce the Bank’s capital

In USD million

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation to reserves</th>
<th>Allocation to development initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>169</td>
<td>194</td>
</tr>
<tr>
<td>2011</td>
<td>137</td>
<td>158</td>
</tr>
<tr>
<td>2012</td>
<td>177</td>
<td>162</td>
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<td>2013</td>
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<td>2014</td>
<td>109</td>
<td>178</td>
</tr>
<tr>
<td>2015</td>
<td>59</td>
<td>132</td>
</tr>
<tr>
<td>2016</td>
<td>155</td>
<td>118</td>
</tr>
</tbody>
</table>

29% increase in net income before distributions approved by the Board of Governors driven by
- Interest earned on increased lending volumes
- Performance of treasury investments

Proven efficiency in the management of operations

USD 1 billion transferred to key development initiatives since 2010

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Development Fund</td>
<td>USD 378 million</td>
</tr>
<tr>
<td>Democratic Republic of Congo Debt Relief Mechanism</td>
<td>USD 520 million</td>
</tr>
<tr>
<td>Middle Income Country Trust Fund</td>
<td>USD 67 million</td>
</tr>
<tr>
<td>Special Relief Fund</td>
<td>USD 27 million</td>
</tr>
</tbody>
</table>

Cost-to-income ratio

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- Interest earned on increased lending volumes
- Performance of treasury investments

Proven efficiency in the management of operations

Cost-to-income ratio: AfDB vs. Average of Multilateral Development Banks (*MDBs): IBRD, IFC, AsDB, EBRD and IADB
AAA credit strength, our driving force for development

Fitch Ratings
“Shareholders’ capacity to provide support is among the highest at multilateral development banks: callable capital from ‘AAA’ rated member states fully covered net debt at end-2015 (1.6x)”
Fitch, August 2016

JCR
“The Bank holds fast to its conservative risk management policies and meets all internal regulations with respect to lending, equity participation, risk capital utilization and borrowing”
JCR, August 2016

Moody’s
“Shareholders’ very high propensity and priority of support in response to the AfDB’s role as one of the main forces for development in Africa contribute to the Bank’s ‘very high’ strength of member support assessment”
Moody’s, August 2016

Standard & Poor’s
“We base the ratings on AfDB’s very strong business profile and very strong financial profile”
S&P, July 2016

Very high intrinsic financial strength

Strong capitalization

Excellent liquidity

Preferred creditor status

Extraordinary shareholder support

Prudent financial & risk management policies
Optimizing balance sheet to expand headroom capacity
Efficient management of risk capital

Amendment in the Bank’s credit policy (2014)
Providing creditworthy ADF countries* access to AfDB financing, allowing more lending, greater diversification in the sovereign portfolio and reducing concentration risks

Private Sector Credit Enhancement Facility
Private Sector Credit Enhancement Facility (PSF) established in 2015, funded by a USD 226 million ADF grant, increasing the Bank’s lending capacity by USD 1 billion for private sector projects in low income countries. USD 343 million leveraged as of 2016 through 23 projects

Exposure Exchange Agreement
(EEA) executed in 2015 for an amount of USD 4.5 billion allowed to significantly reduce concentration risk, providing additional lending headroom and greater diversification to the sovereign portfolio, improving the Bank’s capital adequacy ratio

Syndication and partial guarantees to crowd-in investments
Program using A/B loan structures to mobilize financing for non-sovereign operations and guarantees used to mitigate political/credit risk

Co-financing
Scaling up and mainstreaming co-financing activities, to further stretch capital and leverage resources from other partners for high impact development projects

First partial "sell-down" of a non-sovereign loan to an external investor (2016). Initial step towards synthetic and true sale securitization of parts of the Bank’s loan portfolio to recycle capital for new loans and strengthen our catalytic role. Further exploring other risk transfer mechanisms to achieve greater capital efficiency

* Cote d’Ivoire, Ethiopia, Rwanda, Senegal, Tanzania and Uganda benefitted to date
Risk bearing capacity to bolster Africa's transformation

Defined prudential and operational limits aligned with our business strategy, risk appetite and risk bearing capacity

Credit enhancement provided by the PSF expanding the Bank's capacity to take on riskier projects with strong development outcomes

More lending to low income countries to fund transformational projects and programs

The Bank’s risk appetite: Weighted Average Risk Rating (WARR) of the portfolio between BB+ (3) and B- (4)

Balanced portfolio quality

(As of 31st December 2016)
Robust capitalization to support operations

Risk capital

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserves</th>
<th>Paid-in capital</th>
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<tbody>
<tr>
<td>2010</td>
<td>7,424</td>
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<td>2015</td>
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<td></td>
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<tr>
<td>2016</td>
<td>8,880</td>
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</tr>
</tbody>
</table>

2013 - Economic capital framework adopted
2016 - Actuarial valuation loss on retirement plans absorbed by reserves

USD 1.3 billion paid-in capital expected over 2017-2023

Risk capital used to support the Bank’s exposure

- Sovereign: 3,669
- Non-sovereign: 1,393
- Equity: 881
- Treasury: 437
- Retirement plan: 301
- Operational risk: 75
- Diversification benefit*: -245
- Total used risk capital: 6,508
- Total risk capital: 8,880

* Diversification benefit stems from correlation between risks

Substantial leveraging of the Bank’s capital

Exposure Exchange Agreement concluded in 2015 improved risk capital utilization rate by 2.5% in 2016
Prudent leverage ratio protecting stakeholders

Adjusted common equity = shareholders’ equity minus adjustments to paid-in capital from reported shareholders’ equity, "investments" in funds whose value is highly uncertain, and other adjustments deemed material (e.g., unrecognized pension deficit)

Usable equity = total shareholder’s equity excluding callable capital

Debt/Usable capital: key ratio monitored internally

Usable capital = Σ [Paid-In capital + Reserves + Callable Capital of countries rated A- and above]
Conservative management of treasury investments

**High quality assets**

- **AAA**: 45%
- **AA+ to AA-**: 38%
- **A+ to A-**: 16%
- **BBB+ and lower**: 1%

**USD 14 billion multicurrency portfolio**

- **USD**: 7,587 million
- **EUR**: 4,096 million
- **CNY**: 1,072 million
- **GBP**: 782 million
- **JPY**: 448 million
- **CHF**: 140 million
- **ZAR**: 111 million

**Investment objectives**

- **Capital preservation**
- **Liquidity**
- **Return**

Inclusion of the Chinese Renminbi in the SDR (Special Drawing Right) basket since 1st October 2016

(As of 31st December 2016)
ADF – 43 years of support to low income countries

A continent in need of capital for development priorities

ADF Contributions

USD 5.8 billion resources for ADF-14 to benefit 38 countries

ADF resources committed

Eurobond issuance*

* Eurobond issuance by: Angola, Cameroon, Ethiopia, Ghana, Côte d’Ivoire, Kenya, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Zambia

A longstanding partnership with donors to the African Development Fund

(As of 31st December 2016)
Economic Outlook

Operations

Financial Profile

Capital Market Activities
Building on capital markets’ access and success to finance the High 5s

Expanding footprint to international and African bond markets
Raising funds at attractive levels to meet development needs
Outstanding borrowing portfolio USD 32 billion

Annual funding program (in USD million)
- 2009: USD 7,546
- 2010: USD 2,770
- 2011: USD 3,772
- 2012: USD 3,844
- 2013: USD 4,398
- 2014: USD 3,912
- 2015: USD 9,916
- 2016: USD 9,421
- 2017: USD 390 million

Outstanding borrowing portfolio USD 32 billion
AfDB global bonds spark interest
Global benchmarks, cornerstone of the Bank's funding strategy

**Investor confidence in the Bank’s credit story**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Bond Details</th>
<th>Issuance Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2016</td>
<td>USD 1 billion</td>
<td>1.125% due March 2019</td>
<td>US Treasuries + 29.5bps Midswaps + 29bps</td>
</tr>
<tr>
<td>April 2016</td>
<td>USD 1 billion</td>
<td>1.00% due May 2019</td>
<td>US Treasuries + 20.3bps Midswaps + 13bps</td>
</tr>
<tr>
<td>July 2016</td>
<td>USD 1 billion</td>
<td>1.250% due July 2021</td>
<td>US Treasuries + 23.2 bps Midswaps + 24 bps</td>
</tr>
<tr>
<td>September 2016</td>
<td>USD 1 billion</td>
<td>1.125% due September 2019</td>
<td>US Treasuries + 26.9 bps Midswaps + 9 bps</td>
</tr>
<tr>
<td>October 2016</td>
<td>USD 1 billion</td>
<td>1.00% due November 2018</td>
<td>US Treasuries + 27.4 bps Midswaps + 4 bps</td>
</tr>
</tbody>
</table>

**2016 Global bond allocation**

In USD million:

- Europe: USD 2,193
- Americas: USD 1,786
- Asia: USD 586
- Africa: USD 493
- Middle East: USD 76

Figures may not add up due to rounding.

- Official institutions: USD 1,027 million
- Asset Managers/Pension Funds: USD 893 million
- Corporates: USD 69 million
- Bank Treasuries: USD 513 million
- Central Banks: USD 2,631 million
Going to another level: Launch of AfDB USD 2.5 billion global benchmark

AfDB sets marker in new issuance approach

A strategic repositioning as a more liquid issuer

**AFDB prints 'best ever' trade as it showcases new style**

The African Development Bank sold its largest ever benchmark on Wednesday, in a deal which bankers said should hammer home the issuer’s “new style” to investors. Meanwhile, Municipality Finance brought its first dollar benchmark of the year.

Central Banks and Official institutions USD 1,771 million

Asset Managers USD 1,174 million

Bank Treasuries USD 853 million

Pension Funds USD 95 million

Insurance USD 10 million

Record level of orderbook USD 3.8 billion

Largest transaction in the Bank’s history
AfDB scores in the Euro market
Laying a solid foundation

7 year
EUR 1.15 billion
0.25% due January 2024
Bund + 45.5bps
OAT + 8bps
Midswaps – 3bps
Barclays/Natixis/Natwest/
Credit Agricole

10 year
EUR 750 million
0.125% due October 2026
Bund + 29.5bps
OAT + 3bps
Midswaps – 10bps
Barclays/Goldman Sachs/
Societe Generale
A relevant and responsive development partner for Africa

Expanding the Bank’s African borrowing and lending currencies

Continued work with governments and regulators for approvals to issue in local currencies

Botswana
BWP 5 billion MTN program

Nigeria
NGN 160 billion MTN program

Uganda
UGX 125 billion MTN program

Zambia
ZMW 160 million MTN program

Approved in 2016

A reference issuer in offshore African currency linked notes

In USD million

<table>
<thead>
<tr>
<th>Year</th>
<th>NGN</th>
<th>GHS</th>
<th>ZAR</th>
<th>UGX</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>43</td>
<td>117</td>
<td>87</td>
<td>15</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td>176</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
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</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* As of 31st March
Deepening African domestic bond markets

African Domestic Bond Fund (ADBF) approved in 2016 by the Bank

- Improve capital markets’ long-term resilience and match issuers’ assets to their liabilities in domestic currency terms
  - USD 25 million seed capital from AfDB with an additional USD 175 million to be raised
  - Listed as an Exchange Traded Fund
  - Mostly track the performance of the ABABI
  - Listing in Mauritius primarily and dual listing in other exchanges expected

- Enable governments to improve their funding costs in domestic bond markets and reduce their dependence on foreign currency denominated debt

ABABI (AfDB/AFMI® Bloomberg® African Bond Index) launched by the AfDB in partnership with Bloomberg

- Market capitalization index investing in the most liquid African bond markets
- Managed by Bloomberg
- Currently comprising local currency sovereign debt from South Africa, Egypt, Nigeria, Kenya, Namibia, Botswana, Ghana and Zambia
- Other African sovereign countries to be added over time to the Index
- Capturing more than 80% of African bond markets

- Provide exposure to African local currency bonds with a relatively low cost and liquid vehicle
Dedicated bonds for socially responsible investors
Grow socially responsible investment programs for Africa

Theme bond issuance in Japan (in USD million)

- Clean Energy: 615
- Education: 228
- Water: 151
- Food security: 301
- Infrastructure: 97

Feed Africa
Improve the quality of life for the people of Africa

High 5s meeting investor demand

"Advanced" CSR rating (+10 points VS 2014)

"AfDB’s overall Corporate Social Responsibility (CSR) performance is considered advanced in absolute terms and it has significantly increased since last review"

Vigeo, July 2016

Dec 15
AFRICAN DEVELOPMENT BANK
1.375% Green Bond
USD 500,000,000
Senior Unsecured Notes
Due 2018

Dec 16
AFRICAN DEVELOPMENT BANK
3.50% Green Bond
AUD 55,000,000
Kangaroo
Due 2031

"Going green in Sweden"

February to June 2016

SEK 1bn
SEK 1.25bn
SEK 1bn
At the service of Africa's development

Capable to deliver on its mandate

Strong policy advice and intellectual leadership

Robust and resilient

Continually adapt to meet changing conditions

Sharpened strategic focus for Africa's transformation

Closer to clients with decentralization and a robust business continuity plan

Efficient and effective delivery of services in line with mandate

Strong business model to scale up development support

Catalytic and transformative role for Africa

Fit for purpose for the continent’s transformation
For more information

Financial and operational analysis
Documentation for debt programs
Rating agency reports
Financial products for borrowers
Annual report

www.afdb.org
Contact:
FundingDesk@afdb.org
(225) 20 26 39 00
(225) 20 26 29 06
Appendix
## AfDB Income Statement (UA million)

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Income and Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and related derivatives</td>
<td>369.19</td>
<td>314.78</td>
<td>317.92</td>
<td>296.78</td>
<td>327.09</td>
</tr>
<tr>
<td>Income from Investments and related derivatives</td>
<td>155.71</td>
<td>122.21</td>
<td>132.41</td>
<td>131.25</td>
<td>199.35</td>
</tr>
<tr>
<td>Income from Other Securities</td>
<td>3.78</td>
<td>3.73</td>
<td>3.85</td>
<td>3.95</td>
<td>4.83</td>
</tr>
<tr>
<td>Total income from Loans and Investments</td>
<td>536.02</td>
<td>455.78</td>
<td>460.52</td>
<td>441.42</td>
<td>542.45</td>
</tr>
<tr>
<td>Interest and amortized issuance costs</td>
<td>(373.05)</td>
<td>(346.13)</td>
<td>(375.96)</td>
<td>(302.99)</td>
<td>(356.41)</td>
</tr>
<tr>
<td>Net interest on borrowing-related derivatives</td>
<td>196.26</td>
<td>217.62</td>
<td>245.42</td>
<td>150.08</td>
<td>163.23</td>
</tr>
<tr>
<td>Unrealized losses on borrowings, related derivatives and others</td>
<td>(68.83)</td>
<td>(38.81)</td>
<td>(36.73)</td>
<td>46.82</td>
<td>(30.45)</td>
</tr>
<tr>
<td>Provision for Impairment on Loan Principal and Charges Receivable</td>
<td>(67.81)</td>
<td>(65.43)</td>
<td>(18.02)</td>
<td>(41.14)</td>
<td>(29.69)</td>
</tr>
<tr>
<td>Provision for Impairment on Equity Investments</td>
<td>0.16</td>
<td>0.43</td>
<td>0.75</td>
<td>0.76</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Provision for Impairment on Investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9.19</td>
<td>0.29</td>
</tr>
<tr>
<td>Translation Gains/(Losses)</td>
<td>1.00</td>
<td>14.61</td>
<td>(4.07)</td>
<td>13.33</td>
<td>(2.27)</td>
</tr>
<tr>
<td>Other Income</td>
<td>9.51</td>
<td>2.30</td>
<td>3.39</td>
<td>3.03</td>
<td>4.11</td>
</tr>
<tr>
<td><strong>Total Operational Income</strong></td>
<td>261.49</td>
<td>229.65</td>
<td>282.20</td>
<td>302.98</td>
<td>309.79</td>
</tr>
<tr>
<td><strong>Administrative Expenses</strong></td>
<td>(150.06)</td>
<td>(122.00)</td>
<td>(123.16)</td>
<td>(110.97)</td>
<td>(107.55)</td>
</tr>
<tr>
<td>Depreciation – Property, Equipment and Intangible Assets</td>
<td>(10.04)</td>
<td>(9.05)</td>
<td>(7.61)</td>
<td>(6.70)</td>
<td>(4.59)</td>
</tr>
<tr>
<td>Sundry (Expenses)/Income</td>
<td>(1.32)</td>
<td>(5.44)</td>
<td>0.26</td>
<td>(4.98)</td>
<td>(1.94)</td>
</tr>
<tr>
<td><strong>Total Other Expenses</strong></td>
<td>(141.42)</td>
<td>(136.49)</td>
<td>(130.50)</td>
<td>(122.65)</td>
<td>(114.08)</td>
</tr>
<tr>
<td>Income before Distributions Approved by the Board of Governors</td>
<td>120.07</td>
<td>93.16</td>
<td>151.70</td>
<td>180.33</td>
<td>195.71</td>
</tr>
<tr>
<td>Distributions of Income Approved by the Board of Governors</td>
<td>(95.00)</td>
<td>(124.00)</td>
<td>(120.00)</td>
<td>(107.50)</td>
<td>(110.00)</td>
</tr>
<tr>
<td><strong>Net Income for the Year</strong></td>
<td>25.07</td>
<td>(30.84)</td>
<td>31.70</td>
<td>72.83</td>
<td>85.71</td>
</tr>
</tbody>
</table>

## AfDB Balance Sheet highlights (UA million)

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</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>1,306.82</td>
<td>1,214.61</td>
<td>406.71</td>
<td>954.13</td>
<td>881.45</td>
</tr>
<tr>
<td>Demand Obligations</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Treasury Investments</td>
<td>10,590.04</td>
<td>8,392.26</td>
<td>7,341.62</td>
<td>6,058.45</td>
<td>6,487.51</td>
</tr>
<tr>
<td>Derivative Assets</td>
<td>1,233.75</td>
<td>1,454.62</td>
<td>1,143.68</td>
<td>985.96</td>
<td>1,558.33</td>
</tr>
<tr>
<td>Non-Negotiable Instruments on Account of Capital</td>
<td>0.16</td>
<td>0.27</td>
<td>0.74</td>
<td>1.2</td>
<td>1.97</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>543.83</td>
<td>489.54</td>
<td>640.16</td>
<td>843.86</td>
<td>762.67</td>
</tr>
<tr>
<td>Outstanding Loans</td>
<td>15,348.44</td>
<td>13,070.40</td>
<td>12,647.81</td>
<td>11,585.84</td>
<td>11,014.31</td>
</tr>
<tr>
<td>Hedged Loans – Fair Value Adjustment</td>
<td>80.23</td>
<td>79.84</td>
<td>112.7</td>
<td>32.49</td>
<td>86.85</td>
</tr>
<tr>
<td>Equity Participations</td>
<td>719.38</td>
<td>703.27</td>
<td>596.82</td>
<td>525.01</td>
<td>438.56</td>
</tr>
<tr>
<td>Other Securities</td>
<td>54.36</td>
<td>46.42</td>
<td>94.11</td>
<td>82.9</td>
<td>76.54</td>
</tr>
<tr>
<td>Other Assets</td>
<td>97.7</td>
<td>93.56</td>
<td>79.46</td>
<td>41.22</td>
<td>31.06</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>29,727.09</td>
<td>25,346.74</td>
<td>22,950.83</td>
<td>20,996.72</td>
<td>21,214.55</td>
</tr>
<tr>
<td><strong>Liabilities, Capital and Reserves</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>1,615.99</td>
<td>1,332.38</td>
<td>1,211.81</td>
<td>1,246.11</td>
<td>2,083.07</td>
</tr>
<tr>
<td>Derivative Liabilities</td>
<td>861.27</td>
<td>1,084.99</td>
<td>853.74</td>
<td>971.85</td>
<td>512.6</td>
</tr>
<tr>
<td>Borrowings</td>
<td>20,644.15</td>
<td>16,449.27</td>
<td>14,375.95</td>
<td>12,947.44</td>
<td>13,278.8</td>
</tr>
<tr>
<td>Capital Subscriptions Paid</td>
<td>4,019.88</td>
<td>3,727.69</td>
<td>3,438.23</td>
<td>3,147.08</td>
<td>2,839.47</td>
</tr>
<tr>
<td>Cumulative exchange adjustment on subscriptions</td>
<td>(161.04)</td>
<td>(168.84)</td>
<td>(173.54)</td>
<td>(172.65)</td>
<td>(166.82)</td>
</tr>
<tr>
<td>Reserves</td>
<td>2,746.84</td>
<td>2,921.25</td>
<td>2,815.32</td>
<td>2,856.88</td>
<td>2,667.43</td>
</tr>
<tr>
<td><strong>Total Liabilities, Capital and Reserves</strong></td>
<td>29,727.09</td>
<td>25,346.74</td>
<td>22,950.83</td>
<td>20,996.72</td>
<td>21,214.55</td>
</tr>
</tbody>
</table>