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# FINANCIAL PROFILE



*Asian Development Bank*  
**2001**

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*The dollar amounts refer, unless otherwise stated, to United States dollars current at the time.*

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## INTRODUCTION

The Asian Development Bank (ADB) is an international organization established in 1966. The purpose of ADB is to foster economic growth and cooperation in Asia and the Pacific (the "region") and to contribute to the economic development of the developing member countries in the region collectively and individually. With the adoption of its poverty reduction strategy at the end of 1999, ADB made reducing poverty in the region its main goal. ADB's strategy for reducing poverty rests on three pillars: pro-poor, sustainable economic growth, social development, and good governance. ADB pursues such goal primarily by providing loans, guarantees and related technical assistance for projects and programs in the territories of its developing member countries. ADB's structure and functions are broadly similar to those of the World Bank.

### **Ownership**

As of 31 December 2000, ADB was owned by 59 members: 20 were Organisation for Economic Co-operation and Development (OECD) members and 39 were developing nations in the Asia-Pacific region. The two largest shareholders, as of 31 December 2000, were Japan and the United States, having subscribed 15.9 percent each of the total. European member countries had together subscribed to 15.1 percent; Australia, Republic of Korea, and New Zealand have together subscribed to 12.6 percent; and Canada to 5.3 percent. The OECD members own 64.8 percent of the shares of ADB and provide 64.6 percent of its professional staff.

Members with investment-grade and higher debt ratings account for about 77.0 percent of ADB's callable capital.

**SHAREHOLDINGS**  
(as of 31 December 2000)  
(percent)

<b>OECD Members</b>		<b>Developing Members</b>	
Japan	15.9	China, People's Rep. of	6.6
United States	15.9	India	6.4
Australia	5.9	Indonesia	5.5
Canada	5.3	Malaysia	2.8
Korea, Rep. of	5.1	Philippines	2.4
Germany	4.4	Pakistan	2.2
France	2.4	Thailand	1.4
United Kingdom	2.1	Other regional	7.9
Italy	1.8		
New Zealand	1.6		
Other nonregional	4.4		
<b>Total</b>	<b>64.8</b>		<b>35.2</b>

## Location

ADB is headquartered in Manila and has 14 resident missions located in Bangladesh, Cambodia, People's Republic of China, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, Nepal, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; a country office in the Philippines; a regional office in Vanuatu; a special liaison office in East Timor; extended missions in Papua New Guinea and Thailand; and three representative offices located in Washington, D.C., USA for North America, Frankfurt, Germany for Europe and Tokyo, Japan for Japan. ADB is governed by the Agreement Establishing the Asian Development Bank (the Charter), which has the force of law in each of ADB's 59 member countries. Under the Charter, and in accordance with a Headquarters Agreement with the Republic of the Philippines, ADB's financial transactions are not subject to Philippine laws, taxes, foreign exchange regulations, or other controls.

## **Ordinary Capital Resources and Special Funds**

In making loans, ADB provides funds from either its ordinary capital resources (OCR), which are the main subject of this brochure, or Special Funds.

ADB finances its OCR lending operations through borrowings, paid-in capital, retained earnings, and loan repayments. Special Funds are primarily contributed funds from member countries which are provided in turn by ADB on concessional terms to ADB's lesser developed member countries. Special Funds are completely segregated from ADB's ordinary operations. Unless otherwise stated, all references in this brochure refer to ADB's OCR operations.

## **Financial Operations**

ADB adheres to prudent borrowing and lending practices. It maintains adequate levels of net income, liquidity, and reserves; continuously monitors the creditworthiness of its borrowers; and requires thorough technical, financial, and economic justifications for all projects for which loans are provided. ADB, in accordance with its Charter, restricts its loans, equity investments, and guarantees to an amount not more than its paid-in and callable capital plus its ordinary reserve and surplus.

## **Organization**

All powers of ADB are vested in the Board of Governors, which consists of one Governor and one Alternate appointed by each member. Governors meet at least once a year.

ADB has a resident Board of Directors at its headquarters made up of 12 members elected by the Governors. The Board provides policy guidance for ADB's general operations. It also considers and approves all loans, guarantees, equity investments, and technical assistance grants exceeding \$1,000,000 as well as ADB's annual borrowing program.

The day-to-day operations of ADB are conducted by the President, who is also Chairman of the Board of Directors, and three Vice-Presidents. ADB's management is supported by staff drawn from 47 countries. There are 732 professional and 1,326 supporting staff.

### **Immunity from Judicial Proceedings**

ADB is immune from every form of legal process, unless it chooses to waive such immunity, except in relation to borrowings; guarantees; and the purchase, sale, or underwriting of securities, in which cases action may be brought against ADB in a court of competent jurisdiction.

### **Tax Status of ADB**

ADB Charter states that ADB, its assets, property, income, and operations and transactions are exempt from all taxation and from all customs duties. ADB is also exempt from any obligation for the payment, withholding, or collection of any tax or duty.

### **Tax Status of Obligations and Securities of ADB**

Under the Charter, no member may impose any tax on ADB's obligations (i) if such tax discriminates against such obligations solely because they are issued by ADB; or (ii) if the sole jurisdictional basis for such tax is the place or currency in which the obligations are issued, made payable, or paid, or the location of any office or place of business maintained by ADB. ADB is not under any obligation to withhold or pay any tax on its borrowings.

## **Triple-A Rating**

ADB bonds are rated Triple-A by Moody's, Standard & Poor's, the Japan Credit Rating Agency and Fitch. The Triple-A rating reflects ADB's conservative lending guidelines, strong membership support, "preferred creditor status" with its borrowers, and conservative statutory limits and financial policies.

## CAPITAL STRUCTURE

The capital structure of ADB is fundamental to its strength. As of 31 December 2000, the authorized capital of ADB was \$45,484.5 million, of which \$45,271.3 million had been subscribed by members. The subscribed capital is composed of paid-in and callable capital. ADB's equity is made up of paid-up capital and accumulated earnings (reserves) amounting to \$10,833.6 million at 31 December 2000.

The relationship between borrowings and callable capital and the relationship between loans and subscribed capital underline the conservative policies followed by ADB in its financial operations.

### **Relationship Between Borrowings and Callable Capital**

The paid-in portion of ADB's subscribed capital is available for disbursement of OCR loans as part of ADB's ordinary operations. Callable capital is available for the protection of ADB's creditors such as bondholders and other lenders and can be called *only* if required to meet its obligations in relation to its borrowings or to cover any guarantees outstanding. ADB's outstanding debt and guarantees cannot exceed its callable capital. As of 31 December 2000, total callable capital amounted to \$42,087.2 million, compared with ADB's outstanding debt of \$25,340.4 million and outstanding guarantees of \$341.6 million — a cover of 1.64 times.

### **Total Borrowing Limitation**

Currently, ADB's policy is not to enter into any new borrowing or guarantee chargeable to its ordinary capital resources if such borrowing or guarantee, when added to outstanding borrowings and guarantees, would exceed 95

percent of the amount of the callable capital stock subscribed by members whose currencies are deemed convertible by ADB. As of 31 December 2000, total outstanding borrowings and guarantees of ADB represented 72.3 percent of the 95.0 percent of such callable capital.

### **Relationship Between Loans and Subscribed Capital**

OCR loans, equity investments, and guarantees are limited to the level of ADB's unimpaired subscribed capital, ordinary reserve, and surplus, or a one-to-one ratio of loans to capital.

As of 31 December 2000, loans disbursed and outstanding plus undisbursed commitments, equity investments, and guarantees totalled \$42,596.1 million compared with unimpaired subscribed capital, ordinary reserve, and surplus of \$52,811.4 million—a loans to capital ratio of 0.81 to 1.

### **Mechanism for Calling the Callable Capital**

While ADB does not foresee an event that might require a call on its callable capital, all member countries (including those whose currencies are nonconvertible) would be required to meet any call on a uniform percentage basis. Failure by one or more members to honor this obligation would not relieve any other member from its obligation to meet a call. If the amounts received on such a call were insufficient to meet ADB's obligations, ADB is authorized to issue further calls until it has the necessary funds to satisfy its obligations fully, up to the full amount of each subscription to callable capital.

The following table summarizes the resources backing ADB's obligations:

**Resources Backing ADB's Obligations**  
(as of 31 December 2000)  
(amounts in \$ million)

<b>Resources</b>	<b>Amount</b>	<b>Percent of Outstanding Borrowings (\$25,340)</b>
Cash (unrestricted) and investments	<u>7,401</u>	<u>29</u>
Callable capital of members with convertible currencies	37,389	148
Callable capital of other members	<u>4,698</u>	<u>18</u>
Total callable capital	<u>42,087</u>	<u>166</u>
Outstanding loans	28,231	111
<b>Total</b>	<b>77,719</b>	<b>306</b>

**Development of ADB's Capitalization**

The table on page 9 summarizes ADB's capitalization for recent years.

**Capitalization of ADB**  
(amounts in \$ million)

Item	1996		1997		1998		1999		2000	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Total outstanding borrowings	<u>13,697</u>	<u>59</u>	<u>17,542</u>	<u>65</u>	<u>23,780</u>	<u>70</u>	<u>26,269</u>	<u>71</u>	<u>25,340</u>	<u>70</u>
Capital stock:										
Subscribed	49,368		46,411		48,456		47,597		45,271	
Less - callable capital	<u>45,896</u>		<u>43,147</u>		<u>45,042</u>		<u>44,249</u>		<u>42,087</u>	
Paid-in capital	3,472		3,264		3,414		3,348		3,184	
Less - other adjustments	<u>450</u>		<u>371</u>		<u>312</u>		<u>226</u>		<u>134</u>	
Net paid-in capital	3,022		2,893		3,102		3,122		3,050	
Reserves and accumulated net income and other comprehensive income	<u>6,644</u>		<u>6,409</u>		<u>6,961</u>		<u>7,441</u>		<u>7,784</u>	
Total paid-in capital, reserves, and accumulated net income and other comprehensive income	9,666	41	9,302	35	10,063	30	10,563	29	10,834	30
Total capitalization	23,363	100	26,844	100	33,843	100	36,832	100	36,174	100

## BORROWING OPERATIONS

ADB has been an active borrower in world capital markets since 1969. Its borrowing program is broadly determined by a number of factors including ADB's lending operations, cash flow requirements, its liquidity policy, and its perception of current and future market conditions.

In the early years of operations, ADB's capital was the major source of funds for ordinary lending, but since the early 1980s, borrowings have accounted for a greater share than capital and reserves. Borrowings continue to make an increasingly larger contribution to financing ADB's ordinary operations as ADB increases its lending operations.

### **Borrowing Objectives**

The major objectives of ADB's borrowing program include the following:

#### *Low-cost funding*

To produce low-cost funds for disbursement requirements either directly or indirectly, on a fully hedged basis, through currency liability and interest rate swap transactions as well as financial derivative instruments.

#### *Capital markets presence*

To preserve ADB's strong reputation and maintain continuous access to the world's capital markets.

#### *Long-term funding*

To emphasize borrowings in the longer maturity range, to the extent that the related borrowing costs remain attrac-

tive, with a view to minimizing fluctuations in ADB's lending rates and ensuring a reasonable maturity relationship between borrowings and loans.

*Establishment of benchmark issues*

To increase, where possible, the size of ADB's public bond issues to provide "benchmark issues" that increase liquidity in the secondary markets, broaden the distribution of ADB bonds, and favorably align ADB's funding and trading spreads with those of other supranational borrowers.

*Development of regional capital markets*

To tap new markets, especially where contributions to the development of capital markets in the Asia-Pacific region can be achieved.

*Expansion of investor base*

To expand ADB's investor base by borrowing in the private placement markets of various currencies either directly or indirectly, on a fully hedged basis, through liability swap transactions as well as financial derivative instruments.

*Bridge financing*

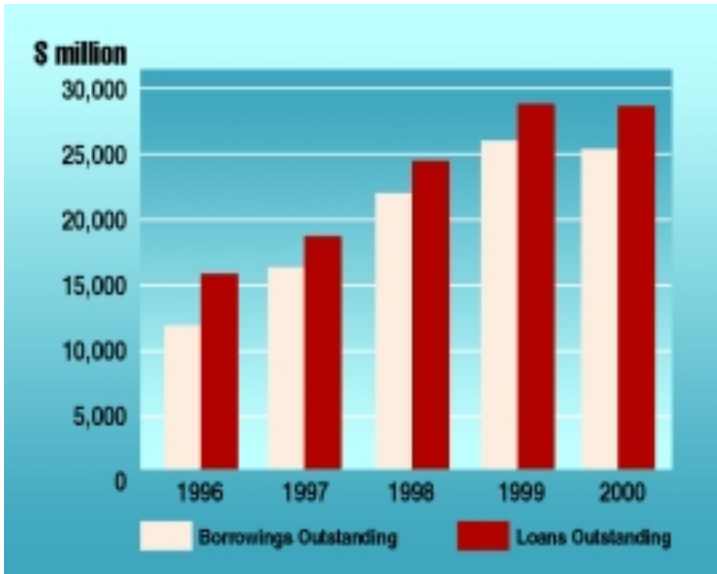
To make use of short-term bridge financing in such a way that any longer term negative impact on the lending rate is minimized, should there be requirements for disbursement currencies or debt service currencies when market conditions are not attractive for bond issues with longer maturities.

Within the context of the above-stated objectives of the borrowing program, ADB will pursue a funding strategy that takes advantage of the major capital markets in which its

borrowing advantage has been demonstrated, and of swap market arbitrage opportunities that indirectly provide cost-efficient terms for target currencies. With few exceptions, ADB transacts borrowings on a negotiated basis with its managers to ensure appropriate terms and conditions for both the investors and the issuer. ADB will, to the extent possible, pursue a diversified multimarket and multicurrency borrowing program. As in recent borrowing programs, ADB intends to maintain its presence in key currency capital markets, such as US dollars, Euro, and Japanese yen through the undertaking of large global and/or benchmark public bond issues to ensure that ADB's debt securities will achieve broad primary market distribution and active secondary market trading performance.

### ADB Borrowings Outstanding and Ordinary Loans Outstanding

*As of 31 December 1996 to 31 December 2000*



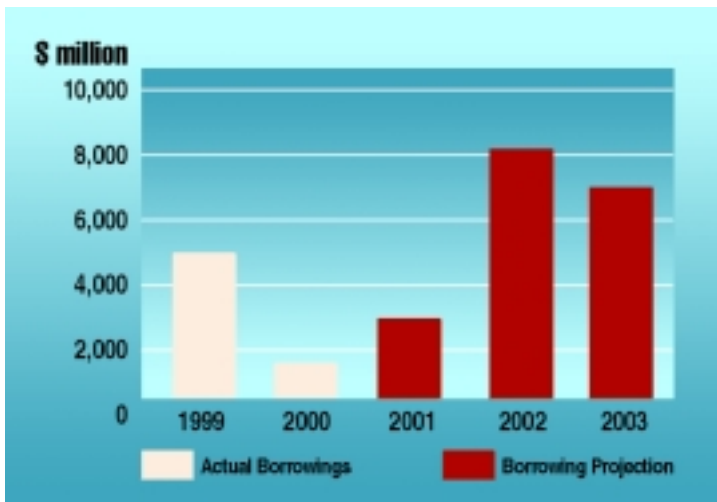
## **Expected Borrowings**

In 2000, ADB raised a total of \$1.7 billion. The average life of the borrowings undertaken in 2000, assuming the put option in one borrowing is exercised, was about 5.6 years. After swaps, \$1.6 billion of the borrowings were in US dollar fixed-rate liabilities, with an average all-in cost of 7.5 percent per annum and an average life of 5 years. The remainder was a US dollar floating-rate liability with a life of 15 years. In addition, ADB raised \$250 million in short-term funds through issuance of ECP. Such ECP was refinanced by a long-term borrowing in June 2000.

ADB's expected total borrowings during the years 2001-2003 will amount to approximately \$18.9 billion equivalent. The size of this program will enable ADB to tap the major capital markets regularly in the future, as well as to utilize the region's capital markets. In addition, the size of ADB's issues can be increased to enhance the secondary market liquidity of ADB's bonds. Furthermore, ADB remains committed to supporting the development of the region's domestic bond markets with a view to improving their efficiency, transparency, liquidity, and accessibility.

### **Borrowing Program**

*1999-2003*

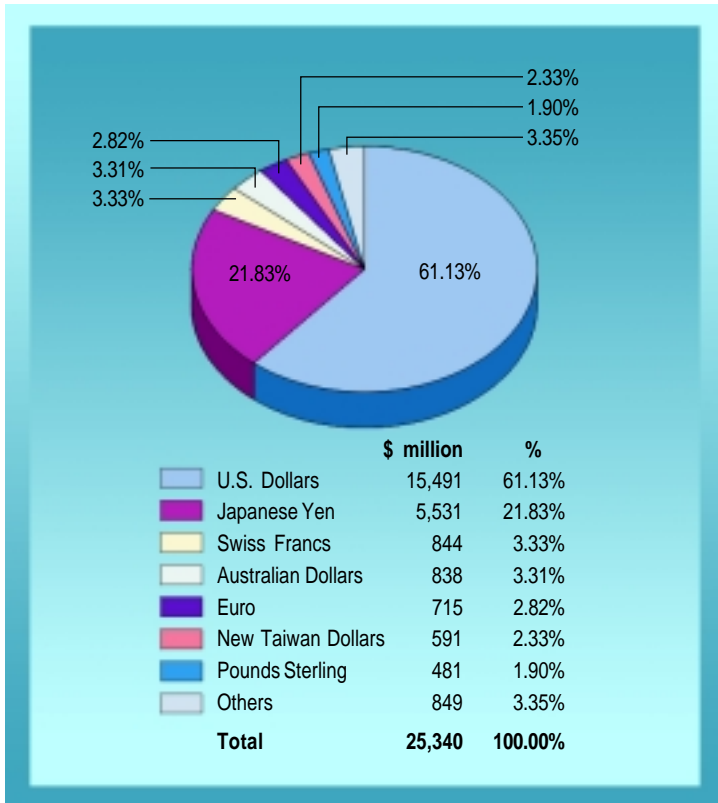


### Currency Diversification

A basic ADB policy is to diversify its borrowings among available currencies and markets to avoid becoming too dependent on any one currency or market for funds. ADB has, so far, borrowed in seventeen different currencies. ADB's outstanding public bond issues are shown in pages 18-22. The following chart shows the currency composition of ADB's outstanding borrowings (before swaps) as of 31 December 2000.

#### Borrowings Outstanding (Before Swaps)

31 December 2000



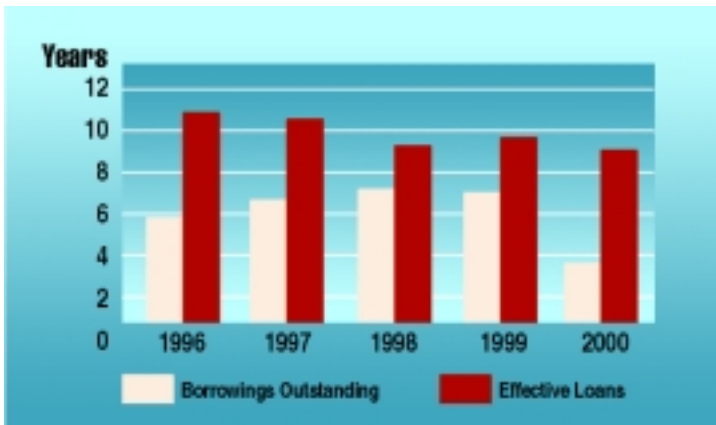
## Forms of Borrowing

While most of ADB's borrowings have been in the form of public bond issues in the major capital markets, ADB has also made direct placements of its securities with governments, central banks, and other financial institutions and has borrowed directly from commercial sources. In addition, ADB undertakes bridge financing transactions through its \$5 billion Eurocommercial Paper Programme to afford greater flexibility in the timing of its long-term borrowings.

## Long-term Borrowings to Match Long-term Loans

Since ADB provides loans with long maturities, one of its principal objectives is to match the maturity of its OCR loans with correspondingly long-term borrowings. As of 31 December 2000, the average life of effective OCR loans was 9.14 years and the average life of total long-term borrowings outstanding was 3.69 years. The average life of ADB's total funds used to finance ADB's lending is substantially increased if its paid-in capital and retained earnings are taken into account.

**Average Life of Borrowings Outstanding  
and Effective Loans**  
*(End of Year)*



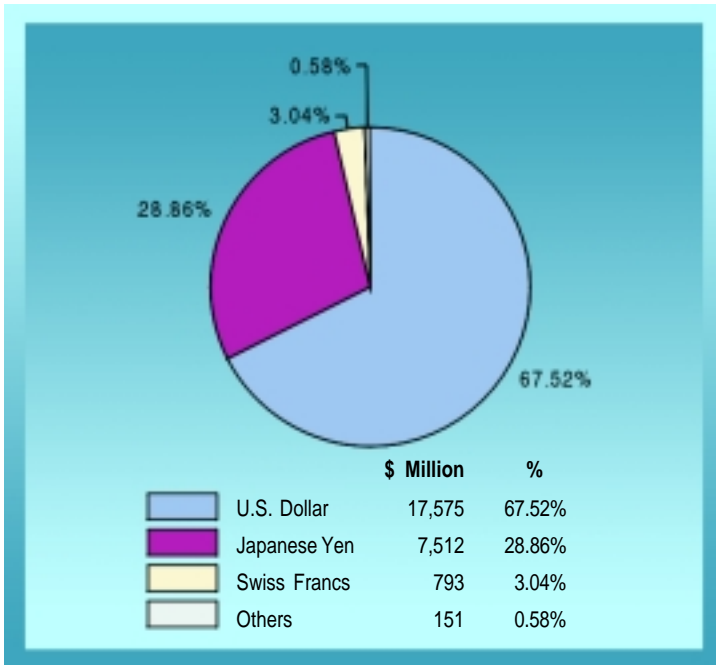
**Use of Derivatives**

In connection with its borrowing operations, ADB also undertakes currency and interest rate swap transactions. These swap transactions enable ADB, on a fully hedged basis, to raise operationally needed currencies in a cost-efficient way and to maintain its borrowing presence in the major capital markets. At 31 December 2000, the principal amount payable under outstanding currency swap transactions totaled \$6,637.2 million and the notional principal amount of outstanding interest rate swap transactions totaled \$4,629.8 million. Amounts receivable from outstanding currency swaps totaled \$5,952.1 million.

The following chart shows ADB’s outstanding borrowings (after swaps) as of 31 December 2000.

**Borrowings Outstanding (After Swaps)**

*31 December 2000*



## **Borrowing Costs**

As of 31 December 2000, the average cost (after swaps) of ADB's outstanding borrowings was 5.90 percent, and the cost of ADB's total resources was 4.45 percent. The following table shows ADB's borrowing costs and its cost of total funds in the last five years.

### **Borrowings Cost Summary** *(semi-annualequivalentbasis)* *(percent)*

<b>Item</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>Average cost (after swaps) of:</b>					
Borrowings outstanding during the period	5.95	5.94	5.92	5.61	5.90
Total funds (borrowings outstanding, paid-in capital, and reserves) during the period	3.87	3.77	4.20	4.26	4.45

**ADB's Outstanding Public Bond Issues**  
(as of 31 December 2000)

Issue	Principal Amount (millions)
<b>Australian Dollar</b>	
5 <sup>3</sup> / <sub>8</sub> %-5-year Bonds of 1998 due 15 September 2003	1,000
5 <sup>1</sup> / <sub>4</sub> %-5.37-year Bonds of 1999 due 15 September 2004	500
<b>Austrian Schilling</b>	
8 <sup>1</sup> / <sub>4</sub> % - 10-year Bonds of 1991 due 23 October 2001 (C)	1,000
<b>Euro-Canadian Dollar</b>	
7 <sup>7</sup> / <sub>8</sub> % - 10-year Bonds of 1993 due 11 March 2003	250
<b>Euro</b>	
5½% - 10-year Fungible Bonds of 1997 due 24 October 2007	767
<b>Hong Kong Dollar</b>	
6.52% - 8-year Bonds of 1993 due 12 October 2001	1,000
9.10%-3-year Bonds of 1998 due 16 March 2001 (Tranche C)	1,000
<b>Korean Won</b>	
12.15% - 7-year Bonds of 1995 due 1 September 2002	80,000
<b>Netherlands Guilder</b>	
8 <sup>3</sup> / <sub>8</sub> % - 10-year Bonds of 1992 due 3 July 2002	300
6 <sup>1</sup> / <sub>4</sub> % - 10-year Bonds of 1996 due 1 March 2006	400

(C) call options exist.

**ADB's Outstanding Public Bond Issues**  
(as of 31 December 2000)

<b>Issue</b>	<b>Principal Amount (millions)</b>
<b>New Taiwan Dollar</b>	
6.28% - 7-year Bonds of 1995 due 2 August 2002	2,600
6% - 7-year Bonds of 1996 due 19 December 2003	7,000
3 Tranche Bonds of 1999:	
5.20%-3-year Bonds due 8 March 2002	2,000
5.35%-5-year Bonds due 8 March 2004	6,000
5.40%-7-year Bonds due 8 March 2006	2,000
<b>Pound Sterling</b>	
10 $\frac{1}{4}$ % - 25-year Loan Stock of 1984 due 24 March 2009 (S)	100
<b>Euro-Sterling</b>	
11%-10-year Bonds of 1991 due 11 April 2001	75
<b>Swiss Franc</b>	
6% -25-year Bonds of 1985 due 20 November 2010	100
Zero Coupon - 30-year Bonds of 1986 due 7 February 2016	500
6 $\frac{7}{8}$ %-10-year Bonds of 1991 due 9 October 2001	150
7% -12-year Bonds of 1992 due 1 June 2004	300
3%-8-year Bonds of 1998 due 24 April 2006	300

(S) sinking fund provisions apply.

**ADB's Outstanding Public Bond Issues**  
(as of 31 December 2000)

Issue	Principal Amount (millions)
2.25%-6-year Bonds of 1999 due 28 April 2005	300
<b>United States Dollar</b>	
8% -15-year Bonds of 1986 due 30 April 2001	100
8 1/2%-10-year Notes of 1991 due 2 May 2001	300
6 1/2%-10-year Notes of 1992 due 21 September 2002	300
6.22% - 30-year Bonds of 1997 due 15 August 2027 (P)	300
5.82%-30-year Bonds of 1998 due 16 June 2028 (P)	750
5.593%-20-year Bonds of 1998 due 16 July 2018 (P)	700
6 3/8%-30-year Bonds of 1998 due 1 October 2028 (P)	410
6.64%-15-year Bonds of 1999 due 27 May 2014 (P)	500
<b>Euro-United States Dollar</b>	
Zero Coupon - 20-year Bonds of 1984 due 31 August 2004 (C)	1,000
7 1/2%-10-year Bonds of 1992 due 2 July 2002	500
6 3/8%-10-year Bonds of 1993 due 8 June 2003	500
6 1/4%-3-year Notes of 1999 due 26 February 2002	500
7 % 5-year Notes of 2000 due 15 June 2005	300

(C) call options exist.

(P) put options exist.

**ADB's Outstanding Public Bond Issues**  
(as of 31 December 2000)

<b>Issue</b>	<b>Principal Amount (millions)</b>
<b>Global United States Dollar</b>	
6 $\frac{1}{8}$ %-10-year Bonds of 1994 due 9 March 2004	750
6 $\frac{1}{4}$ %-10-year Bonds of 1995 due 24 October 2005	750
6 $\frac{3}{4}$ %-10-year Bonds of 1997 due 11 June 2007	1,000
5 $\frac{3}{4}$ %-5-year Bonds of 1998 due 19 May 2003	2,000
5 $\frac{1}{2}$ %-5-year Bonds of 1999 due 23 April 2004	1,250
6 $\frac{1}{2}$ %-3-year Bonds of 1999 due 21 October 2002	1,000
7 $\frac{1}{2}$ % 5-year Bonds of 2000 due 31 May 2005	1,000
7 $\frac{1}{2}$ % 15-year Bonds of 2000 due 15 June 2015 (P)	300
<b>Japanese Yen</b>	
5.80%-15-year Bonds of 1986 due 19 December 2001	30,000
5.30%-15-year Bonds of 1987 due 25 February 2002	30,000
7.20%-10-year Dual Currency Japanese Yen/ Australian Dollar Bonds of 1991 due 26 February 2001	20,000
5 $\frac{5}{8}$ %-10-year Special Bonds of 1992 due 12 February 2002 - Fourth Offering	50,000
6% -10-year Bonds of 1992 due 28 May 2002	64,000
5.675%-20-year Bonds of 1993 due 12 February 2013	30,000

(P) put options exist.

**ADB's Outstanding Public Bond Issues**  
(as of 31 December 2000)

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<b>Issue</b>	<b>Principal Amount (millions)</b>
4.60%-10-year Dual Currency Japanese Yen/ Australian Dollar Bonds of 1995 due 27 April 2005	10,000
<b>Euro-Yen</b>	
5 <sup>5</sup> / <sub>8</sub> %-10-year Bonds of 1992 due 18 February 2002	50,000
5% -10-year Bonds of 1993 due 5 February 2003	50,000
3 <sup>1</sup> / <sub>8</sub> %-10-year Bonds of 1995 due 29 June 2005	40,000

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## FINANCIAL RISK MANAGEMENT

In undertaking its development banking operations, the ADB assumes a variety of financial risks. These include credit risk, commercial risk, and market risk (interest rate and foreign exchange). The ADB has established a risk management infrastructure designed to ensure that the risks associated with its activities are fully identified, measured, monitored and managed. Guidelines and constraints relating to the assumption of credit, commercial, and market risks are established within the parameters of various policy and operational documents. The Charter sets the broad policy objectives relating to the operations of the ADB. General policy guidelines relating to risk assumption and management are articulated in several policy documents approved by the Board of Directors. These include the Bank's Income and Reserves Policy, its Liquidity Policy and its Investment Authority. At the operational level, specific guidelines relating to the assumption of risk in ADB's financial operations are established by the Office of the President, the Office of the Vice President, Finance and Administration, and the Office of the Treasurer.

### **Credit Risk**

Credit risk can be defined as the potential loss arising from default of a borrower. As a development finance institution, ADB regularly assumes credit risk on its loan portfolio. The ADB manages this risk through a rigorous capital adequacy framework. This framework, articulated through the Charter and policy documents, is at the foundation for managing lending risk within ADB. Pursuant to ADB's Charter, the sum of its disbursed and outstanding loans and undisbursed loan balances should not exceed the total amount of its subscribed capital plus retained earnings.

### *Income and Reserves Policy*

The Income and Reserves Policy of the ADB protects its risk bearing capacity, i.e., its capacity to withstand unexpected large

risk events without seeking additional financial support from its shareholders. The primary benchmark used by ADB in measuring its risk-bearing capacity is the interest coverage ratio (ICR), a ratio that broadly indicates to what extent its income, particularly the income from its loan portfolio, can decrease without jeopardizing its ability to service its own debt from current earnings. In light of its portfolio concentration, ADB's current policy is to ensure that the ICR does not fall below the level of 1.31 times. With an ICR of 1.31 times, ADB has the capacity to withstand the nonperformance of its largest borrower and still generate residual net income. ADB's actual target for the ICR in the medium-term could be higher depending on its assessment of its risk-bearing capacity.

To maintain the minimum ICR or achieve a higher targeted level for ICR, the ADB ensures that its equity capital or earning base is sufficient to generate the minimum net income requirements. The adequacy of equity capital is managed by maintaining adequate reserves, which constitute the bulk of its equity capital in relation to outstanding loans, i.e., reserve loan ratio (RLR). The current policy is to maintain RLR at about 25 percent over the medium-term. Any potential deficiency in such reserves or earning base could be remedied by increasing the level of loan charges. As of 31 December 2000, the ICR and RLR of ADB were 1.40 and 27.26 percent, respectively.

#### *Liquidity Policy*

ADB's liquidity policy provides protection against possible market access limitation arising from default of a major borrower. In accordance with its current liquidity policy, ADB is required to maintain liquid assets available for loan disbursements, debt redemptions and other expenditures at the end of each year of not less than 40 percent of undisbursed loan balances at the end of that year. Such liquid assets, which consist of cash (unrestricted) and investments exclusive of Special Reserve assets, amounted to approximately \$7,219.1 million as of 31 December 2000, which represented 52.1 percent of ADB's undisbursed loan balances, including loans not yet effective, at such date.

### *Overdue and Non-performing Loans*

It is ADB's policy that if a payment of principal or interest on a public sector loan is overdue by 30 days, no further loans to, or guaranteed by, the member country will be presented to the Board of Directors for approval nor will any previously approved loan be signed unless payment of all outstanding arrears has been received. In addition, if such payment becomes 60 days overdue, disbursements on all its loans will be suspended until all its outstanding arrears have been paid. Such overdue policy may be temporarily deferred (i) when payments are owed in currencies whose availability in the international financial markets is unduly constrained at the time the payments fall due; (ii) when the overdue amount is less than \$50,000; and (iii) when significant partial payments of the overdue amount have been received by ADB, and/or the borrower has made acceptable arrangements to bring the outstanding amounts up to date. It is also the policy of ADB to place in nonaccrual status loans for which principal, interest, or other charges are overdue by six months. Provisioning for possible loan losses is done when principal or interest is in arrears for one year for public sector loans made to or guaranteed by a member and six months for private sector loans.

### **Commercial and Market Risks**

ADB has established a Risk Management Committee (RMC) that is tasked with the responsibility of overseeing commercial and market risk management within the Treasurer's Department. The RMC is responsible for discussing and resolving any issues arising from new policies and guidelines relating to risk management within Treasurer's Department. It reviews all new products, counterparties and operations from a risk management perspective and resolves any issues relating to systems and procedures. The RMC reviews total risk exposure and establishes appropriate measures for managing this exposure. Finally, it provides a forum for discussing and assessing the external risk climate.

### a. Counterparty Risk

To assist in ensuring that investment and funding activities are undertaken in an effective and cost-efficient manner, ADB utilizes various cash and derivative instruments in its financial operations. These transactions involve counterparty credit risk. To manage and mitigate this risk, ADB restricts these activities to authorized dealers and counterparties meeting conservative credit risk guidelines.

Generally, the ADB's investment transactions in cash instruments are conducted on a "delivery versus payment basis", where counterparty credit exposure is viewed to be minimal. Investment transactions with counterparts in derivative product or on a free delivery basis require special review by the Risk Management Division and approval by the Treasurer. Depository and custodial exposure is monitored on a daily basis through ADB's Depository Bank Liability Management System. Counterparty eligibility for depository and custodial transactions is rigorously monitored by the Risk Management Division in relation to strict minimum credit rating guidelines approved by the President.

In connection with ADB's currency and interest rate swap transactions, the swap counterparty credit exposure is measured and monitored under ADB's Swap Exposure Management System. Guidelines relating to swap risk management are approved by the President. In accordance with the guidelines, ADB currently requires that its swap counterparties be rated AA-/Aa3 or higher.

### b. Issuer Risk

Issuer risk arises from ADB's investment transactions. The Board of Directors has prescribed the policy restrictions relating to ADB's investment transactions in the Authority for Investment of Funds Not Needed in Operations (Investment Authority), approved on 27 May 1999. Under the Investment

Authority, ADB may purchase and sell bonds, notes or other obligations that are (i) issued or guaranteed by the member country whose currency is involved in the investment, (ii) issued or guaranteed by an eligible non-borrowing member country and denominated in the currency of another member whose currency is convertible, (iii) issued or guaranteed by an eligible autonomous government entity or government-controlled corporation of a non-borrowing member country and denominated in the currency of such member country or the currency of another member country whose currency is convertible, (iv) issued or guaranteed by an eligible multilateral organization and denominated in a convertible currency, (v) issued or guaranteed by eligible corporate entities or trusts, or consist of eligible asset-backed and mortgage-backed securities, or (vi) time deposits and other unconditional obligations of eligible banks and other financial institutions in member countries.

In addition to these restrictions, ADB further limits the volume and eligibility of its transactions in "spread product", i.e., investments issued and trading at a "credit spread" to the government yield curve. In the case of corporate, asset-backed and mortgage-backed securities, these investments are presently limited to a percentage of the US dollar portfolio alone. All corporate debt investments must be rated "A" or higher. The ADB restricts the level of investments in AAA-rated, AA-rated and A-rated corporate debt instruments, respectively, and also restricts the level of investments in asset-backed and mortgage-backed instruments. All asset-backed and mortgage-backed securities in ADB's investment portfolio must be AAA-rated.

### c. Market Risk

#### *Interest Rate Risk*

Market risk exposure is generally restricted to ADB's liquid assets investments rather than its loan portfolio. In loan pricing, all costs (i.e. financial and administrative) are automatically passed on to the borrower under the present pool-based variable

lending rate system. Careful term structure planning is also a feature underlying the funding associated with ADB's loan portfolio. In consequence to this structure, the ADB assumes no significant market risk relating to the funding of its loan disbursements, apart from the possibility of minor cost of carry associated with borrowed funds held temporarily in liquid assets pending disbursement.

The principal source of interest rate risk to ADB's balance sheet arises from the income volatility associated with the liquid asset investments, largely funded by equity. As the principal income-earning asset on ADB's balance sheet, the liquid asset portfolio is carefully managed to optimize the relationship between expected return and volatility (risk).

The Investment Authority is based on a new investment strategy that identifies an aggregate portfolio risk threshold and optimizes portfolio asset allocation relative to this threshold. Combining concepts of risk sensitivities and probability-based measures of potential risk exposure, the risk threshold incorporates estimates of interest rate and credit risk exposure at an aggregate (i.e., portfolio) level. The actual risk profile of ADB's liquid investments is measured and managed through the use of various quantitative techniques.

#### *Exchange Rate Risk*

Pursuant to the Charter, ADB is generally precluded from incurring foreign exchange risk. As a result, it is ADB's policy to make loans and investments in the same currencies in which funds are received. However, borrowed funds or funds to be invested may be converted into other currencies provided that, at the same time, forward exchange agreements are entered into to ensure recovery of the currencies converted. ADB does not otherwise convert one currency into another except for limited amounts required to meet certain obligations in the ordinary course of its business or as specifically authorized by the Board of Directors.

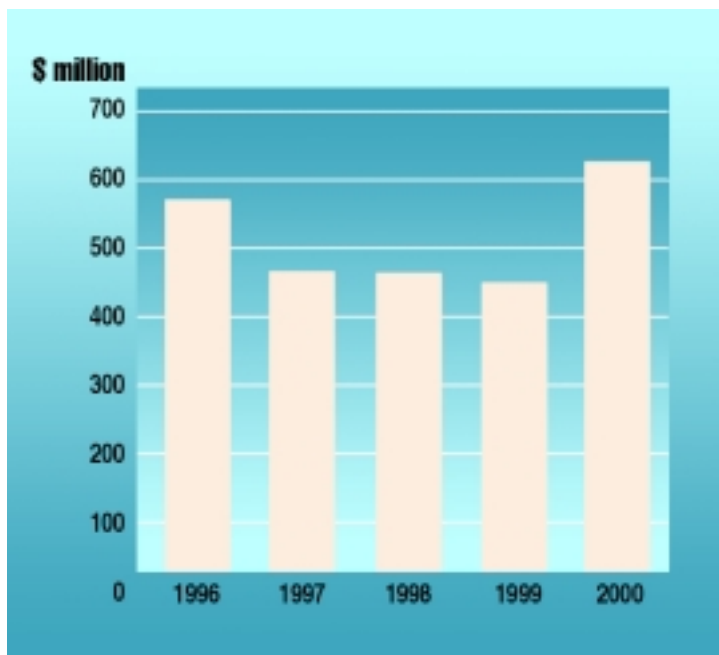
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## RESULTS OF OPERATIONS

ADB has achieved consistent profitability, earning profits every year since its inception. Its gross income increased by 13.5 percent in 2000, from \$2,028 million in 1999 to \$2,301 million in 2000 because of an increase in income from loans, investments and other sources. ADB's primary interest earning assets are its loans and investments. Total operating expenses increased by 6.2 percent from the previous year. The rise in expenses was mainly due to the increase of about 9.0 percent in financial expenses. Net income for 2000 was \$625.7 million compared with \$449.9 million in 1999 representing an annualized return of 1.72 percent (1.31 percent - 1999) on its average earning assets.

The following graph shows ADB's net income from 1996 to 2000.

**Net Income**



## LENDING OPERATIONS - OCR

### **Lending Policies**

ADB is authorized to make, participate in, or guarantee loans to its developing member countries or their governments, to any of their agencies or political subdivisions, and to public or private enterprises operating within such countries, as well as to international or regional entities concerned with economic development in the region.

Loans are made only for projects or programs of high developmental priority. ADB provides financing to its borrowers to cover foreign exchange expenditures and also finances local currency expenditures in certain cases.

Currently, ADB has three lending windows for loans from ordinary capital resources: (i) the pool-based multicurrency loan window, where loan disbursements are made in a variety of currencies of ADB's choice; (ii) the pool-based single-currency loan window in US dollars; and (iii) the Market-based Loan (MBL) window which provides single-currency loans in US dollars, Japanese yen, or Swiss francs to private sector borrowers and government-guaranteed financial intermediaries at current terms prevailing in international financial markets. MBL borrowers have the option of having the interest rates of their loans in either fixed or floating rate terms. MBL lending to government-guaranteed financial intermediaries is limited to \$1 billion. On an exceptional basis, separate funding arrangements have been used. For example, the lending rate for ADB's emergency financial assistance to the Republic of Korea in 1997 was based on LIBOR and not determined through the pool-based or MBL window. ADB is currently reviewing its loan products with the objective of providing loan structures that match as closely as possible the needs and risk exposures of the project and its borrowers.

ADB requires its borrowers to absorb exchange risks caused by fluctuations in the value of the currencies that it has disbursed.

ADB's borrowers share the exchange risk on pool-based multicurrency loans through ADB's exchange risk pooling system, which was introduced on 1 January 1983. As a general rule, the lesser developed of ADB's members borrow on concessional terms from the Asian Development Fund (ADF), while members with stronger economies borrow from ordinary capital resources.

ADB's policy-based program lending is designed, as a complement to its project-specific lending, to develop a sector (or subsector) as a whole and improve a sector's performance through appropriate policy and institutional reforms over the medium to long term. The loan proceeds may be used to finance economy-wide import requirements on the basis of a negative import list, or where necessary and appropriate, sector-specific import requirements on the basis of a positive import list. The ceiling on program lending, as a percentage of total lending on a three-year moving average basis, is 20 percent.

Effective 1 January 2000, ADB introduced a program cluster approach as an extension of its program lending modality to enhance flexibility and extended the time frame for program implementation to 7 years. Also effective on the same date, ADB introduced a special program loan facility (SPL) to provide, on an exceptional basis, as part of an international rescue package, substantial support beyond ADB's anticipated assistance levels to crisis-affected countries which are eligible to borrow from ADB's ordinary capital resources. ADB shall charge higher rates for SPLs to help mitigate potential adverse effects on ADB's financial strength and risk bearing capacity. SPLs are exempted from counting towards the ceiling on regular program lending.

The majority of ADB loans have been made to the public sector, namely, to member countries or, with the guarantee of the member government concerned, to government enterprises or other public entities. However, ADB also maintains a lending program designed to support the private sector in developing member countries by direct lending to private enterprises and

financial institutions without government guarantee. ADB is also empowered by the Charter to make equity investments and underwrite or participate in the underwriting of securities.

Except in special circumstances, ADB requires that the proceeds of its loans and the loans it guarantees be used by borrowers only for procurement of goods and services produced in and supplied from member countries.

ADB supervises the disbursement of its loans to ensure that the proceeds are applied only against eligible expenditures as they are incurred. It generally requires that borrowers seek competitive bids from potential suppliers, that engineering plans and specifications be drawn up independently of the suppliers or manufacturer and, if appropriate, that independent consultants be retained by borrowers.

### **Major Recipients of Loans**

ADB has made loans from OCR to 21 of its developing member countries, with Indonesia receiving the largest aggregate amount, followed by People's Republic of China, India, Philippines, Republic of Korea, Thailand, and Pakistan.

Effective January 1999, ADB has adopted a graduation policy and country classification system that applies the joint criteria of per capita gross national product and debt repayment capacity to determine the eligibility of its developing member countries for ADF and OCR resources.

Hong Kong, China; Republic of Korea; Singapore; and Taipei, China are considered graduated from regular ADB assistance. Only OCR loans are provided to the more advanced borrowing countries in the region. Most of these countries are predominantly market-economy oriented and include three members of the Association of South East Asian Nations or ASEAN, (Malaysia, Philippines, and Thailand), the Republic of Fiji Islands, Papua New Guinea, and two Central Asian countries,

Kazakhstan and Uzbekistan. India, People's Republic of China, Nauru, and Indonesia are eligible to receive OCR with limited amounts of ADF (although ADF resources will not be available to People's Republic of China and India during the ADF VII period). Countries with access to limited amounts of OCR in addition to ADF include: Bangladesh, Cook Islands, Marshall Islands, Micronesia, Pakistan, Sri Lanka, Tonga, and Viet Nam.

From its establishment through 31 December 2000, ADB had approved loans aggregating \$63,686.3 million in its ordinary operations. As of 31 December 2000, ADB's total amount of outstanding loan commitments (approved ordinary operations loans less amounts cancelled or repaid) in its ordinary operations was \$42,087.6 million.

### Country Breakdown of Total Outstanding OCR Loan Commitments

(as of 31 December 2000)

Country	Amount (\$ million)	Percent
Indonesia	10,391.4	24.7
China, People's Republic of	8,907.6	21.2
India	6,724.3	16.0
Philippines	4,401.6	10.5
Korea, Republic of	3,984.4	9.5
Pakistan	2,836.5	6.7
Thailand	2,586.4	6.1
Malaysia	604.7	1.4
Others	1,650.7	3.9
<b>Total</b>	<b>42,087.6</b>	<b>100.0</b>

## Types of Development Projects Financed

ADB lending is aimed at developing energy, agriculture, transport and communications, and other basic infrastructure. Projects financed by these loans are designed to give recipient countries a sounder economic base to enable them to achieve and maintain higher and sustained levels of economic growth. ADB also finances development of financial systems in developing member countries and small and medium-scale projects, mostly in the private sector, through loans to financial intermediaries within the borrowing countries, which on-lend ADB funds for such projects.

In response to the changing needs and imperatives of the developing member countries and the international environment, ADB also emphasizes loans to address issues of poverty reduction, improvement of the status of women, development of human resources (including population planning), and sound management of natural resources and the environment.

With the adoption of its new Poverty Reduction Strategy, ADB refocused its work towards the single, overarching goal of reducing poverty. ADB's strategy for reducing poverty rests on three pillars: pro-poor, sustainable economic growth, social development, and good governance.

### Sectoral Breakdown of Total Outstanding Effective Loans (as of 31 December 2000)

Sector	Percent
Transport and communications	22.4
Energy	22.1
Finance	18.7
Social infrastructure	17.9
Agriculture and natural resources	9.4
Multisector	4.3
Industry and nonfuel minerals	3.8
Others	1.4
<b>Total</b>	<b>100.0</b>

## **Maturity of OCR Loans**

Maturities of OCR loans range up to 30 years with grace periods of between two and eight years. As of 31 December 2000, the remaining average life of effective loans was 9.14 years and the maturity structure of ADB's outstanding effective loans was as follows:

<b>Maturity</b>	<b>Amount (\$ million)</b>
Not more than 5 years	7,802.4
More than 5 years but not more than 10 years	13,770.3
More than 10 years	17,386.0
<b>Total</b>	<b>38,958.7</b>

## **Repayment Record**

In its public sector ordinary operations, ADB has not suffered any losses of principal to date and follows a policy of not taking part in debt rescheduling agreements. Occasional delays have occurred in loan service payments, but these have not been material to ADB's operations. Myanmar, however, incurred ADB's first public sector non-accruals on two loans having a total principal amount of \$864,000 at the end of 2000.

In its private sector operations, ADB provides for possible losses on its private sector loans and equity investments. Allowance for possible losses on impaired private sector loans and equity investments through 2000 totalled \$137.4 million.

## **The Project Process**

In responding to requests from member governments for OCR loans, ADB economists, financial analysts, technical specialists, and lawyers assess the economic viability and financial soundness of projects and the way in which the

projects fit into the economic framework and development priorities of the borrowing countries.

Strict standards of accounting and project implementation are maintained. Most contracts are awarded on the basis of international competitive bidding or international shopping or by domestic competitive bidding in certain limited cases. Projects are carefully analyzed and executed and, where appropriate, outside consultants are hired to ensure that the highest standards of performance are achieved throughout the life of the project.

### **Loan Charges and Return on Average Earning Assets**

In its ordinary operations, ADB sets its interest rates to directly reflect the cost of its borrowings and ADB's long-term income objectives.

From 1 July 1986, ADB has adopted a pool-based variable lending rate system for all public sector loans approved on or after that date, and, at the option of the borrowers, for loans approved from 24 September 1985 to 30 June 1986, except for private sector loans without government guarantee, to which different lending terms apply. For the currency-specific US dollar loans, a similar pool-based variable lending rate system applies, however, on a separate pool of US dollar borrowings undertaken from 1 July 1992 for inclusion in that pool. Both lending rates are determined by adding a spread (currently 0.6 percent) to the average cost of the respective pool of outstanding borrowings. The rates are reset on 1 January and 1 July each year. ADB's current lending rates from 1 January to 30 June 2001 are 5.50 percent for the multicurrency loans and 6.70 percent for the US dollar-specific loans.

Under the MBL window, for floating-rate loans, the lending rate is determined by adding a lending spread over the six-month LIBOR of the relevant currency and for fixed-rate loans, the lending rate is based on the cost of ADB's fixed-rate borrowing of the particular currency, plus a lending spread. The current

lending spread of 0.6 percent on pool-based loans will apply for loans to government-guaranteed financial intermediaries. On the other hand, the lending spread applicable to private sector loans is set to reflect the credit risk of the specific borrower.

For ADB's public sector loans, a commitment charge of 0.75 percent per annum is levied on all ordinary operations loans (public sector), beginning 60 days after execution of the applicable loan agreement. The commitment charge accrues on the following increasing portions of the total loan amount (less cumulative disbursements): 15 percent in the first year, 45 percent in the second year, 85 percent in the third year and 100 percent thereafter. However, effective 1 January 2000, the commitment fee for new program loans is a flat 0.75 percent per annum.

Effective 1 January 2000, a front-end fee of 1 percent will be charged on new public sector loans with the borrowers given the option to capitalize the fee.

For the years 1997 through 2000, the return on average outstanding loans, the return on average earning assets, and the average cost of ADB borrowings and other funds were as follows:

Item	Years Ended 31 December		
	1998	1999	2000
Return on average outstanding loans-end of period	6.79	6.42	6.61
Return on average earning assets	6.35	5.90	6.31
Average cost of total borrowings outstanding and other funds available during period	4.20	4.26	4.45

### Private Sector Operations

During the 1980s, ADB launched and built up a program designed to enlarge and diversify its support for private enterprise in developing member countries by introducing equity

investments and direct lending to private enterprises without government guarantees. Aggregate amounts available for allocations by the Board of Directors for this program are currently limited to \$1,500 million (\$1,450 million for equity and loans from OCR and \$50 million from ADF for loans only). Loans under this program generally have shorter maturities, normally up to 12 years, than otherwise offered by ADB and bear higher market-based interest rates from those typically offered by ADB.

As of 31 December 2000, the Board had approved 134 operations under this program, excluding those cancelled, withdrawn, or expired. These operations comprise various combinations of equity investments, underwritings, and loans amounting to \$1,965.3 million from OCR, \$14.5 million from ADF, and \$3.0 million from the Japan Special Fund.

### **Guarantees**

ADB has two guarantee instruments: the partial credit guarantee and the political risk guarantee. Partial credit guarantees cover commercial and sovereign risks associated with a portion of debt service on commercial borrowings for either public or private sector projects while political risk guarantees cover sovereign risks associated with commercial borrowing for private sector projects. The Charter requires that ADB provides guarantees only to loans for economic development participated in by ADB. Under ADB's policy, this participation requirement can be satisfied by ADB taking a stake in the project or program concerned through a direct loan, bond subscription, or equity investment. Depending on the guarantee provided by ADB and the nature of the entity whose obligation will be guaranteed, a counter-guarantee from the host government may not be required.

In January 2001, ADB has adopted a prudential limit for political risk guarantees without a counter-guarantee from the host government. For private sector projects with political risk guarantee support for which there is no host government counter-guarantee, ADB's total assistance may not normally

exceed 50 percent of the total project cost or \$100 million, whichever is lower.

For its guarantees on public sector projects, ADB charges 0.4 percent per annum on the present value of the amount guaranteed plus a front-end fee to cover ADB's processing costs. For guarantees in support of private sector projects without a host government counter-guarantee, both the guarantee fee and front-end fee will be at market rates. Pursuant to the Charter, ADB must receive suitable compensation for its risk.

As of 31 December 2000, ADB had extended 11 partial credit guarantees in support of about \$1.2 billion of commercial cofinancings under syndicated loans and capital market instruments. Guarantees outstanding as of 31 December 2000 amounted to \$341.6 million under syndicated loans and capital market instruments. In December 2000, ADB approved its first three partial risk guarantees (predecessor of the political risk guarantee instrument) totaling \$272 million.

## **Cofinancing**

ADB actively pursues cofinancing with official as well as commercial and export credit sources to complement its assistance to public and private sector projects in its developing member countries. Cofinancing provides funds that are additional to ADB's planned lending levels and normally improves the terms of lending when blended with ADB's own direct loans. In connection with such activities, ADB maintains close relations with other international development organizations and acts as administrator for, or has made joint financing arrangements with, a number of multilateral and bilateral development agencies. ADB has also been joined by commercial institutions in cofinancing projects in the region, and is continuing to promote increased commercial cofinancing. The total amount of cofinancing arranged in support of ADB-assisted operations as of the end of 2000 amounted to \$35.0 billion for 557 loan projects and programs.

## SPECIAL FUNDS

In addition to its ordinary capital resources, ADB is authorized by its Charter to establish and administer Special Funds, which currently consist of the Asian Development Fund (ADF), the Technical Assistance Special Fund (TASF), the Japan Special Fund (JSF), and the Asian Development Bank Institute Special Fund (ADBISF).

In accordance with the Charter, ADB's Special Funds resources must at all times be held, used, and committed separately from its ordinary capital resources.

ADF is designed to provide loans on concessional terms to those developing member countries with low per capita GNP and limited debt repayment capacity. The same strict standards for loan approval and administration that apply to OCR loans are applied to ADF loans. ADF loans negotiated before 1 January 1999 have a nominal service charge of 1 percent per annum, and most are repayable over periods of 35-40 years including a grace period of 10 years. ADF loans negotiated after 1 January 1999 are subject to an interest charge of 1 percent per annum during the grace period and 1.5 percent per annum during the amortization period. Project loans have a maturity of 32 years including a grace period of 8 years while quick disbursing program loans have a maturity of 24 years including a grace period of 8 years.

The resources for ADF loans consist mainly of contributions mobilized under periodic replenishments from developed member countries. In 1997, the Board of Directors has interpreted the Charter to permit OCR net income and surplus transfers to ADF, following allocations to reserves, of amounts which would otherwise have been available for distribution to members as dividends. Any such transfer shall be approved by the Board of Governors on an annual basis in respect of such year's net income and surplus. The main beneficiaries of ADF loans have been Bangladesh, Pakistan, Sri Lanka, Viet Nam, Nepal,

Philippines, and Indonesia. As of 31 December 2000, ADB had approved ADF loans totalling \$24,352.8 million.

The TASF is an important source of grant financing for ADB's technical assistance operations. It is also funded primarily by contributions of member countries. ADB also allocated an aggregate amount equivalent to \$501 million to TASF out of OCR from 1992 to 2000. Technical assistance is an important activity through which ADB helps its developing member countries improve their capabilities to formulate, design, implement, and operate development projects. ADB also provides technical assistance for regional studies and activities. As of 31 December 2000, total grant-financed technical assistance approved by ADB amounted to \$1,899.3 million.

The JSF was established in 1988, under an agreement between ADB and the Government of Japan, to help ADB's developing member countries (DMCs) restructure their economies in the light of the changing global environment and to broaden the scope for new investments, thereby assisting the recycling of funds to DMCs. It is used to finance or cofinance technical assistance projects on a grant basis; private sector development projects through equity investment; and in special cases and on a grant basis, technical assistance components of ADB-financed public sector development projects. As of 31 December 2000, the cumulative total contribution received from the Government of Japan for the JSF amounted to \$782.6 million equivalent. Of the total contributions received, \$652.7 million had been committed as of 31 December 2000. Through 31 December 2000, total technical assistance grants approved under the fund amounted to \$726.8 million.

On 23 March 1999, ADB's Board of Directors approved the establishment of the Asian Currency Crisis Support Facility (ACCSF) within the Japan Special Fund to support the mobilization of private resources for the developing member countries most affected by the financial crisis. The ACCSF is funded entirely by the Government of Japan as part of its financial assistance under the New Miyazawa Initiative. The ACCSF provides (i) interest payment assistance (IPA) and technical

assistance grants, and (ii) guarantees, all of which must be approved during the three-year period after the establishment of ACCSF or during such extended period as the Government of Japan and ADB may agree if the beneficiary countries are not fully out of the crisis. As of 31 December 2000, the cumulative contribution for IPA and technical assistance grants totaled about \$241.0 million equivalent. The uncommitted balance of such funds was \$125.9 million as of 31 December 2000. The Government of Japan also deposited a promissory note for ¥360 billion (\$3.2 billion) encashable by ADB at any time to meet a call on any guarantees issued under ACCSF. As of 31 December 2000, no guarantee has been made under ACCSF.

The primary objective for the establishment of the Asian Development Bank Institute (ADBI) is the improvement of sound management capacities of the agencies and organizations engaged in development work in developing member countries. The ADBI serves as a focal point for research on innovative development strategies and for training in development management for policymakers and senior managers from developing members. The ADBI is funded by the ADBISF which has been established for such purpose. As of 31 December 2000, the cumulative commitments to the ADBISF amounted to about \$43.0 million. Of the total contributions received, \$37.4 million had been utilized as of 31 December 2000.

ADB managed other funds such as Japan Fund for Poverty Reduction (JFPR), Japan Scholarship Program, and various channel financing arrangements. The JFPR was established to support ADB-financed projects with innovative poverty reduction and related social development activities on a grant basis in line with ADB's poverty reduction strategy. As of 31 December 2000, the Government of Japan's contribution to the JFPR amounted to about \$92.6 million equivalent. During 2000, JFPR financed five innovative poverty reduction and related social development activities totaling \$7.5 million.

The Japan Scholarship Program, funded by the Government of Japan, was established to provide opportunity for well-

qualified citizens of the developing member countries to undertake postgraduate studies in economics, management, science and technology, and other development-related fields at selected educational institutions in Asia and the Pacific. As of 31 December 2000, the cumulative total of grants received from the Government of Japan for such program was \$40.1 million. At the end of 2000, a total of 1,164 scholarships have been awarded to students from 33 member countries.

The mobilization of official grant cofinancing plays a vital role in ADB operations. ADB mobilizes grant funds from external sources to support its technical assistance program and to finance soft components of loan projects. A majority of such funds are provided by bilateral donors under channel financing arrangements (CFAs). ADB acts as administrator of the funds and applies its own guidelines and procedures on recruitment of consultants, procurement, disbursement, and project supervision. To date, 140 technical assistance grants have been financed under CFAs for a total of about \$66 million.

## ADB MEMBERS

(as of 31 December 2000)

### Regional

Afghanistan	Mongolia
*Australia	Myanmar
Azerbaijan	Nauru
Bangladesh	Nepal
Bhutan	*New Zealand
Cambodia	Pakistan
China, People's Republic of	Papua New Guinea
Cook Islands	Philippines
Fiji Islands	Samoa
Hong Kong, China	Singapore
India	Solomon Islands
Indonesia	Sri Lanka
*Japan	Taipei, China
Kazakhstan	Tajikistan
Kiribati	Thailand
*Korea, Republic of	Tonga
Kyrgyz Republic	Turkmenistan
Lao People's Democratic Rep	Tuvalu
Malaysia	Uzbekistan
Maldives	Vanuatu
Marshall Islands	Viet Nam
Micronesia, Federated States of	

### Nonregional

*Austria	*Netherlands
*Belgium	*Norway
*Canada	*Spain
*Denmark	*Sweden
*Finland	*Switzerland
*France	*Turkey
*Germany	*United Kingdom
*Italy	*United States

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\* OECD

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# DIRECTORY

ASIAN DEVELOPMENT BANK  
6 ADB Avenue, Mandaluyong City  
0401 Metro Manila  
Philippines

Postal Address: P.O. Box 789  
0980 Manila, Philippines  
Telephone No.: (632) 632-4444  
Facsimile: (632) 636-2444  
Telex No.: (ETPI)63587 ADB PN  
Swift Address: ASDBPHMM  
E-mail Address: adbhq@adb.org

## OFFICE OF THE PRESIDENT

Tadao Chino	President
Myoung-Ho Shin	Vice-President (West)
John Lintjer	Vice-President (Finance and Administration)
Joseph B. Eichenberger	Vice-President (East)

## TREASURER'S DEPARTMENT

### Office of the Treasurer

Shinji Ichishima	(63-2) 632-4700
<i>Treasurer</i>	sichishima@adb.org
Ifzal Ali	632-4711
<i>Deputy Treasurer</i>	iali@adb.org

Luz R. Garcia	632-4702
<i>Senior Treasury Administrator</i>	lrgarcia@adb.org

### *Financial Policy Unit*

Hinahon L. Domingo	632-4752
	hdomingo@adb.org
Alexander Ugut	632-4709
	augut@adb.org
Chongshan Liu	632-6233
	cliu@adb.org

Direct Facsimile: (63-2) 636-2611

**Funding Division**

Peter M. Balon (63-2) 632-4713  
*Assistant Treasurer* pbalon@adb.org

***Funding and Swaps***

Juanito Limandibrata 632-4710  
jlimandibrata@adb.org  
Keith Tayman 632-4718  
ktayman@adb.org

***Market Research, Bond Administration  
and Liability Management***

Maria Lomotan 632-4704  
mlomotan@adb.org

***Documentation***

Gloria P. Ferry 632-4703  
gferry@adb.org

Direct Facsimile: (63-2) 632-4120  
636-2625

**Investments Division**

Jelle C. Mann (63-2) 632-4712  
*Assistant Treasurer* jmann@adb.org

***Portfolio Management***

Yukihiro Nishimiya 632-4776  
ynishimiya@adb.org  
Ma. Isabel G. Haley 632-4749  
ihaley@adb.org  
Melendres A. Howe 632-4788  
mhowe@adb.org

Direct Facsimile: (63-2) 632-4707

**Risk Management Division**

Philip C. Erquiaga (63-2) 632-4701  
*Assistant Treasurer* perquiaga@adb.org

***Management Reports, Systems and Administration***

Aurapin P. Sipper 632-4734  
asipper@adb.org

**Special Operations**

Edmund Padua 632-4722  
epadua@adb.org

**Systems and Facilities**

Val-Amor Maniquis 632-4768  
vmaniquis@adb.org

***Risk, Performance, External Asset Management***

Christopher A. Bobin 632-4740  
cbobin@adb.org

Direct Facsimile: (63-2) 636-2631

**Treasury Services Division**

David R. Parker (63-2) 632-4730  
*Assistant Treasurer* dparker@adb.org

Yong Cheng 632-4737  
yongcheng@adb.org

Se Wha Moon 632-4721  
swmoon@adb.org

Sukhumarn Phanachet 632-4778  
sphanachet@adb.org

Mitsuo Takahashi 632-4175  
mtakahashi@adb.org

Direct Facsimile: (63-2) 636-2635

## ADB Online

### **General Information**

<http://www.adb.org>

### **Financial Information**

<http://www.adb.org/finance>

### **Asian Recovery Report 2000**

<http://aric.adb.org>

### **Bloomberg Presentation**

**ASDB** <GO>

## KEY FINANCIAL DATA

Following are key financial data relating to ADB's ordinary capital resources:

	Years Ended 31 December				
	1996	1997	1998	1999	2000
<b>Total at Year-end (\$ millions)</b>					
Cash (unrestricted) and investments	6,367	7,064	8,086	8,129	7,401
Effective loans:					
Disbursed and outstanding	16,109	18,839	24,760	28,344	28,231
Undisbursed	11,329	13,108	11,658	11,674	10,728
Borrowings outstanding (principal amounts)	13,697	17,542	23,780	26,269	25,340
Equity:					
Paid-in capital, reserves, and accumulated net income and other comprehensive income	9,666	9,302	10,063	10,563	10,834
Callable capital	45,896	43,147	45,042	44,249	42,087
<b>For the Year (\$ millions)</b>					
Loan Income	1,170	1,128	1,441	1,675	1,861
Investment Income	360	312	383	344	400
Net Income	572	468	467	450	626
<b>Return, Cost and Ratio Analysis (%)</b>					
Cash (unrestricted) and investments as a percentage of borrowings outstanding - end of period	46.48	40.27	34.00	30.94	29.21
Average cost (after swaps) of:					
Borrowings outstanding during period	5.95	5.94	5.92	5.61	5.90
Borrowings outstanding and other funds available during period	3.87	3.77	4.20	4.26	4.45
Net Income as a percentage of average earnings assets	2.47	2.07	1.63	1.31	1.72
Return on:					
Average earnings assets	6.73	6.36	6.35	5.90	6.31
Average outstanding loans	7.08	6.87	6.79	6.42	6.61
Average investments	5.59	5.24	5.27	3.96	5.03
Reserve loan ratio	40.55	33.62	27.70	25.97	27.26
Interest coverage ratio	1.66	1.55	1.39	1.31	1.40
<b>Term Duration (years)</b>					
Total long-term borrowings outstanding - end of period	5.89	5.91	5.21	4.41	3.69
Effective loans - end of period	10.85	10.52	9.33	9.78	9.14