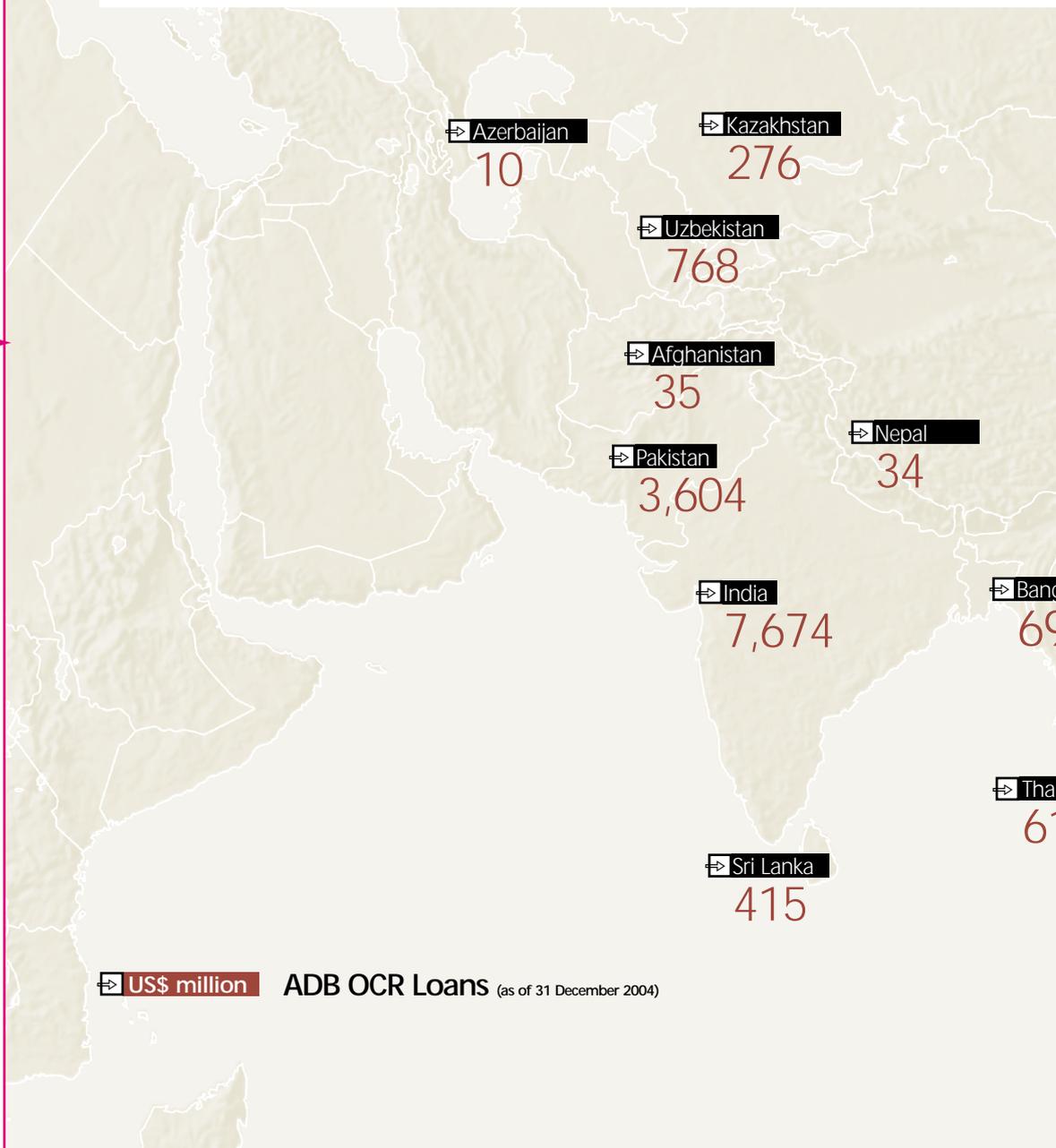




Financial Profile 2005
 Asian Development Bank

ADB throughout Asia and the

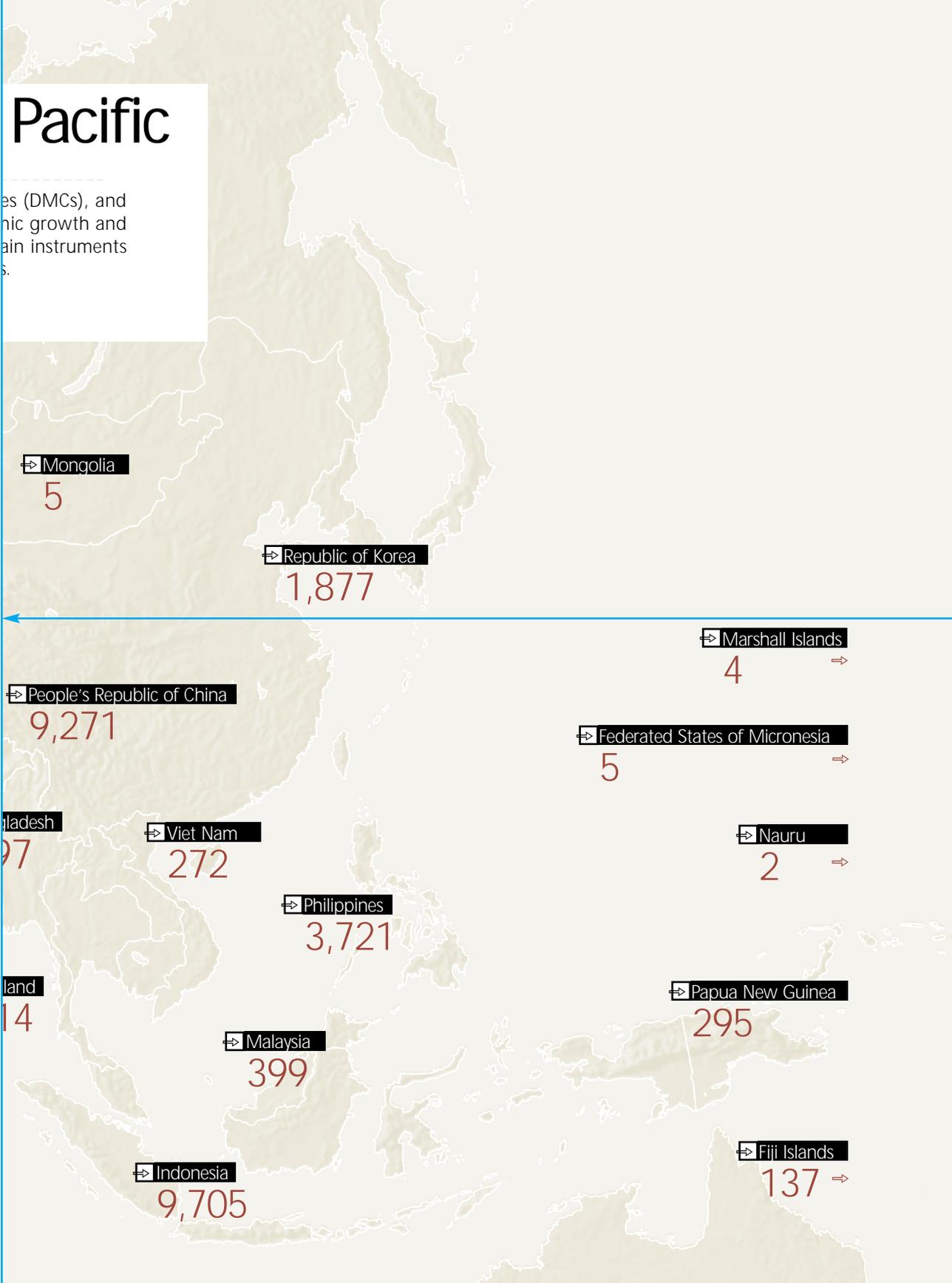
The Asian Development Bank's mission is to reduce poverty in its developing member countries to improve the quality of life of the population. To achieve this mission, ADB promotes economic and social development within its DMCs through a wide range of activities and initiatives. ADB's modes of assistance to its DMCs are loans, technical assistance, grants, equity investments, and guarantees.



⇒ US\$ million ADB OCR Loans (as of 31 December 2004)

Pacific

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| | | |
|-------|------|--|
| 2 | I | ADB in the Asia and Pacific Region |
| 4 | II | Operating Results & Highlights of 2004 |
| 5 | III | Credit Fundamentals |
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Every effort has been made to ensure the accuracy of the data used in this publication. Variations in data in the Asian Development Bank (ADB) publications often result from different publication dates, although differences may also come from source and interpretation of data. ADB accepts no responsibility from any consequence of their use.

The term "country," as used in the context of ADB, refers to a member of ADB and does not imply any view on the part of ADB as to the member's sovereignty or independent status.

In this publication, US\$ refers to US dollars.

May 2005

See overleaf
for a geographical
overview of
OCR Loans 

ADB Financial Profile 2005

The Asian Development Bank (ADB) is a strongly capitalized, multilateral development bank, dedicated to reducing poverty in the Asia and Pacific region through pro-poor, sustainable economic growth, inclusive social development, and good governance.

ADB was established in 1966 under the Agreement Establishing the Asian Development Bank (Charter), which is binding upon the member countries that are its shareholders. As of 31 December 2004, ADB had 63 members, of which 45 were from the Asia and Pacific region. Twenty-two ADB members were also Organisation for Economic Co-operation and Development (OECD) members.

ADB is headquartered in the Philippines and has offices worldwide including representative offices in North America (based in Washington DC), Europe (based in Frankfurt), and Japan (based in Tokyo).

As of 31 December 2004, ADB had 2,394 staff members, drawn from 53 member countries.

ADB in the Asia and Pacific Region

A force for economic and social progress ADB's mission is to help its developing member countries (DMCs) reduce poverty and thereby improve quality of life.

ADB is committed to realizing its vision of an Asia and Pacific region free of poverty.



ADB's strategy focuses on

- ⇒ pro-poor, sustainable economic growth;
- ⇒ inclusive social development; and
- ⇒ good governance for effective policies and institutions.

Through these broad strategic themes, ADB seeks to promote environmental sustainability and gender development through the projects in which it is involved. It is also focused on encouraging private sector development and regional economic and financial cooperation.

In recent decades, strong economic growth has raised per capita incomes across the region. Life expectancy has increased, literacy rates have improved, and greater opportunities have been created for tens of millions of people. In developing Asia as a whole, poverty has declined significantly from 34% in 1990 to 22% in 2002.

However, the region remains home to two thirds of the world's poor and poverty reduction, therefore, remains a pressing concern. ADB's operations play an important role in addressing this concern.

Table 1 ADB at a Glance US\$ Million

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|--------|--------|--------|--------|--------|
| OCR Loan Approvals | | | | | |
| Public | 3,705 | 4,539 | 3,898 | 3,940 | 3,863 |
| Private | 347 | 167 | 110 | 38 | 152 |
| OCR Loan Disbursements | | | | | |
| Public | 2,399 | 2,575 | 3,011 | 2,799 | 2,823 |
| Private | 109 | 113 | 55 | 51 | 61 |
| Equity Investments | 185 | 36 | 36 | 30 | 78 |
| Guarantees | 75 | 240 | 882 | 90 | 371 |
| Technical Assistance | 197 | 175 | 179 | 144 | 169 |
| Cofinancing | 2,441 | 2,563 | 2,805 | 1,322 | 2,884 |
| Subscribed Capital Stock | | | | | |
| Callable Capital | 50,352 | 48,340 | 43,912 | 40,560 | 42,087 |
| Paid-in Capital | 3,809 | 3,657 | 3,322 | 3,068 | 3,184 |
| Annual Borrowings | 1,629 | 4,141 | 6,145 | 1,607 | 1,693 |
| Outstanding Borrowings | 24,212 | 26,359 | 26,324 | 24,813 | 25,340 |
| Net Income (before FAS 133 adjustments) | 390 | 617 | 754 | 716 | 626 |

ADB Operations

ADB finances loan projects and programs located within the territories of its DMCs, together with technical assistance, grants, guarantees, and equity investments.



Additionally, ADB facilitates policy dialogues, provides advisory services, and mobilizes financial resources through cofinancing operations, which tap official, commercial, and export credit sources to maximize the development impact of its assistance. Operations are financed from ordinary capital resources (OCR), Special Funds, and various trust funds.

ADB's Charter requires that OCR, Special Funds, and trust funds must at all times be held and used entirely separately from each other.

Ordinary capital resources ADB's OCR operations are diverse covering agriculture and natural resources; education; energy; finance; health, nutrition, and social protection; industry and trade; law, economic management, and public policy; transport and communication; water supply, sanitation, and waste management; and multisector. OCR loans are generally made to DMCs that have attained a higher level of economic development.

From its establishment through 31 December 2004, ADB has approved US\$80.3 billion of OCR loans. The total OCR loan commitments as of 31 December 2004 amounted to US\$39.9 billion.

About 97.5% of ADB's total outstanding loan commitments are made to the public sector, namely member governments and government agencies and other public entities carrying the guarantee of their respective governments. About 2.5% of OCR loan commitments are to the private sector.

Funding for OCR includes paid-in capital, retained earnings (reserves), and proceeds from borrowings. ADB borrows from national and international capital markets to finance its OCR lending operations.

ADB's debt securities carry the highest possible investment ratings from all major international credit rating agencies.

Table 2 Investment Ratings

| Agency | Rating |
|---------------------------|--------|
| Moody's Investors Service | Aaa |
| Standard & Poor's | AAA |
| Fitch | AAA |

Operating Results and Highlights of 2004 (2003 figures in brackets)



Consistent historical profitability ADB has achieved a strong financial performance in every year since its establishment, with very low levels of loan default because of its preferred creditor status and prudent financial policies and practices.

Operating income in 2004 (before Financial Accounting Standards (FAS) 133 adjustment) was US\$389.6 million (US\$616.6 million). The decrease was predominantly attributed to a reduction in loan income due to a large volume of loan prepayments in 2003 and 2004.

Loans — OCR ADB made loans from OCR totaling US\$4.1 billion (US\$4.7 billion) in 2004, including US\$347 million (US\$167 million) to private sector borrowers.

Equity investments — OCR ADB made equity investments of US\$185 million (US\$36 million).

Borrowings ADB raised US\$1.6 billion (US\$4.1 billion) from international and domestic capital markets, through 5 (2) public bond offerings, including one US dollar global bond issue for US\$1 billion and 14 (62) private placements, denominated in 6 (5) currencies.

Local currency borrowings ADB borrowed US\$215.9 million equivalent through bonds denominated in Indian rupee and Malaysian ringgit issued in the domestic capital markets of India and Malaysia, respectively. ADB also raised US\$244.8 million equivalent through simultaneous bond issues in the capital markets of Hong Kong, China and Singapore.

Maturity of funds Average maturity of funds raised during 2004 was 7.9 years (7.6 years) to first call and 10.7 years (13.7 years) to final maturity.

Loan commitments as a percentage of capital At 31 December 2004, total loans, guarantees, and equity investments of US\$41.3 billion amounted to 64.7% (67.6%) of subscribed capital and retained earnings.

Borrowings as a percentage of capital Total outstanding borrowings and guarantees at 31 December 2004 of US\$25.0 billion represented 56.0% (62.1%) of capital and retained earnings, and 51.4% (57.0%) of capital owned by OECD members and retained earnings.

Equity-to-loan ratio At 31 December 2004, ADB's equity-to-loan ratio was 50.5% (46.8%) under the pre-FAS 133 basis.

Credit Fundamentals

A powerful balance sheet, backed by sovereign shareholders ADB's capital structure provides the greatest levels of security for fixed income investors.



Subscribed capital consists of paid-in capital and callable capital Paid-in capital constitutes the equity portion of capital available for ADB's OCR lending operations. This is supplemented by retained earnings and leveraged by the proceeds of ADB's borrowings.

Callable capital is available only for the protection of ADB's creditors — mainly investors in ADB bonds and holders of ADB guarantees — in the unlikely event of wide-scale default by ADB's borrowers. ADB has never made a call on its callable capital.

ADB's shareholders are 45 developing and developed members within the Asia and Pacific region, and 18 other OECD countries. Each shareholder is represented on the Board of Governors, in which all of ADB's powers are vested. Japan and the United States are the two largest shareholders as of 31 December 2004, each with 15.8% of total subscribed capital and 12.9% of total voting rights. OECD members hold 65.0% of total subscribed capital and 59.0% of total voting rights.

Table 3 Capitalization US\$ Million (as of 31 December)

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---------------|---------------|---------------|---------------|---------------|
| Subscribed Capital | 54,162 | 51,997 | 47,234 | 43,628 | 45,271 |
| Callable Capital | 50,352 | 48,340 | 43,912 | 40,560 | 42,087 |
| Paid-In Capital | 3,810 | 3,657 | 3,322 | 3,068 | 3,184 |
| Less: Other Adjustments | 84 | 87 | 75 | 78 | 134 |
| Net Paid-In Capital | 3,726 | 3,570 | 3,247 | 2,990 | 3,050 |
| Retained Earnings | 9,541 | 9,282 | 9,105 | 7,884 | 7,784 |
| Total | 13,267 | 12,852 | 12,352 | 10,874 | 10,834 |
| Outstanding Borrowings (after swaps) | 23,477 | 25,571 | 26,120 | 25,218 | 26,031 |
| Total Capitalization | 36,744 | 38,423 | 38,472 | 36,092 | 36,865 |

Credit Fundamentals

Conservative financial management ADB maintains the highest reputation as a borrower in financial markets as a result of strong governance and conservative financial management.

Two fundamental rules underpin ADB's strength

- ⇒ **Lending limitation:** OCR outstanding loans, guarantees, and equity investments will never exceed the sum of callable and paid-in capital, ordinary reserve and surplus.
- ⇒ **Borrowing limitation:** Outstanding borrowings and guarantees will never exceed the sum of callable capital from non-borrowing members, paid-in capital, and reserves (including surplus and special reserve), subject to the Charter limit of 100% of the callable capital.

Strong debt/capital
and loan/capital
ratios

ADB's conservative financial management policies have consistently held its loans and borrowings well within these limits, as illustrated by strong debt/capital and loan/capital ratios.

 **Table 4** ADB Shareholdings (as of 31 December 2004)

| OECD Members | % | Developing Members | % |
|---------------------------|-------------|-----------------------------|-------------|
| Japan | 15.8 | China, People's Republic of | 6.5 |
| United States | 15.8 | India | 6.4 |
| Australia | 5.9 | Indonesia | 5.5 |
| Canada | 5.3 | Malaysia | 2.8 |
| Korea, Republic of | 5.1 | Philippines | 2.4 |
| Germany | 4.4 | Pakistan | 2.2 |
| France | 2.4 | Thailand | 1.4 |
| United Kingdom | 2.1 | Other Regional | 7.8 |
| Italy | 1.8 | | |
| New Zealand | 1.6 | | |
| Other Nonregional | 5.1 | | |
| Total ^a | 65.0 | Total ^a | 35.0 |

^a Figures may not tally due to rounding.

ADB has a powerful balance sheet, with high levels of liquidity. Under current policy, ADB maintains a prudential minimum level of liquidity at all times, equivalent to 40% of the proxy net cash requirements for the next 3 years. This is to ensure uninterrupted availability of funds for loan disbursements, debt servicing, and all other cash requirements. Additionally, ADB maintains a discretionary liquidity portfolio to provide flexibility in implementing its borrowing program. Maximum discretionary liquidity is limited to 50% of the prudential liquidity portfolio.

The investment and liquidity strategy, which is approved by ADB's Board of Directors, is primarily focused on security and liquidity, with the further objective of delivering excellent returns.

At 31 December 2004, the liquidity portfolio represented 92% of ADB's proxy net cash requirements for the next 3 years.

Primary focus
on security and
liquidity

 **Table 5** Resources Backing ADB's Obligations (as of 31 December 2004)

| | Amount (US\$ million) | % of Outstanding Borrowings (after swaps) |
|-------------------------------------|--------------------------|---|
| Cash (Unrestricted) and Investments | 11,645 | 50 |
| Callable Capital | 50,352 | 214 |
| Outstanding Loans | 24,309 | 104 |
| Total | 86,306 | 368 |

 **Table 6** Capital Ratios (as of 31 December)

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|-------|-------|-------|-------|-------|
| Debt/Callable Capital ^a Ratio | 56.0% | 62.1% | 65.4% | 66.6% | 68.7% |
| Loan/Capital Ratio | 64.7% | 67.6% | 78.4% | 83.7% | 80.7% |

^a Commencing 2003, only callable capital of non-borrowing members were used.

Credit Fundamentals

Comprehensive risk management Risk management is a core discipline that plays a leading role in all ADB policy decisions and executive actions.

ADB has adopted an integrated approach to risk management by establishing an infrastructure designed to ensure full and accurate identification, measurement, monitoring, and management of all risks arising from its financing activities.

Under ADB's new income planning framework, capital adequacy and risk-bearing capacity are indicated in terms of its equity-to-loan ratio (ELR) and through provision of loan loss reserve (LLR). ELR measures the capital adequacy to absorb unexpected losses from a major credit event affecting the public sector loan and guarantee portfolios while the LLR is set up to absorb the expected losses from the same portfolios. Currently, the target level for ELR is 35%.

ADB's market and treasury credit risk profiles remain conservative and within the bands stipulated in the Treasury Department's risk manual.

ADB manages credit risks through a rigorous capital adequacy framework

Credit risk — borrowers ADB continuously monitors creditworthiness of borrowing members and manages the risks through a rigorous capital adequacy framework. In the case of private sector borrowers, ADB undertakes credit reviews through a specialized and independent Risk Management Unit within the Private Sector Operations Department.

ADB provides for possible losses on its OCR loans (public and private sectors) and diminution in the value of equity investments. Loan loss provisions on OCR loans and equity investments at 31 December 2004 totaled US\$136.7 million. Additionally, in 2004, ADB set up LLR of US\$218.8 million. 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.

Credit risk — counterparties ADB manages and minimizes risks arising from its investment and funding operations by restricting its activities to authorized dealers and counterparties that meet conservative credit guidelines. ADB's swap transactions are limited to higher-rated counterparties (A-/A3 or higher) and to counterparties that have entered into a credit support annex to the schedule of the International Swaps and Derivatives Association (ISDA) Master Agreement with ADB. ADB uses a sophisticated system to monitor its daily exposure to counterparty credit risk related to the swap portfolio.

Credit risk — issuers ADB seeks to minimize issuer risks by maintaining a very high- quality liquidity portfolio. Investments are mainly debt instruments issued by sovereign governments and government-related agencies, banks, and corporate entities. Investments in corporate paper are restricted to A or higher-rated instruments.

Market risk ADB manages market risks arising from unfavorable foreign exchange movements by matching its loans and investments in the same currencies in which funds are received. Borrowed funds or funds to be invested may only be converted into other currencies provided that forward exchange agreements are in place to ensure recovery of the converted currency.

ADB monitors and manages investment risks arising from income volatility due to interest rate movements by using various quantitative analyses. Additionally, performance of OCR currency portfolios is measured against external benchmark portfolios with an average duration of 2.3 years.

ADB recently broadened its market risk management capabilities through the use of sophisticated valuation and risk analysis tools, enabling enhanced performance measurement and attribution methodologies for its treasury activities.

For market risks associated with the loan portfolio, ADB requires its borrowers to absorb exchange rate risks caused by fluctuations in the value of the currencies that it has disbursed. ADB uses swaps to manage and align the foreign exchange and interest rate characteristics of its loans and borrowings, thereby removing the vast majority of market risk from the portfolio. A small residual risk remains where borrowed funds are held temporarily in the cash cushion portfolio, pending disbursement to borrowers.

Operational risk ADB mitigates operational risks by maintaining a system of internal control, monitoring procedures, and processes that are designed to keep operating risks within acceptable levels.

Borrowing Operations



Borrowing program is carefully planned within the context of a dynamic market environment

A leading AAA borrower in the international markets ADB raises funds regularly through international and domestic capital markets.

Efficient fund-raising is critical to ADB in fulfilling its mission to reduce poverty in the Asia and Pacific region.

ADB's annual borrowing program is carefully planned to meet the requirements of its lending operations, debt redemptions, and liquidity policy within the context of a dynamic market environment.

ADB's estimated borrowing requirement over the next 3 years is about US\$20 billion, including US\$5.3 billion for 2005.

Objectives ADB's overriding borrowing objective is to ensure availability of long-term funds at the lowest possible cost for the benefit of its OCR borrowers. Subject to this objective, ADB seeks to diversify its funding sources across markets, instruments, and maturities.

To achieve its borrowing objectives, ADB pursues a strategy of

- ⇒ issuing liquid benchmark bonds to maintain a strong presence in key currency bond markets; and
- ⇒ raising funds through cost-efficient, opportunistic private placement transactions.

ADB emphasizes borrowings with longer-term tenor to smooth its debt redemption profile.

In addition, ADB seeks to promote the development of domestic capital markets within its DMCs through local currency borrowing.

Table 7 Borrowings US\$ Million

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|----------------------------|--------|--------|--------|--------|--------|
| Outstanding Borrowings | 24,212 | 26,359 | 26,324 | 24,813 | 25,340 |
| New Borrowings (long-term) | | | | | |
| Public Offerings | 1,461 | 1,144 | 3,000 | 503 | 1,600 |
| Private Placements | 169 | 2,997 | 2,945 | 704 | 93 |
| Number of Transactions | | | | | |
| Public Offerings | 5 | 2 | 3 | 2 | 3 |
| Private Placements | 14 | 62 | 77 | 15 | 1 |
| Number of Currencies | | | | | |
| Public Offerings | 5 | 2 | 1 | 2 | 1 |
| Private Placements | 1 | 4 | 5 | 3 | 1 |

Financing instruments ADB borrows in a broad range of currencies, instruments, markets, and maturities, reflecting its policy to diversify its borrowings and to avoid becoming dependent on any one currency or market for funding. As of 31 December 2004, ADB has borrowed in 20 currencies.

At 31 December 2004, ADB had 205 outstanding borrowings representing an aggregate principal amount of US\$24.2 billion and an average maturity of 4.8 years.

In 2004, ADB raised US\$1.6 billion in new capital through 19 transactions, including a US\$1 billion global bond issue and 14 private placements. Issues were denominated in six different currencies.

ADB's global bonds are issued using a price discovery process that accesses the broadest possible range of investors, both by investor type and by geography. A large, globally dispersed inventory of ADB global bonds helps maintain high levels of secondary market liquidity in each issue.

ADB undertakes most of its borrowings through its Global Medium-Term Note (GMTN) program, which was established in 2001. The GMTN program's flexibility allows ADB to raise funds quickly in a highly opportunistic manner through private placement transactions. These private placements can be structured to meet the exact requirements of investors in terms of maturity and coupon. They can be targeted at retail as well as institutional investors, bear fixed or foreign exchange/interest rate-linked coupon, and can include call options, caps, floors, and other features required by investors.



Private placements:
structured to meet
the exact
requirements of
investors

ADB also operates a US\$5 billion Eurocommercial Paper Program (ECP) to meet short-term funding needs. The ECP program provides flexible, short-term (7-365 days) finance to bridge any cash flow deficiencies in the event of unfavorable conditions for long-term bond issuance.

ADB uses financial derivatives to raise operationally needed currencies in a cost-efficient way, usually undertaking currency and interest rate swaps, simultaneous to an issue of bonds. These transactions are fully hedged to remove currency and interest rate risks. The effect of these transactions on the currency composition and interest rate structure of ADB's outstanding borrowings is shown in figures 1 and 2 (see page 13).

Borrowing Operations



Local currency borrowings ADB is committed to promoting domestic capital markets development in its DMCs.

ADB's local currency bond issues not only provide a source of cost-effective funds, but also enable international investors gain exposure to local currencies and interest rates through instruments of the highest credit quality, supported by best-practice issue standards and role model documentation. Such borrowings also meet ADB's aim to raise funds for its private sector operations.

ADB launched four local currency bonds in 2004 in the capital markets of Hong Kong, China; India; Malaysia; and Singapore. The Indian rupee, Malaysian ringgit, and Singapore dollar bond issues were ADB's inaugural bonds in the domestic markets of India, Malaysia, and Singapore, respectively. The bonds issued in India and Malaysia both represented first issues by a foreign entity in the domestic market and the first issues rated AAA by Fitch, Moody's, and Standard & Poors. ADB's ringgit bond issue was named International Financing Review (IFR) Asia's Malaysia Bond Deal of the Year.

ADB has a long history of innovation in this area. In 1970, it was the debut supranational issuer in the Japanese yen domestic (or Samurai) market.

⇒ **Table 8** Local Currency Borrowings

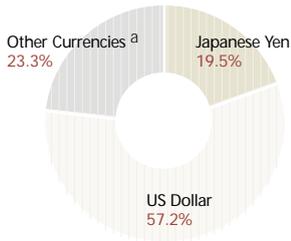
| | Amount (million) | Coupon (%) | Maturity |
|------------------|---------------------|---------------|------------------|
| Hong Kong, China | HK\$1,000 | 2.85 | 25 June 2007 |
| India | RS5,000 | 5.40 | 27 February 2014 |
| Malaysia | RM400 | 3.94 | 10 November 2009 |
| Singapore | S\$200 | 1.845 | 25 June 2007 |

⇒ **Table 9** Average Maturity of New Borrowings

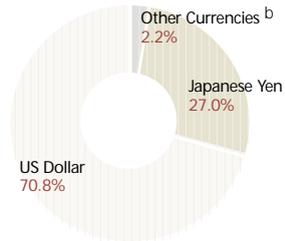
| | 2004 | 2003 | 2002 |
|--------------------------------|------------|------------|-----------|
| Average Final Maturity | 10.7 years | 13.7 years | 9.9 years |
| Average Maturity to First Call | 7.9 years | 7.6 years | 7.2 years |

Figure 1 Effect on Currency Composition

Currency Composition of Outstanding Borrowings (before swaps)



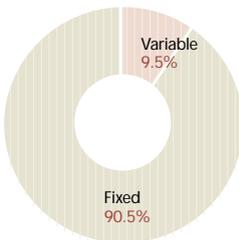
Currency Composition of Outstanding Borrowings (after swaps)



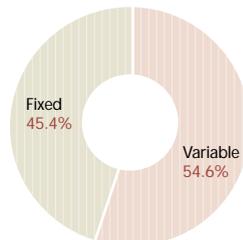
- ^a Other currencies include Australian dollar, Canadian dollar, euro, Hong Kong dollar, Indian rupee, Malaysian ringgit, New Taiwan dollar, pound sterling, Singapore dollar, and Swiss franc.
- ^b Other currencies include Australian dollar, Canadian dollar, Indian rupee, Malaysian ringgit, New Taiwan dollar, pound sterling, and Swiss franc.

Figure 2 Effect on Interest Rate Structures

Interest Rate Structure of Outstanding Borrowings (before swaps)



Interest Rate Structure of Outstanding Borrowings (after swaps)



Financial Products Financing sustainable economic and social development

Private Sector development activities

During 2004, ADB approved US\$347 million of loans to private enterprises and financial institutions without government guarantees and US\$185 million in equity investments. This represented an increase of 107.8% for loans and 413% for equity investments over 2003. As of 31 December 2004, the overall private sector portfolio was about US\$1.5 billion. The aggregate amount available for allocation to the private sector is limited to US\$1.5 billion, including US\$50 million in loans from the ADF and US\$1,450 million in loans and equity from OCR. Pending implementation of a more objective capital allocation methodology, ADB's Board agreed to allow approvals in excess of the US\$1.5 billion operational limit.

OCR FUNDS

OCR loans The outstanding OCR loan portfolio includes a variety of loan products (see Table 10). Since 1 July 2001, all new loans have been London interbank offered rates (LIBOR)-based loans (LBL). LBL is currently the only available lending window. Other windows such as pool-based multicurrency loans, pool-based single currency loans, and market-based loans were retired with the introduction of LBL.

LBL products give borrowers a high degree of flexibility in terms of

- ⇒ choice of currency and interest rate basis;
- ⇒ option to link repayment schedules to actual disbursements for financial intermediary borrowers;
- ⇒ ability to change the original loan terms at any time during the life of the loan; and
- ⇒ option to purchase cap or collar.

LBLs are denominated in euro, Japanese yen or US dollar, and can have fixed or floating interest rates. Initially, LBLs bear a floating rate representing the cost base rate (LIBOR) plus a lending spread. However, the borrower has the option to change the interest rate at any time during the life of the loan. The current lending spread for public sector borrowers is 40 basis points, while the spread for private sector borrowers is variable according to the credit risk of the specific project and borrower.

⇒ **Table 10** OCR Loan Portfolio by Loan Products US\$ Million

| | Public Sector | | | Private Sector | | |
|--|---------------|---------------|---------------|----------------|------------|------------|
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| LIBOR-based loans | | | | | | |
| Outstanding | 6,400 | 4,101 | 1,839 | 117 | 76 | 7 |
| Undisbursed | 14,857 | 13,710 | 12,024 | 84 | 114 | 58 |
| Market-based loans | | | | | | |
| Outstanding | 617 | 648 | 633 | 218 | 235 | 216 |
| Undisbursed | 91 | 243 | 315 | 18 | 105 | 190 |
| Pool-based SCL^a - JPY | | | | | | |
| Outstanding | 4,965 | 6,502 | 7,083 | 8 | 10 | 10 |
| Undisbursed | — | — | 3 | — | — | — |
| Pool-based SCL^a - US\$ | | | | | | |
| Outstanding | 9,883 | 11,661 | 15,084 | — | — | — |
| Undisbursed | 96 | 561 | 1,041 | — | — | — |
| Others | | | | | | |
| Outstanding | 1,953 | 2,130 | 4,195 | 149 | 143 | 167 |
| Undisbursed | — | — | — | 409 | 129 | 107 |
| Total | | | | | | |
| Outstanding | 23,818 | 25,042 | 28,834 | 492 | 464 | 400 |
| Undisbursed | 15,044 | 14,514 | 13,383 | 511 | 348 | 355 |

^a single currency loan.

Technical assistance Technical assistance is an important activity through which ADB helps its DMCs improve their capabilities in formulating, designing, implementing, and operating development projects. ADB also extends technical assistance for regional studies and activities. Total technical assistance approved as of 31 December 2004 for 40 DMCs and regional activities was US\$2.6 billion.



Equity investment ADB makes equity investments and underwrites or participates in the underwriting of equity securities subject to a limit of 10% of its unimpaired paid-in capital, ordinary reserve, and surplus. At 31 December 2004, the limit under this formula was US\$1.3 billion. Net equity investment commitments (defined as approvals less disposals and sales and allowance for possible losses) were US\$537.3 million, or 40% of the Charter ceiling at year-end 2004.



Guarantees ADB issues project-specific partial credit and political risk guarantees to mitigate the risk exposure of commercial lenders and capital markets investors in the DMCs. Guarantees are provided for projects where ADB itself has a direct participation. Total outstanding guarantees at 31 December 2004 were about US\$1.3 billion.

Cofinancing ADB actively pursues cofinancing arrangements to complement its assistance for OCR borrowers in the Asia and Pacific region, joining forces with bilateral partners and multilateral finance institutions, as well as commercial financial institutions. At 31 December 2004, non-ADB funds committed via cofinancing arrangements to ADB-assisted operations amounted to US\$43 billion, including US\$19.6 billion from commercial sources and US\$23.4 billion from official sources.

Products and Services

SPECIAL FUNDS (as of 31 December 2004)

ADB Special Funds are separate from and additional to funds available for development initiatives through OCR. They are accounted for, and used, entirely separately from each other and from OCR.

The funds focus on a range of activities including concessional lending, grants, and technical assistance, with the main goal of reducing poverty in the Asia and Pacific region.

All approval processes and administration within Special Funds are subject to the same strict standards that apply to OCR loans.

Asian Development Fund The Asian Development Fund (ADF) is ADB's largest Special Fund designed to provide loans on concessional terms to DMCs with low per capita gross national product (GNP) and limited debt repayment capacity. At 31 December 2004, outstanding loans from the ADF amounted to US\$21.6 billion.

Resources for ADF loans consist mainly of contributions mobilized under periodic replenishments from donor members. As of 31 December 2004, ADF aggregate resources committed to loans amounted to US\$29.6 billion.

Technical Assistance Special Fund The Technical Assistance Special Fund (TASF) provides grant financing for ADB's technical assistance operations, including assistance for member countries to improve their development project management skills. At 31 December 2004, the fund's aggregate resources amounted to US\$1.1 billion, of which US\$99.2 million was uncommitted. Resources for the TASF come from several sources, including direct voluntary contributions from ADB member countries, allocations from OCR net income, and contributions from the ADF.

Japan Special Fund The Japan Special Fund (JSF) provides grants to DMCs, with a particular focus on economic restructuring, broadening the scope of opportunities for new investment, and preparing loan projects to facilitate recycling of funds to members. At 31 December 2004, the JSF's aggregate resources amounted to US\$877.0 million, of which US\$118.2 million was uncommitted. Through 31 December 2004, total technical assistance grants approved under the JSF amounted to US\$893.4 million. Resources for the JSF come from the Government of Japan.

ADB Institute Special Fund The ADB Institute Special Fund (ADBISF) finances the ADB Institute, a management school focused on the needs of agencies and organizations engaged in development work in the Asia and Pacific region. Resources for the ADBISF come from several sources, including grants and direct voluntary contributions from ADB member countries, foundations, and nongovernment organizations. At 31 December 2004, cumulative commitments to the ADBISF amounted to US\$96.2 million, of which US\$80.1 million had been utilized.

TRUST FUNDS (as of 31 December 2004)

Trust funds are separate from and additional to funds available for development initiatives through ADB's OCR and Special Funds. Trust funds are externally funded and administered by ADB on behalf of donors. These funds do not form part of ADB's own resources. The funds focus on a range of activities including grants and technical assistance. All approval processes and administration within the Trust Funds are subject to the same strict standards that apply to ADB's Special Funds.

Japan Scholarship Program The Japan Scholarship Program (JSP) provides opportunities for qualified citizens of ADB DMCs to undertake postgraduate studies in economics, management, science, technology, and other development-related disciplines at selected educational institutions in the Asia and Pacific region. At 31 December 2004, the program had awarded a total of 1,780 scholarships to individuals from 34 member countries. At 31 December 2004, cumulative commitments to the JSP amounted to US\$68.3 million. Resources for the JSP come from the Government of Japan.

Japan Fund for Poverty Reduction The Japan Fund for Poverty Reduction (JFPR) provides grants to support ADB-financed projects with poverty reduction and related social development activities. At 31 December 2004, cumulative commitments to the JFPR amounted to US\$326.9 million. At the end of 2004, ADB had approved 53 projects totaling US\$146 million. Resources for the JFPR come from the Government of Japan.

Japan Fund for Information and Communication Technology The Japan Fund for Information and Communication Technology (JFICT) provides grants in support of information and communication technology activities in DMCs that can add substantive value to ADB projects. At 31 December 2004, cumulative commitments to the JFICT amounted to US\$10.7 million. Resources for the JFICT come from the Government of Japan.

Channel financing arrangements ADB helps mobilize grant funds from a variety of external sources to support technical assistance programs and to finance mostly soft components of loan projects. The majority of these grants come through channel financing arrangements (CFAs) with bilateral and multilateral donors. ADB administers the funds and applies its own strict guidelines on the recruitment of consultants, procurement, disbursement, and project supervision. At 31 December 2004, 289 technical assistance grants had been financed under CFAs totaling US\$157.1 million.

ADB Members

(as of 31 December 2004)

Regional

| | |
|----------------------------------|------------------|
| Afghanistan | Myanmar |
| Australia* | Nauru |
| Azerbaijan | Nepal |
| Bangladesh | New Zealand* |
| Bhutan | Pakistan |
| Cambodia | Palau |
| 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* | Timor-Leste |
| Kyrgyz Republic | Tonga |
| Lao People's Democratic Republic | Turkmenistan |
| Malaysia | Tuvalu |
| Maldives | Uzbekistan |
| Marshall Islands | Vanuatu |
| Micronesia, Federated States of | Viet Nam |
| Mongolia | |

Nonregional

| | |
|-------------|------------------|
| Austria* | The Netherlands* |
| Belgium* | Norway* |
| Canada* | Portugal* |
| Denmark* | Spain* |
| Finland* | Sweden* |
| France* | Switzerland* |
| Germany* | Turkey* |
| Italy* | United Kingdom* |
| Luxembourg* | United States* |

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Abbreviations and Acronyms

| | |
|--------|--|
| ADB | Asian Development Bank |
| ADBISF | ADB Institute Special Fund |
| ADF | Asian Development Fund |
| CFA | channel financing arrangement |
| DMC | developing member country |
| ECP | Euro-commercial paper |
| ELR | equity-to-loan ratio |
| FAS | Financial Accounting Standards |
| GMTN | Global Medium-Term Note |
| GNP | gross national product |
| ISDA | International Swaps and Derivatives Association |
| JFICT | Japan Fund for Information and Communication Technology |
| JFPR | Japan Fund for Poverty Reduction |
| JSF | Japan Special Fund |
| JSP | Japan Scholarship Program |
| LBL | LIBOR-based loan |
| LIBOR | London interbank offered rate |
| LLR | loan loss reserve |
| OCR | ordinary capital resources |
| OECD | Organisation for Economic Co-operation and Development |
| SCL | single currency loan |
| TASF | Technical Assistance Special Fund |

ADB Online

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www.adb.org

Financial Information

www.adb.org/finance/

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