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NEWS RELEASE

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JCR has affirmed the ratings on the following bonds issued by, and on long-term senior debts of

Asian Development Bank

Long-term Senior Debts: "AAA"(Triple A) / Stable

<Description of Bonds>

Issues	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Yen Bonds 21st Series	JPY 30	Feb. 12, 1993	Feb. 12, 2013	5.675% p.a.	AAA

<Rationale>

ADB is a multilateral development bank (MDB) established in 1966 to help accelerate economic development in the Asia-Pacific region. In addition to the importance of the preferred creditor status which MDBs enjoy, the rating for ADB reflects the strong support rendered to it by the member countries, the bank's sound and conservative financial policy and comparatively strong financial position. JCR expects that ADB's implementation of a development strategy geared more for regional interests and continued organizational reforms since 2002 aimed at more efficient implementation of the strategy will help further strengthen the shareholders' support for ADB and maintain its preferred creditor status. Meanwhile, following the flotation in India of its first rupee-denominated bonds amounting to Rs5.0 billion in February 2004, which was ADB's first ever local currency bond issue in a borrowing member country, it continued to issue local currency bonds in developing member countries including Malaysia, Thailand, China and the Philippines. Through these activities and other operations including guarantee services, ADB is expected to assume an important role in the development of the Asian bond market.

ADB's operations consist of those funded by Ordinary Capital Resources (OCR) and those financed by Special Funds including the Asian Development Fund (ADF) which are supported by contributions from the member countries. The latter is completely segregated from the former in accordance with the bank's Charter. This rating refers only to the OCR operations.

(1) ADB'S Economic Development Strategy and Organizational Reforms

The solution of poverty problems through the realization of sustainable economic development is very important to countries in Asia, which has two thirds of the world's poor people mainly in its southern region. Therefore, based on its poverty reduction strategy adopted in 1999, ADB announced a long-term strategic framework (LTSF) 2001-2015 in 2001. Following the medium-term strategy I (MTS I) covering the period from 2001 and 2005 which ADB prepared, based on the LTSF, it also

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worked out the medium-term strategy II (MTS II) (from 2006 and 2008) in 2005. A covering period of MTS II was changed to three years from the previous five years to improve its practicability. ADB has since carried out the following five strategic priorities, based on it: i) catalyzing investment especially to promote private investment, ii) strengthening inclusiveness to resolve uneven distribution of the benefits of an economic growth, iii) promoting regional cooperation and integration, iv) strengthening environmental protection and v) improving and containing corruption. ADB plans to review the LTSF and draw up its medium-term strategy III (from 2009 to 2011) by 2008, based on the results of the review. Continuing support and commitment by MDBs' shareholders is indispensable in carrying out their development strategy. LTSF and MTS are hoped to provide a basis for such support and long-term commitment by making clear the role to be played by ADB in the Asia-Pacific region.

In January 2002, ADB carried out major organizational reforms with a view to implementing LTSF more efficiently on a regional basis, including a shift from a program-based organization to a region-based (five regions) one. Furthermore, ADB adopted a Reform Agenda in June 2004 guided by the review of the LTSF and the Poverty Reduction Strategy. Since then, it has carried out nineteen initiatives specified in it. In 2005, ADB implemented reforms including establishment of an independent Risk Management Unit, the Office of Regional Integration and the adoption of a new Public Communications Policy. In 2006, it carried out reforms including regional organization reforms aiming to improve regional balance and organizational efficiency such as the unification of Mekong department and South East department and the division of Central East department into Central West department (including Pakistan and Afghanistan) and East Asian Department (consisting of China and Mongol only). ADB plans to continuously carry out the nineteen initiatives specified in the Reform Agenda. Their progress and effect will remain to be seen.

(2) Capital Structure

ADB's capital subscribed by the member countries to support its OCR operations increased to US\$52.2 billion at the end of September 2006 from US\$22.9 billion at the end of 1990. The number of the member countries has increased to 67 (including the 23 OECD member countries), which consisted of 48 regional members and 19 non-regional members with a new regional member country, Brunei (2006) and Georgia (February 2007) and a new non-regional member country, Ireland (2006). At the end of September 2006, the proportion of paid-in capital to subscribed capital stood at 6.9%, which was higher than those of other MDBs. Callable capital that accounts for the remaining 93.1% can be used as resources for ADB to meet its obligations on borrowings or guarantees. In addition, its paid-in capital plus reserves to the total assets ratio was kept high at 24.6% at the end of September 2006. The OECD member countries provided 64.7% of ADB's subscribed capital, which alone is sufficient to cover the bank's financial obligations including guarantees. Thus ADB maintains a sound capital structure and continues to enjoy a strong support from its member countries.

(3) Conservative Financial Policy and Financial Status

To keep its sound banking principles, ADB's lending, borrowing, liquidity and foreign exchange position are managed in accordance with conservative criteria based on its charter, policy



and guidelines. ADB has fully met all of the required criteria.

The total OCR loans outstanding continued to decrease till 2004 as many prepayment of fixed rate loans occurred due mainly to the low-interest rate climate. However, the prepayment decreased against the background of a subsequent rise of interest rates. As a result, OCR loans outstanding turned to a moderately increasing trend since 2005 and increased to US\$24.0 billion at the end of September 2006, 2.0% up from the end of the previous year. There are five countries which borrow more than 5% each of the total loans from OCR. The outstanding loans to these five countries accounted for 91.2% of the total OCR loans at the end of September 2006. Indonesia, the largest borrower, had loans equivalent to 33.9%, followed by China with 25%, India with 14%, the Philippines with 10.2% and Pakistan with 8.1%. Indonesia's external debt amounted to US\$128.4 billion (35.2% of GDP) at the end of September 2005. Borrowings from MDBs accounted for 16.3% of the total. It was only the country's bilateral borrowings of its total external debt that had been rescheduled at the Paris Club by 2003. The borrowings from MDBs were excluded from the rescheduling.

To date, ADB has never incurred losses from its public-sector OCR loans, owing to its preferred creditor status as well as the conservative lending policy. Although one loan to Nauru and one to Marshall Islands were in arrears as of the end of September 2006, the combined amount of the principals involved accounted for a negligible 0.026 % of the total OCR loans at the end of September 2006. On the other hand, the private-sector loans has continued to increase for recent years. However, the ratio of their outstanding amount to the total OCR loans outstanding was maintained at the low level of 3.2%. The amount of private -sector loans in arrears has decreased largely for recent years due mainly to disposal by sale. Its ratio to the total private-sector loans outstanding was halved to 4% at the end of September 2006 from 8.8% at the end of 2005 while its ratio to the total OCR loans also decreased to 0.12 % from 0.21%.

ADB had traditionally attached importance to the interest coverage ratio (ICR) and the reserve-loan ratio (RLR) in measuring the risk-bearing capacity. However, it decided to adopt a policy in 2004 to put importance to new indicators such as an equity-to-loan ratio (ELR) and a loan loss reserve ratio (LLR). The internal guideline for the former is 35%. ADB cleared it as of the end of September 2006 with 51.02%. The LLR ratio for the public-sector loans was 100% at the of 2006 and the one for the private-sector loans was 177.35% at the end of September 2006, respectively. ADB has made a stable annual profit almost uninterruptedly since its foundation. Operating profit before FAS 133 adjustments for the nine-month period to September 2006 increased largely to USD424 million from USD284 million the same period a year before. Net profit also increased to USD365 million from USD62 million due to a reduction of FAS 133 adjustment costs. ADB has waived its 1% front-end fee and 20 basis points lending spread for public-sector loans since January 2004, and has decided to extend these measures till June 2007.

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