

# Asian Development Bank

## Key Rating Drivers

**Strong SCP:** Asian Development Bank's (AsDB) strong Standalone Credit Profile (SCP), with solvency and liquidity both assessed at 'aaa', underpin the rating. Fitch Ratings' assessment of the business environment is 'low' risk, which would translate into a one-notch positive adjustment to the lower of our liquidity and solvency assessments if either of these fell below 'aaa'. The Long-Term Issuer Default Rating would be resilient to a one-notch deterioration in any of our solvency, liquidity or business environment assessments, all other things being equal.

**Covid-19 Policy Response:** AsDB's policy response to the Covid-19 pandemic has been one of the largest among Fitch-rated multilateral development banks (MDB). As of end-2021, AsDB had committed USD29.7 billion for Covid-19 lending programmes and vaccine support, of which USD17.2 billion has been disbursed. The bank's response has been enabled through both the Covid-19 Pandemic Response Option (CPRO) and the Asia Pacific Vaccine Access Facility. Both of these facilities have been principally funded through debt issuance.

**'Excellent' Capitalisation Buffers Deteriorating:** AsDB's 'excellent' capitalisation assessment continues to be a rating strength, underpinned by its equity-to-adjusted-assets and guarantees ratio at 27% as of end-2021 (2019: 32%). Fitch's usable capital to risk-weighted assets (FRA) ratio has declined since 2019 to 44% at end-2021. Fitch expects both ratios to decline but to remain above the 'excellent' thresholds of 25% for equity-to-adjusted assets and guarantees and 35% for the FRA, even though headroom for the former is becoming increasingly narrow.

**Pressure on Asset Quality:** Sri Lanka (RD) accounts for USD5.6 billion or 3.9% of outstanding loans. Fitch assumes Sri Lanka will remain current on the payment obligations to the bank, and takes into consideration that AsDB expects to play a counter-cyclical role in supporting Sri Lanka through the current crisis. Against the backdrop of the toppling of the internationally recognised government in Afghanistan, this loan exposure, which accounted for USD554 million (0.4% of total loans) at end-2021, is now past 180 days in arrears to the bank.

**'Excellent' Liquidity Assessment Unchanged:** AsDB's liquidity metrics are in line with 'AAA' rated peers, with a liquid assets/short-term debt ratio of around 1.53x at end-2021. This ratio has fallen over the past two years as lending activity has accelerated, but we forecast it to remain above the 1.5x level consistent with an 'excellent' assessment. The quality of the bank's treasury assets is 'strong' with around 60% of the portfolio rated 'AA-' and above. The bank also benefits from 'excellent' access to capital markets and a diversified investor base.

**Support Assessment Improves:** At the time of the rating review in 2021, four of the bank's key shareholders had Negative Outlooks (Japan: A, US: AAA, India: BBB-, Australia: AAA). However, the Outlooks of all of these were subsequently revised back to Stable and there have been no downgrades of any key shareholders. Our assessment of the capacity to support has therefore improved to 'a+' from 'a' last year. Fitch continues to assess the propensity of shareholders to support AsDB as 'strong' and therefore receives no rating uplift.

## Rating Sensitivities

**Capitalisation:** Higher-than-expected growth in the bank's lending operations, or a large increase in loan impairments, that erode the bank's equity-to-adjusted assets and/or FRA ratios below the respective 'excellent' thresholds.

**Credit risk:** Significant deterioration in AsDB's risk profile, which could arise from a marked weakening in the credit quality of the loan portfolio. This would be the case if a large sovereign exposure defaulted to the bank, which could lead to a rise in non-performing loans (NPLs) beyond the current 'very low' level and a revision of the current PCS assessment.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on [www.fitchratings.com](http://www.fitchratings.com).

## Ratings

|                |     |
|----------------|-----|
| Long-Term IDR  | AAA |
| Short-Term IDR | F1+ |

## Outlook

|               |        |
|---------------|--------|
| Long-Term IDR | Stable |
|---------------|--------|

## Financial Data

| Asian Development Bank                                  |         |         |
|---|---------|---------|
|   | Dec 21  | Dec 20  |
| Total assets (USDm)                                     | 282,084 | 271,741 |
| Equity to assets (%)                                    | 27.2    | 27.5    |
| Fitch's usable capital to risk-weighted assets (FRA, %) | 43.5    | 42.6    |
| Average rating of loans & guarantees                    | BB+     | BB+     |
| Impaired loans (% of total loans)                       | 0.2     | 0.2     |
| Five largest exposures to total exposure (%)            | 53.3    | 53.6    |
| Share of non-sovereign exposure (%)                     | 7.5     | 7.7     |
| Net income/equity (%)                                   | 1.4     | 2.6     |
| Average rating of key shareholders                      | A+      | A+      |

Source: Fitch Ratings, AsDB

## Applicable Criteria

[Supranational Rating Criteria \(April 2022\)](#)

## Related Research

[Supranationals, Subnationals and Agencies Handbook \(July 2022\)](#)

[Fitch Ratings 2022 Mid-Year Outlook: Supranationals \(June 2022\)](#)

[Supranationals Would Feel Stagflation Scenario Impact Via Asset Quality \(April 2022\)](#)

## Analysts

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## Business Environment

AsDB is a multilateral development bank established in 1966. Headquartered in Manila, Philippines, the purpose of the bank is to foster economic growth and co-operation in the region of Asia and the Pacific and to contribute to the acceleration of the process of economic development of the member states in the region. To fulfil its mandate, the bank uses the resources at its disposal and provides financing to member states in the region. As a supranational institution, AsDB is not subject to any national banking regulation, is neither supervised by any external regulatory authority and is not subject to any taxes or tariffs.

The bank's shareholders are divided between regional member countries (RMC) and non-regional member countries (NRMC). The share of non-borrowing countries (NBRMC + NRMC) in AsDB's capital is 66.8%. Japan and the US are the single largest shareholders with a 15.6% ownership each.

Overall, Fitch assesses AsDB's business environment as 'low' risk, translating into a +1 uplift.

### Business Profile

The business profile is considered a 'low' risk reflecting the following factors:

- The size of the banking portfolio is assessed as 'low risk' by Fitch. As of end-2021, AsDB's total banking exposure was USD144 billion. This figure is at the high-end of 'AAA' rated regional peers and only below the European Investment Bank (EIB, AAA/Stable) and International Bank for Reconstruction & Development (IBRD, AAA/Stable).
- Fitch assesses the quality of governance as 'low risk', reflecting the bank's long record of operations under its prudential risk framework. In line with other MDBs, the AsDB's supreme governing body is the board of governors, which meets annually to set policy and follow up on developments. The board comprises one governor per member country and it delegates day-to-day management to the board of directors, headed by President Masatsugu Asakawa, who assumed office on 17 January 2020.
- The size of the AsDB's non-sovereign sector financing is assessed as 'low risk'. At end-2021, the bank's non-sovereign exposure as a share of banking exposure was only 7.5% of the total. Fitch expects this to increase to 10%-15% over the long term, in line with the bank's Strategy 2030.
- The strategy of the AsDB is assessed by Fitch as 'medium risk'. There will be a greater focus in the longer term on sub-investment-grade borrowers and private sector opportunities. The greater share of sub-investment-grade borrowers helps to diversify the loan book at the expense of weaker credit quality.
- AsDB is an important financing entity for many of the member countries and holds excellent relationships with them. It is a notable institution in the region with a successful record in providing financing for highly valued regional projects. As such, the importance of its public mandate corresponds to a 'low risk' assessment.

### Operating Environment

Fitch assesses the operating environment as 'medium' risk, reflecting the following factors:

- There is 'high-risk' credit quality in the countries of operations. AsDB's fulfilment of its mandate as a development institution entails lending to less creditworthy counterparts, which is reflected in the weak credit quality in the countries of operations. The non-weighted average of countries of operations is 'B'.
- Income per capita in the countries of operations is assessed as 'medium risk'. Fitch's assessment of this rating factor uses the classification published by the World Bank, and the majority of countries of operations fall in the lower-middle or upper middle-income category.
- The political risk in the country of the AsDB's headquarters (Philippines, BBB/Negative) is assessed as 'medium risk' based on World Bank Governance Indicators.

### SCP Assessment

| Indicative value     | Assessment |
|----------------------|------------|
| Solvency             | aaa        |
| Liquidity            | aaa        |
| Business environment | +1 notches |
| SCP rating           | aaa        |

Source: Fitch Ratings

- Operational support provided by the authorities of the member states of AsDB is assessed as 'medium risk', as AsDB is headquartered in a borrowing member country (Philippines) with moderate political risk and limited capacity of the countries of operation to provide extraordinary support to the AsDB, if needed.

## Solvency

AsDB's 'aaa' solvency is supported by 'excellent' capitalisation and a 'low' level of risk.

### Capitalisation

Capitalisation is a strength for the rating with an equity/adjusted assets ratio of 27.2% and a FRA ratio of 43.5% at end-2021. Both of these assessments remain above the respective 'excellent' thresholds for these ratios (25% and 35%).

That said, there is rising pressure on both the capitalisation metrics, due to the bank's significant lending response to the Covid-19 pandemic. The equity/adjusted assets ratio has fallen by 4.9% relative to 2019 (32.1%) and by the end of the forecast period (2024), Fitch expects it to be just above the 25% 'excellent' threshold. The FRA ratio has remained broadly stable at 43.5% at end-2021 compared with 42.6% at end-2020.

The deterioration in the capital ratios since 2019, which is more significant than most other MDBs, is due to the fact that AsDB's policy response has been to mobilise additional resources or new money, rather than re-programming existing pipelines or projects.

Net income decreased to USD730 million in 2021 from USD1.37 billion in 2020. The low interest rate environment led to a decrease in revenue generated from lending operations (particularly regular sovereign loans), mainly on the lower LIBOR rate applied to US dollar LIBOR-based loans in the portfolio. This was largely offset though by the decrease in borrowings and related expenses by USD897 million because of the lower LIBOR rate and AsDB's cost pass-through policy.

The decrease in net income was also driven by a reduction of USD135 million in revenue generated by the treasury portfolio, again stemming from the low interest rate environment, as well as an increase in credit loss provision and an increase of USD150 million in administrative expenses, primarily driven by an increase in retirement benefit costs.

## Peer Comparison: Capital Ratios and Profitability

|  | Asian Development Bank (AAA) |                         | AIIB (AAA) | EBRD (AAA) | IsDB (AAA) |
|--|------------------------------|-------------------------|------------|------------|------------|
|  | End-2021                     | Projection <sup>a</sup> | End-2021   | Jun-2021   | End-2021   |
| Equity/adjusted assets (%)                   | 27.2                         | 25-30                   | 50.8       | 26.9       | 36.7       |
| Usable capital/risk-weighted assets (FRA, %) | 43.5                         | 40-45                   | 139.5      | 37.2       | 43.4       |
| Net income /average equity                   | 1.4                          | 1.5-2.5                 | 0.1        | 8.2        | 1.1        |

<sup>a</sup> Medium-term projections, forecast range. AIIB is the Asian Infrastructure Investment Bank, EBRD is the European Bank for Reconstruction and Development and IsDB is the Islamic Development Bank.  
Source: Fitch Ratings, MDBs

Risks

Overall, Fitch assesses AsDB’s risk profile as ‘low’ based on the following:

- Average rating of loans and guarantees (before PCS) is assessed at ‘BB+’, unchanged from end-2020. The bank’s credit risk is assessed as ‘low’ owing to an expected ‘BB+’ average rating of loans over the medium term and an ‘excellent’ view of its PCS (+3 notch uplift over the average rating of loans and guarantees) leading to a ‘BBB+’ average credit quality after adjustment for PCS.
- Strength of PCS is assessed as ‘excellent’, which translates into an uplift over the average rating of loans and guarantees of +3 notches. This assessment reflects AsDB’s low exposure to the non-sovereign sector (92% of loans and guarantees is sovereign-guaranteed as of end-2021) and an excellent record on sovereign loan repayment.

There are two ongoing tests of AsDB’s ‘excellent’ PCS assessment: Sri Lanka (3.9% of loans) and Afghanistan (0.4%). In the case of Sri Lanka, despite defaulting to other creditors, the borrower remains current to AsDB, with the last payment made in mid-May. Afghanistan, however, is past 180 days in arrears to AsDB. The bank expects Sri Lanka to remain current because of its long-term partnership with the country and that AsDB will most likely play a counter-cyclical role, providing budgetary support, to boost Sri Lanka’s recovery.

- NPLs are ‘very low’. Fitch-defined NPLs represented 0.2% of gross loans as of end-2021, driven by five private sector overdues and our inclusion of one private sector borrower that benefited from a Covid-related payment deferral. There was only one new NPL in 2021 compared to 2020.
- Over the past 20 years AsDB’s NPL rate averaged only 0.13%. This demonstrates the bank’s strong record and long-dated history of low NPLs. Therefore, we do not forecast a spike in this NPL ratio to breach the 1% ‘very low’ threshold over the medium term, despite the situation in Afghanistan.
- AsDB’s concentration risk is deemed to be ‘moderate’. The bank’s five largest exposures (China, India, Pakistan Bangladesh and Philippines) accounted for 53.3% of total banking exposure at end-2021. Fitch expects concentration metrics to remain broadly similar to the current levels over the next several years, in line with AsDB’s guidance of about 53%.

On 11 December 2020, AsDB agreed the execution of a pilot exposure exchange agreement with Inter-American Development Bank (AAA/Stable), with USD1 billion of exposure with a 15-year tenor exchanged. There is potential for this pilot to be extended further in the coming years but no further details have been provided at this stage.

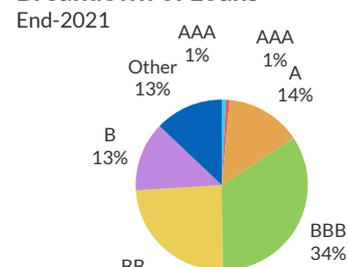
- Equity risk is assessed as ‘very low’. Equity participations accounted for 0.9% of the bank’s total banking portfolio at end-2021. The significant increase in the bank’s lending portfolio in response to the pandemic has diluted the share of equity participations from 1.4% in 2019. Fitch expects the share of equity participations to remain far below the 5% ‘low’ threshold.
- Market risk is assessed as ‘very low’. AsDB undertakes currency and interest rate swaps to cost-efficiently, and on a fully hedged basis, raise the currencies needed for its operations, while maintaining a borrowing presence in major capital markets. AsDB raises funds in numerous currencies but ultimately swaps back the principal and interest to US dollars. The bank typically lends in US dollars at floating rates and borrows at fixed to swap back into floating. The bank’s liquidity portfolio comprises high-quality assets (AAA to AA: about 60%) with short duration (1.4 years), which can be resilient against adverse market movements.
- The risk management framework is considered ‘excellent’. Risk policies are conservative relative to peers. The bank has a strong record of implementing risk policies including prudent underwriting approach, as evidenced by the very low level of NPLs.

Risks Assessment

| Indicative value         | Risk level |
|--------------------------|------------|
| Credit                   | Low        |
| Concentration            | Moderate   |
| Equity risk              | Very Low   |
| Market risks             | Very Low   |
| Risk management policies | Excellent  |

Source: Fitch Ratings

Breakdown of Loans



Source: Fitch Ratings, AsDB

## Peer Comparison: Risks

|  | Asian Development Bank (AAA) |                         | AIIB (AAA) | EBRD (AAA) | IsDB (AAA) |
|--|------------------------------|-------------------------|------------|------------|------------|
|  | End-2021                     | Projection <sup>a</sup> | End-2021   | Jun-2021   | End-2021   |
| Estimated average rating of loans & guarantees                 | BB+                          | BB+                     | BB+        | B+         | B+         |
| Impaired loans/gross loans (%)                                 | 0.2                          | 0.0-1.0                 | 0.6        | 5.5        | 5.3        |
| Five largest exposures/total banking exposure <sup>b</sup> (%) | 53.3                         | 55-60                   | 55.7       | 10.8       | 30.4       |
| Equity stakes/total banking exposure (%)                       | 0.9                          | 0-5                     | 2.9        | 16.8       | 7.4        |

<sup>a</sup> Medium-term projections, forecast range

<sup>b</sup> Total Banking Exposure = Loans + Equity Stakes + Guarantees

Source: Fitch Ratings, MDBs

## Liquidity

### Peer Comparison: Liquidity

|  | Asian Development Bank (AAA) |                         | AIIB (AAA) | EBRD (AAA) | IsDB (AAA) |
|--|------------------------------|-------------------------|------------|------------|------------|
|  | End-2021                     | Projection <sup>a</sup> | End-2021   | Jun-2021   | End-2021   |
| Liquid asset/Short-term debt (%)               | 153.4                        | 160-190                 | 1000+      | 274.3      | 444.7      |
| Share of Treasury assets rated AA- & above (%) | 60.4                         | 55-65                   | 54.8       | 58.1       | 7.2        |

<sup>a</sup> Medium-term projections, forecast range

Source: Fitch Ratings, MDBs

Fitch assesses AsDB's liquidity at 'aaa'.

### Liquidity Buffer

- AsDB's liquidity buffer is 'excellent' and in line with 'AAA' rated peers. Treasury assets accounted for 15.7% of total assets at end-2021, with the coverage of short-term liabilities by liquid assets at 1.53x as of end-2021 (2020: 1.54x).
- The debt-funded nature of the bank's Covid-19 policy response means we have seen increasing pressure on the liquidity buffer (driven by an increase in the denominator to this equation being short-term debt). Even so, we continue to expect the liquidity buffer to remain above 1.5x and to remain a key rating strength, in line with maturity redemptions shared with us by AsDB over the forecast period.

### Quality of Treasury Assets

- Fitch considers the quality of liquid assets to be 'strong'. At end-2021, just over 60% of treasury assets were rated 'AA-' or above. Within Fitch's supranationals rating criteria, the threshold for 'strong' quality of treasury assets is between 40%-70%. Over 96% of the treasury portfolio is rated 'A-' or above, which further supports our assessment.

### Access to Capital Markets and Alternative Sources of Liquidity

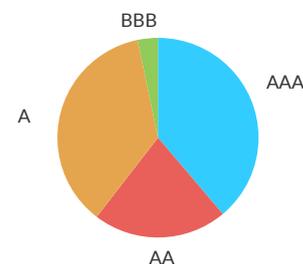
- Fitch assesses the AsDB's access to capital markets as 'excellent', with the institution regularly issuing in international capital markets. AsDB issued USD35.8 billion in 2021 (2020: USD35.8 billion) in 21 different currencies, with 63% of all issuance in US dollars.

## Liquidity Assessment

| Indicative value                                      | Risk level |
|---|------------|
| Liquidity buffer                                      | Excellent  |
| Quality of Treasury assets                            | Strong     |
| Access to capital markets & alt. sources of liquidity | Excellent  |

Source: Fitch Ratings

## Breakdown of Treasury Assets by Rating (FYE21)



Source: Fitch Ratings, AsDB

## Shareholders' Support

Fitch assesses extraordinary support from shareholders at 'a+'

### Peer Comparison: Shareholder Support

|  | Asian Development Bank (AAA) |                         | AIIB (AAA) | EBRD (AAA) | IsDB (AAA) |
|--|------------------------------|-------------------------|------------|------------|------------|
|  | End-2021                     | Projection <sup>a</sup> | End-2021   | Jun-2021   | End-2021   |
| Coverage of net debt by callable capital | A                            | BBB                     | AAA        | BBB        | A          |
| Average rating of key shareholders       | A+                           | A+                      | A-         | AA-        | BB         |
| Propensity to support (Notch Adjustment) | Strong (0)                   | Strong (0)              | Strong (0) | Strong (0) | Strong (0) |

<sup>a</sup> Medium-term projections.  
Source: Fitch Ratings, MDBs

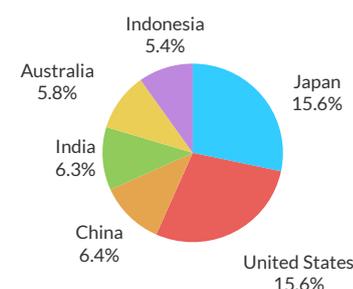
### Capacity to Provide Extraordinary Support

- Fitch expects the coverage of net debt by callable capital to deteriorate to 'BBB', from 'BBB+' at last year's review, given the rising debt burden at AsDB over the medium term. The current coverage (ie as of end-2021) is 'A', unchanged from last year's review.
- The bank's key shareholders are Japan (A/Stable), the US (AAA/Stable), China (A+/Stable), India (BBB-/Stable), Australia (AAA/Stable) and Indonesia (BBB/Negative).
- The weighted-average rating of key shareholders was unchanged at 'A+' at end-2021 from last year's review. However, the Outlooks on the sovereign ratings of Australia and India were revised to Stable from Negative in October 2021 and June 2022, respectively. The medium-term forecast average rating of key shareholders has improved from 'A' to 'A+', given we previously forecast a one-notch downgrade to shareholders on a Negative Outlook.

### Propensity to Provide Extraordinary Support

- Fitch adjusts shareholders' capacity to support by their propensity to bring extraordinary support. This is measured on a four-point scale (weak, moderate, strong, exceptional) and leads to an adjustment between -3 and +1 notches. Fitch's believes no adjustment (0 notches) to AsDB's shareholders' capacity to support is justified.

### AsDB Key Shareholders



Source: Fitch Ratings, AsDB

## Balance Sheet

### Asian Development Bank

|   | 31 Dec 21<br>Year end<br>(USDm)<br>Original | 31 Dec 20<br>Year end<br>(USDm)<br>Original | 31 Dec 19<br>Year end<br>(USDm)<br>Original |
|---|---|---|---|
| <b>A. Loans</b>   |   |   |   |
| 1. To/guaranteed by sovereigns                              | 130,754.0                                   | 123,512.0                                   | 108,349.0                                   |
| 2. To/guaranteed by public institutions                     | -   | -   | -   |
| 3. To/guaranteed by private sector                          | 7,106.0                                     | 7,021.0                                     | 6,300.0                                     |
| 4. Trade financing loans (memo)                             | -   | -   | -   |
| 5. Other loans  | -   | -   | -   |
| 6. Loan loss reserves (deducted)                            | 697.0                                       | 745.0                                       | 260.0                                       |
| <b>A. Loans, total</b>                                      | <b>137,163.0</b>                            | <b>129,788.0</b>                            | <b>114,389.0</b>                            |
| <b>B. Other earning assets</b>                              |   |   |   |
| 1. Deposits with banks                                      | 2,970.0                                     | 2,667.0                                     | 4,394.0                                     |
| 2. Securities held for sale & trading                       | 1,040.0                                     | 1,335.0                                     | 421.0                                       |
| 3. Investment debt securities (including other investments) | 41,140.0                                    | 40,273.0                                    | 35,673.0                                    |
| 4. Equity investments                                       | 1,322.0                                     | 1,289.0                                     | 1,619.0                                     |
| 5. Derivatives (including fair-value of guarantees)         | 92,860.0                                    | 87,778.0                                    | 62,619.0                                    |
| <b>B. Other earning assets, total</b>                       | <b>139,332.0</b>                            | <b>133,342.0</b>                            | <b>104,726.0</b>                            |
| <b>C. Total earning assets (A+B)</b>                        | <b>276,495.0</b>                            | <b>263,130.0</b>                            | <b>219,115.0</b>                            |
| <b>D. Fixed assets</b>                                      | <b>252.0</b>                                | <b>238.0</b>                                | <b>242.0</b>                                |
| <b>E. Non-earning assets</b>                                |   |   |   |
| 1. Cash and due from banks                                  | 3,848.0                                     | 5,524.0                                     | 1,235.0                                     |
| 2. Other  | 1,489.0                                     | 2,849.0                                     | 1,274.0                                     |
| <b>F. Total assets</b>                                      | <b>282,084.0</b>                            | <b>271,741.0</b>                            | <b>221,866.0</b>                            |
| <b>G. Short-term funding</b>                                |   |   |   |
| 1. Bank borrowings (< 1 year)                               | 499.0                                       | 1,096.0                                     | 191.0                                       |
| 2. Securities issues (< 1 year)                             | 28,382.0                                    | 26,967.0                                    | 20,330.0                                    |
| 3. Other (including deposits)                               | -   | -   | -   |
| <b>G. Short-term funding, total</b>                         | <b>28,881.0</b>                             | <b>28,063.0</b>                             | <b>20,521.0</b>                             |
| <b>H. Other funding</b>                                     |   |   |   |
| 1. Bank borrowings (> 1 year)                               | -   | -   | -   |
| 2. Other borrowings (including securities issues)           | 105,689.0                                   | 101,790.0                                   | 84,666.0                                    |
| 3. Subordinated debt  | -   | -   | -   |
| 4. Hybrid capital   | -   | -   | -   |
| <b>H. Other funding, total</b>                              | <b>105,689.0</b>                            | <b>101,790.0</b>                            | <b>84,666.0</b>                             |
| <b>I. Other (non-interest bearing)</b>                      |   |   |   |
| 1. Derivatives (including fair value of guarantees)         | 91,947.0                                    | 84,517.0                                    | 62,569.0                                    |
| 2. Fair value portion of debt                               | -   | -   | -   |
| 3. Other (non-interest bearing)                             | 2,712.0                                     | 4,734.0                                     | 2,192.0                                     |
| <b>I. Other (non-interest bearing), total</b>               | <b>94,659.0</b>                             | <b>89,251.0</b>                             | <b>64,761.0</b>                             |
| <b>J. General provisions &amp; reserves</b>                 | -   | -   | -   |
| <b>L. Equity</b>  |   |   |   |
| 1. Preference shares  | -   | -   | -   |
| 2. Subscribed capital                                       | 148,903.0                                   | 153,232.0                                   | 147,120.0                                   |
| 3. Callable capital   | -141,441.0                                  | -145,553.0                                  | -139,748.0                                  |
| 4. Arrears/advances on capital                              | -1,646.0                                    | -1,758.0                                    | -1,717.0                                    |
| 5. Paid in capital (memo)                                   | 7,462.0                                     | 7,679.0                                     | 7,372.0                                     |
| 6. Reserves (including net income for the year)             | 46,033.0                                    | 45,928.0                                    | 46,146.0                                    |
| 7. Fair-value revaluation reserve                           | 1,006.0                                     | 788.0                                       | 117.0                                       |
| <b>K. Equity, total</b>                                     | <b>52,855.0</b>                             | <b>52,637.0</b>                             | <b>51,918.0</b>                             |
| <b>M. Total liabilities &amp; equity</b>                    | <b>282,084.0</b>                            | <b>271,741.0</b>                            | <b>221,866.0</b>                            |

Source: Fitch Ratings, Fitch Solutions, AsDB

## Income Statement

### Asian Development Bank

|   | 31 Dec 21      | 31 Dec 20      | 31 Dec 19      |
|---|----------------|----------------|----------------|
|   | Year end       | Year end       | Year end       |
|   | (USDm)         | (USDm)         | (USDm)         |
|   | Original       | Original       | Original       |
| 1. Interest received  | 2,090.0        | 2,889.0        | 4,080.0        |
| 2. Interest paid  | 460.0          | 1,351.0        | 2,530.0        |
| <b>3. Net interest revenue (1. - 2.)</b>  | <b>1,630.0</b> | <b>1,538.0</b> | <b>1,550.0</b> |
| 4. Other operating income   | 274.0          | 71.0           | 386.0          |
| 5. Other income   | -424.0         | 559.0          | 251.0          |
| 6. Personnel expenses   | -              | -              | -              |
| 7. Other non-interest expenses  | 819.0          | 669.0          | 598.0          |
| 8. Impairment charge  | -69.0          | 127.0          | 35.0           |
| 9. Other provisions   | -              | -              | -              |
| <b>10. Pre-derivative operating profit (3. + 4. + 5.) - (6. + 7. + 8. + 9.)</b> | <b>730.0</b>   | <b>1,372.0</b> | <b>1,554.0</b> |
| 11. Net gains/(losses) on non-trading derivative instruments                    | -              | -              | -              |
| <b>12. Post-derivative operating profit (10. + 11.)</b>                         | <b>730.0</b>   | <b>1,372.0</b> | <b>1,554.0</b> |
| 13. Other income and expenses   | -              | -              | -              |
| <b>14. Net income (12. + 13.)</b>   | <b>730.0</b>   | <b>1,372.0</b> | <b>1,554.0</b> |
| 15. Fair value revaluations recognised in equity                                | -10.0          | 9.0            | -442.0         |
| <b>16. Fitch's comprehensive net income (14. + 15.)</b>                         | <b>720.0</b>   | <b>1,381.0</b> | <b>1,112.0</b> |

Source: Fitch Ratings, Fitch Solutions, AsDB

## Ratio Analysis

### Asian Development Bank

|  | 31 Dec 21<br>Year end<br>(%)<br>Original | 31 Dec 20<br>Year end<br>(%)<br>Original | 31 Dec 19<br>Year end<br>(%)<br>Original |
|--|--|--|--|
| <b>I. Profitability level</b>  |  |  |  |
| 1. Net income/equity (average)   | 1.4                                      | 2.6                                      | 3.0                                      |
| 2. Net income/total assets (average)   | 0.3                                      | 0.6                                      | 0.7                                      |
| 3. Net interest revenue + commitment fees/Gross loans + treasury assets + guarantees (average) | 0.9                                      | 0.9                                      | 1.1                                      |
| 4. Cost/income ratio   | 43.0                                     | 41.6                                     | 30.9                                     |
| 5. Income from equity investment/equity investment (average)                                   | 11.4                                     | -5.0                                     | 18.2                                     |
| 6. Provisions/average total banking exposure (excluding letters of credit)                     | -  | -  | -  |
| <b>II. Capital adequacy</b>  |  |  |  |
| 1. Net total banking exposure (excluding letters of credit)/subscribed capital + reserves      | 73.1                                     | 67.8                                     | 61.4                                     |
| 2. Equity/adjusted total assets  | 27.8                                     | 28.1                                     | 32.6                                     |
| 3. Equity/adjusted total assets + guarantees   | 27.2                                     | 27.5                                     | 32.1                                     |
| 4. Paid-in capital/subscribed capital  | 5.0                                      | 5.0                                      | 5.0                                      |
| 5. Internal capital generation after distributions   | 1.4                                      | 2.6                                      | 2.2                                      |
| 6. Usable capital/risk-weighted assets (FRA ratio)   | 43.5                                     | 42.6                                     | -  |
| <b>III. Liquidity</b>  |  |  |  |
| 1. Liquid assets/short-term debt   | 153.4                                    | 154.2                                    | 199.6                                    |
| 2. Treasury assets/total assets  | 17.4                                     | 18.3                                     | 18.8                                     |
| 3. Treasury assets investment grade + eligible non-investment grade/total assets               | 15.7                                     | 15.9                                     | 18.5                                     |
| 4. Unimpaired trade financing loans/total assets   | -  | -  | -  |
| 5. Liquid assets/total assets  | 15.7                                     | 15.9                                     | 18.5                                     |
| 6. Liquid assets/undisbursed loans & equity  | 7,042.3                                  | 7,501.2                                  | 7,938.4                                  |
| <b>IV. Asset quality</b>   |  |  |  |
| 1. Impaired loans/gross loans  | 0.2                                      | 0.2                                      | 0.3                                      |
| 2. Loan loss reserves/gross loans  | 0.5                                      | 0.6                                      | 0.2                                      |
| 3. Total reserves/gross loans, equity investment & guarantees                                  | 0.5                                      | 0.6                                      | 0.2                                      |
| 4. Loan loss reserves/Impaired loans   | 257.8                                    | 279.8                                    | 84.7                                     |
| <b>V. Leverage</b>   |  |  |  |
| 1. Debt/equity   | 254.6                                    | 246.7                                    | 202.6                                    |
| 2. Debt/subscribed capital + reserves  | 68.7                                     | 64.9                                     | 54.4                                     |
| 3. Debt/callable capital   | 95.1                                     | 89.2                                     | 75.3                                     |
| 4. Net income + interest paid/interest paid  | 258.7                                    | 201.6                                    | 161.4                                    |

Source: Fitch Ratings, Fitch Solutions, AsDB

## Annex

### Asian Development Bank

|   | 31 Dec 21<br>(USDm)<br>Original | 31 Dec 20<br>(USDm)<br>Original | 31 Dec 19<br>(USDm)<br>Original |
|---|---------------------------------|---------------------------------|---------------------------------|
| <b>1. Lending operations</b>  |                                 |                                 |                                 |
| 1. Loans outstanding  | 137,860.0                       | 130,533.0                       | 114,649.0                       |
| 2. Undisbursed loans  | 44,098.0                        | 46,227.0                        | 43,992.0                        |
| 3. Committed loans  | 18,912.0                        | 26,987.0                        | 20,134.0                        |
| 4. Disbursed loans  | 17,644.0                        | 22,273.0                        | 15,661.0                        |
| 5. Loan repayments  | 8,349.0                         | 8,250.0                         | 7,554.0                         |
| 6. Net disbursements  | 9,295.0                         | 14,023.0                        | 8,107.0                         |
| Memo: Loans to sovereigns   | 130,754.0                       | 123,512.0                       | 108,349.0                       |
| Memo: Loans to non-sovereigns   | 7,106.0                         | 7,021.0                         | 6,300.0                         |
| <b>2. Other banking operations</b>  |                                 |                                 |                                 |
| 1. Equity participations  | 1,322.0                         | 1,289.0                         | 1,619.0                         |
| 2. Guarantees (off-sheet)   | 4,011.0                         | 3,935.0                         | 2,636.0                         |
| Memo: Guarantees to sovereigns  | 1,789.0                         | 1,869                           | 1,085.0                         |
| Memo: Guarantees to non-sovereigns  | 2,222.0                         | 2,066                           | 1,551.0                         |
| <b>3. Total banking exposure (balance sheet and off-balance sheet)</b>  |                                 |                                 |                                 |
| 1. Total banking exposure (loans + equity participations + guarantees (off-balance sheet))                      | 143,193.0                       | 135,757.0                       | 118,904.0                       |
| 2. Growth in total banking exposure   | 5.5                             | 14.2                            | 7.6                             |
| Memo: Non-sovereign exposure  | 10,650.0.0                      | 10,376.0                        | 9,470.0                         |
| Memo: Letters of credit and other off-balance sheet credit commitments (not included in total banking exposure) | 44,098.0                        | 46,227.0                        | 43,992.0                        |
| <b>4. Support</b>   |                                 |                                 |                                 |
| 1. Share of 'AAA'/AA' shareholders in callable capital  | 47.0                            | 46.7                            | 47.8                            |
| 2. Share of 'A'/BBB' shareholders in callable capital   | 44.6                            | 43.8                            | 43.8                            |
| 3. Share of non-investment-grade shareholders in callable capital   | 8.4                             | 9.5                             | 8.5                             |
| 4. Rating of callable capital ensuring full coverage of net debt  | A                               | A+                              | A+                              |
| 5. Weighted average rating of key shareholders  | A+                              | A+                              | A+                              |
| <b>5. Breakdown of banking portfolio</b>  |                                 |                                 |                                 |
| 1. Loans to sovereigns/total banking exposure   | 91.3                            | 91.0                            | 91.1                            |
| 2. Loans to non-sovereigns total banking exposure   | 5.0                             | 5.2                             | 5.3                             |
| 3. Equity participation/total banking exposure  | 0.9                             | 1.0                             | 1.4                             |
| 4. Guarantees covering sovereign risks/total banking exposure   | 1.3                             | 1.4                             | 0.9                             |
| 5. Guarantees covering non-sovereign risks/total banking exposure   | 1.6                             | 1.5                             | 1.3                             |
| Memo: Non-sovereign exposure (2. + 3. + 5.)/total banking exposure  | 7.5                             | 7.7                             | 8.0                             |
| <b>6. Concentration measures</b>  |                                 |                                 |                                 |
| 1. Largest exposure   | 19,956.0                        | 19,214.0                        | 17,665.0                        |
| 2. Five largest exposures   | 76,734.0                        | 73,307.0                        | 68,241.0                        |
| 3. Largest exposure/equity (%)  | 37.8                            | 36.5                            | 34.0                            |
| 4. Five largest exposures/equity (%)  | 145.3                           | 139.5                           | 131.4                           |
| 5. Largest exposure/total banking exposure (%)  | 14.0                            | 14.1                            | 14.9                            |
| 6. Five largest exposures/total banking exposure (%)  | 53.3                            | 53.6                            | 57.4                            |
| <b>7. Credit risk</b>   |                                 |                                 |                                 |
| 1. Average rating of loans & guarantees   | BB+                             | BB+                             | BB+                             |
| 2. Loans to investment-grade borrowers/gross loans  | 51.6                            | 51.5                            | 50.6                            |
| 3. Loans to sub-investment grade borrowers/gross loans  | 51.9                            | 51.7                            | 52.2                            |

Asian Development Bank (Cont.)

|  | 31 Dec 21<br>(USDm)<br>Original | 31 Dec 20<br>(USDm)<br>Original | 31 Dec 19<br>(USDm)<br>Original |
|--|---------------------------------|---------------------------------|---------------------------------|
| 4. Share of treasury assets rated 'AAA'-'AA'                                 | 60.4                            | 59.0                            | 59.0                            |
| 5. Average rating of treasury assets   | -                               | -                               | -                               |
| <b>8. Liquidity</b>  |                                 |                                 |                                 |
| 1. Treasury assets   | 48,998.0                        | 49,799.0                        | 41,723.0                        |
| 2. Treasury assets of which investment grade + eligible non-investment grade | 44,296.0                        | 43,282.0                        | 40,962.0                        |
| 3. Unimpaired short-term trade financing loans                               | -                               | -                               | -                               |
| 4. Unimpaired short-term trade financing loans - discounted 40%              | -                               | -                               | -                               |
| 5. Liquid assets (2. + 4.)   | 44,296.0                        | 43,282.0                        | 40,962.0                        |

Source: Fitch Ratings, Fitch Solutions, AsDB

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