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CREDIT ANALYSIS

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RATINGS

East African Development Bank

	Rating	Outlook
Long-term Issuer	Baa3	Stable
Short-term Issuer	--	--
Senior Unsecured	--	--

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This Credit Analysis provides an in-depth discussion of credit rating(s) for East African Development Bank and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

East African Development Bank

Overview and Outlook

On 19 June 2015, we upgraded the East African Development Bank's (EADB) rating to Baa3 from Ba1 with a stable outlook reflecting (1) the significant improvement in the bank's capital buffers over the last few years, due to a material increase in paid-in capital from its shareholders; and (2) marked progress in recent years in strengthening governance and risk-management policies and capabilities, which have resulted in a sharp decline in non-performing loans. The bank also benefits from a very strong liquidity position compared to similarly rated multilateral development banks (MDBs), supported by its access to diversified and stable sources of funding. The bank is active on the regional capital markets which we consider credit positive.

The restructuring and consolidation of the bank's operations have led to significant improvements in terms of capital adequacy and leverage, for which the bank compares favorably to its peers. The renewed expansion of its balance sheet since 2012 as part of its 2011-2015 strategic plan will result in some modest deterioration in these ratios, however this should not represent a credit concern in the coming years. The asset clean-up and improved risk management processes also led to a sharp decrease in the bank's non-performing loans (NPLs) to 1.4% of gross disbursed loans in 2014 from 32% in 2010.

Despite recent improvement in NPL levels the low credit quality of the loan portfolio still constitutes a key rating constraint due to the low average borrower quality, which also reflects the challenging operating environment in East Africa. Assets are highly concentrated, especially geographically, due to the bank's operations in a small number of member states. Another rating constraint is low average shareholder credit quality, with only 13% of paid-in capital and 2% of callable capital held by investment-grade shareholders in 2014. This significantly limits the EADB's ability to quickly draw on support (particularly callable capital) from shareholders in case of need.

A continued rise in profitability and the maintenance of low NPL levels while the bank expands its balance sheet in the coming years could exert upward pressure on the rating. Stronger capital adequacy relative to risk assets, in accordance with our definition and relative to other MDBs, would also be credit positive. In contrast, the rating could face downward pressure if asset quality deteriorated significantly (NPLs in both nominal and percentage terms) and if the bank's rapid growth disproportionately increases the credit risks that it faces.

This Credit Analysis elaborates on the EADB's credit profile in terms of Capital Adequacy, Liquidity and Strength of Member Support, which are the three main analytic factors in Moody's Supranational Rating Methodology.

Organizational Structure and Strategy

Organizational structure

The EADB is a regional development finance institution with the aim of promoting sustainable socio-economic development as well as the regional integration of its shareholder member states (Uganda (B1 stable), Kenya (B1 stable), Tanzania (unrated) and Rwanda (unrated)). These four countries, together with Burundi (unrated), additionally comprise the member states of the East African Community (EAC), an intergovernmental organization whose charter describes the EADB as an organ of the community.

The EADB was first established in 1967 under the treaty of the East Africa Cooperation. Following the breakup of the EAC in 1977, the EADB was subsequently re-established under its own charter in 1980 as a development finance institution. Officially headquartered in Kampala, Uganda, the EADB has country offices in each of its four member states, who are also its main shareholders.[1] Other shareholders include development finance institutions, which, at the end of 2014, accounted for 13.4% of paid-up capital, namely the African Development Bank (AfDB, Aaa stable), the Netherlands Development Finance Company (FMO), and the German Investment and Development Company (DEG, Aaa stable). In addition, several commercial banks accounted for less than 1% of EADB's total paid-up capital: SBIC-Africa Holdings in Johannesburg, Commercial Bank of Africa in Nairobi, the London-based Standard Chartered Bank (Aa2 negative)and Barclays Bank Plc (A2 stable), Nordea Bank of Sweden as well as a consortium of former Yugoslav institutions.

The EADB has established itself as a major contributor to development financing in East Africa. It enjoys a high level of commitment from its member states which view it as an important vehicle for delivering key development objectives across the East African region. The EADB supports both public and private-sector projects that are professionally run, technically feasible and financially viable in all the productive sectors of its member states' economies.[2] Its product range includes short to long-term loans, asset leasing, equity investment, loan guarantees and technical assistance. In common with most other MDBs, the bank is not a profit-maximizing institution. As a supranational institution, it is self-regulated and carries out its operations in accordance with its statutes on a commercial basis, with the intention of "earning a reasonable return on its capital" (as stipulated in its Charter, Article 13 –c).

The Governing Council, which is the supreme governing body of the bank, includes one representative of each member country. It selects a Chairman from among its members, appoints a Director-General, as well as the Board of Directors. The latter oversees the bank's operations and decides the bank's dividend distribution policy on an annual basis. To date, all profits due to member states have been allocated to equity in order to strengthen its capital base, which we view as credit-positive. In 2011, the Governing Council re-appointed Mrs. Vivienne Yeda as Director-General of the bank. She has played a key part in restructuring the bank since her initial appointment as the bank's Director-General in 2009. In addition to the Governing Council and Board of Directors, the bank receives strategic guidance from the Advisory Panel, which comprises eminent persons in international finance,[3] on topics as wide-ranging as the bank's resource mobilization, its international positioning amongst its strategic partners, and the optimization of its mandate using its existing product range.

The Charter explicitly grants privileges to the EADB throughout its member states. In particular, articles 24 & 42-49 of the bank's Charter confer the following privileges: (1) the bank's personnel have the right to enter, sojourn and exit as necessary from any member state; (2) the property and assets of the bank are immune from search, requisition, confiscation, expropriation and any other interference whether by legislative, executive, judicial or administrative action; (3) the bank's property, assets, income, operations and transactions are exempt from all taxation, including all customs duties and restrictions on imports and exports; the same is valid for any obligations or securities issued by the bank; and (4) the bank is free to transfer its assets from one country to another and to convert any currency held by it into another currency

1 Nairobi, Kenya; Dar Es Salaam, Tanzania; Kampala, Uganda; Kigali, Rwanda.

2 To enhance its original development objectives, the EABD places emphasis on: (1) projects that have regional orientation (cross-border projects); (2) projects with a comparative advantage in the utilisation of local raw material in the production of goods for local consumption in the region or for export; and (3) projects that utilise resources common to the member states.

3 The current Advisory Panel members are: (a) Mr. Jannik Lindbaek, Former Vice-President and CEO, International Finance Corporation; (b) Mr. Lars Ekengren, former Deputy Director General, Swedish International Development Agency; (c) Mr. Toyoo Gyohten, Senior Advisor, Bank of Tokyo and (d) Mr. Mahesh K. Kotecha , President of Structured Credit International Corporation & former managing director, MBIA, and of Capital Markets Assurance Corporation, New York.

without being restricted by controls, regulations, restrictions or moratoria of any kind. Following its amendment in 2012, the Charter *de jure* grants the bank a Preferred Creditor Status (PCS),[4] explicitly providing that the bank should be treated in the same way as the IMF, the World Bank or AfDB.

Macroeconomic Environment

The EADB's lending portfolio is distributed across a range of economic sectors in Kenya, Uganda, Tanzania and Rwanda (see Exhibits 13 and 14 for a geographical and sectoral breakdown of EADB's loan portfolio). 47% of the loan portfolio is to private borrowers and 53% is to public borrowers. As such, the growth prospects of the region (and in particular domestic demand) and health of governments' public finances are key to the banks' asset quality going forward.

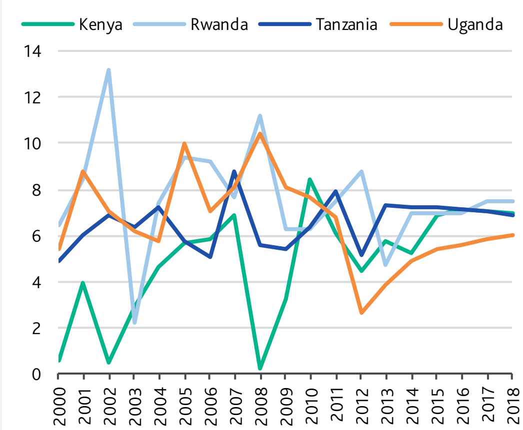
Historically, the region's macroeconomic performance has been highly volatile. Nevertheless, near-term growth prospects are strong. Real GDP growth is projected to average close to 7% from 2015-2018, with Kenya, Rwanda and Tanzania all growing at about 7% each year. Growth is supported by strong domestic demand, with investment and private consumption playing a key role. Furthermore, inflation in the region has converged to around 5% and is projected to remain in single digits in the near term.

The four countries maintain flexible exchange rate arrangements allowing their economies to better absorb external shocks.

EXHIBITS 1&2

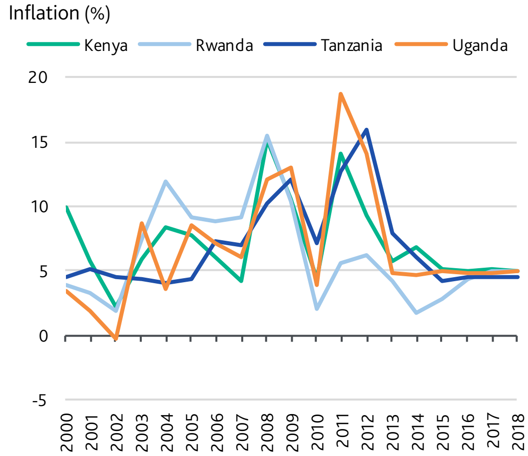
Robust growth prospects and inflation have fallen to single-digit numbers

Real GDP growth (%)



Source: Moody's, IMF WEO

Inflation (%)



Source: Moody's, IMF WEO

4 Article 24-5: "The Bank shall be accorded in the territories of the Member States a creditor status no less than accorded to the International Monetary Fund, the International Bank of Reconstruction and Development, the International Development Association, the African Development Bank, and the African Development Fund"

Rating Rationale

Our determination of a supranational's rating is based on three rating factors: Capital Adequacy, Liquidity and Strength of Member Support. For Multilateral Development Banks, the first two factors combine to form the assessment of Intrinsic Financial Strength, which provides a preliminary rating range. The Strength of Member Support can provide uplift to the preliminary rating range. For more information please see our Supranational Rating Methodology.

Capital Adequacy: Low

Despite recent improvements, capital position and asset quality remain constrained by the bank's challenging operating environment and low borrower quality

Factor 1

Scale		Very High	High	Medium	Low	Very Low	
	+						-

Capital adequacy assesses the solvency of an institution. The capital adequacy assessment considers the availability of capital to cover assets in light of their inherent credit risks, the degree to which the institution is leveraged and the risk that these assets could result in capital losses.

The bank has restructured its balance sheet and strengthened its capital base over the last years

From 2008 until 2012, the bank underwent a balance-sheet downsizing process, which decreased the net portfolio by almost two thirds from 2007 to 2011, and reduced the bank's total assets by a quarter. Over the same period, the bank also managed to reduce its large stock of NPLs and focus on recovery processes. At the same time, it adopted and implemented a series of reforms aimed at strengthening the bank's risk-management capacity and operations. The latter remains at the core of the bank's Strategic Plan for 2011-15. The bank has identified 11 key focus areas that would enable it to better fulfill its mandate in promoting economic development in the East African region while addressing operational sustainability and effectiveness issues. These focus areas include: (1) a restructuring of its operations;[5] and (2) the improvement of its portfolio and risk-management framework through the development of human capital and a responsive organizational structure, the strengthening of its control framework, the improvement of its information systems, as well as enhanced risk management, knowledge management and legal services.

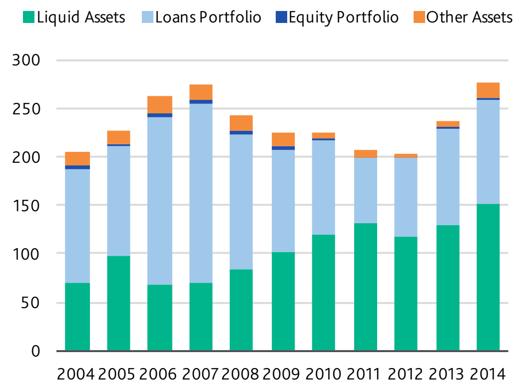
The bank has now entered the growth phase of its strategic plan with a more sustainable and demand-driven expansion of its loan and equity portfolio (See Exhibit 3). Its strategic objectives continue to include: (1) fostering business development in the wider East Africa region by lending to the productive sectors; (2) funding projects via a diversified and stable funding strategy; and (3) strengthening the credit and risk-management strategy.

[5] Where key focus areas comprised: (1) Growth in Income for Sustainable Operations; (2) Management of NPLs; (3) Management of Overhead Costs; (4) Resource mobilisation.

EXHIBIT 3

The EADB's assets have grown in recent years…

(USD millions)

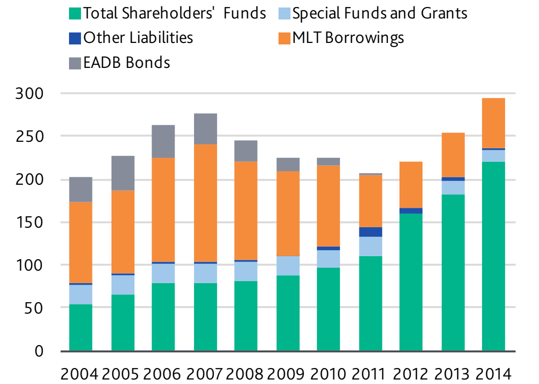


Source: EADB, Moody's

EXHIBIT 4

…as have its liabilities & equity

(USD millions)



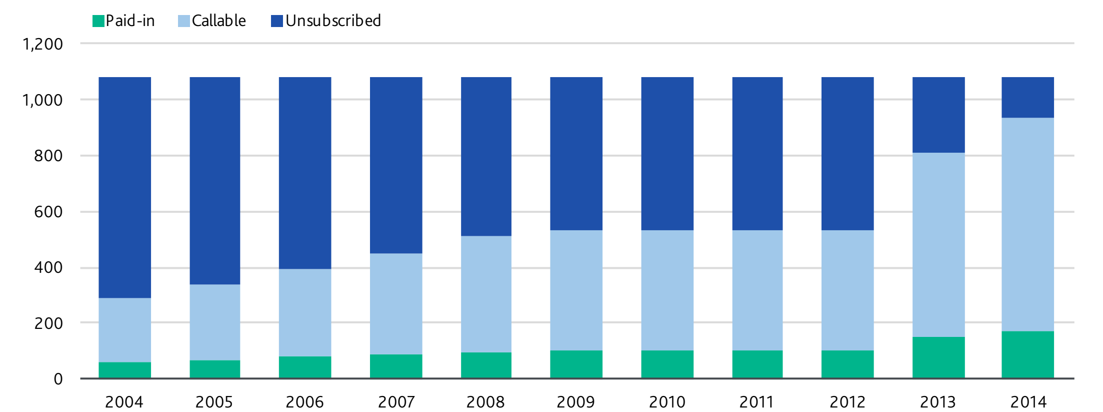
Source: EADB, Moody's

Over the same period, the EADB has significantly increased its share capital, with the unanimous agreement of its member states in 2007 to inject $90 million over five years. Rwanda only joined the bank as a shareholder in 2008 and is expected to contribute its share of this capital commitment in installments spread over 10 years. At the end of 2014, EADB's subscribed capital amounted to $932 million out of $1,080 million of authorized capital. Paid-in capital amounted to $173 million, corresponding to a 14% increase compared to the previous year, and a 73% increase since December 2012 (see Exhibits 4 and 5). Usable capital, which is the sum of paid-in, reserves and retained earnings, totaled $219 million at the same period.

We expect further strengthening of the capital base by at least $100 million in the next few years. While Kenya and Uganda have pre-paid their outstanding contributions ahead of the 2016 deadline, Tanzania still has an outstanding payment of $9 million due by 2016 under the $90 million General Capital Increase approved in 2007. Furthermore, Rwanda has an outstanding $43 million of its initial capital contribution which can be paid any time until 2019. And following the 2013 approval of Burundi's formal application to join the EADB, its membership is expected to raise a further $65 million in shareholder capital. More generally, the bank's strategic plan involves raising subscribed capital to $450 million by 2021 – as such a further Board approved capital increase is highly likely in the coming years.

EXHIBIT 5

The bank has consolidated its capital base over the last few years



Source: EADB, Moody's

As a result of the increase in capital and the downsizing of the loan portfolio since 2008, EADB's capital position has significantly improved over the last few years. As at end 2014, total usable equity (excluding callable capital) more than fully covered the investment portfolio, representing 192% of the sum of gross loans outstanding and equity operations, compared to 33% in 2007. This is one of the highest (equity to assets) ratios in our MDB rating universe (See Exhibit 7).

The capital position has improved

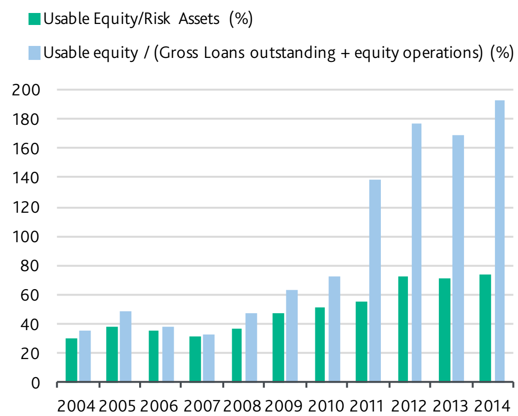
Nevertheless, these strong metrics do not take into account the Treasury portfolio, which is large (totaling $142.1 million, or 48% of total assets, at the end of 2014) and relatively risky given that it is fully invested in local banks. If we consider risky assets as total assets excluding deposits in overseas banks (given that all the investment portfolio is located in the region), usable equity accounts for 74.5% of risk assets in 2014.

It should also be noted that the EADB has adopted policies in order to support its capital adequacy. In particular, Article 11 of its Charter limits the total outstanding loans to three times the aggregate of the unimpaired subscribed capital, reserves and surplus of the bank. Currently, the bank is well under this limit with a current ratio of 0.53. Nevertheless, EADB's own lending limit appears relatively elevated within our MDB-rated universe.

EXHIBITS 6&7

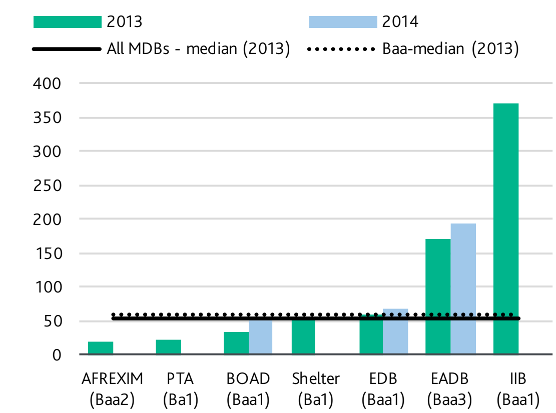
EADB's capital position has improved and is stronger than most of its peers

Usable equity (% of assets)



Source: EADB, Moody's

Usable equity/(gross loans outstanding + equity operations) (%)



Note: Latest data available

Source: EADB, Moody's

Benefits from the rise in callable capital are mitigated by shareholders' low average credit quality

Taking into account callable capital, the capital position compares favorably within our rating universe, as the bank's total equity[6]-to-total asset ratio has increased significantly since 2007 to reach 316.7% in 2014 from 150.7% in 2006. However, callable capital is less likely to be secured in a timely manner in the EADB's case given the low average credit quality of its shareholders. Indeed, EADB's capital is primarily held by non-investment-grade or non-rated member countries. Of the five shareholders that have subscribed to callable capital, only the AfDB carries an investment-grade rating. The risk coverage ratio – after adding only the callable capital subscribed by the AfDB to the numerator – increases to 79.3% at the end of 2014, which is among the lowest ratios of Moody's-rated MDBs.

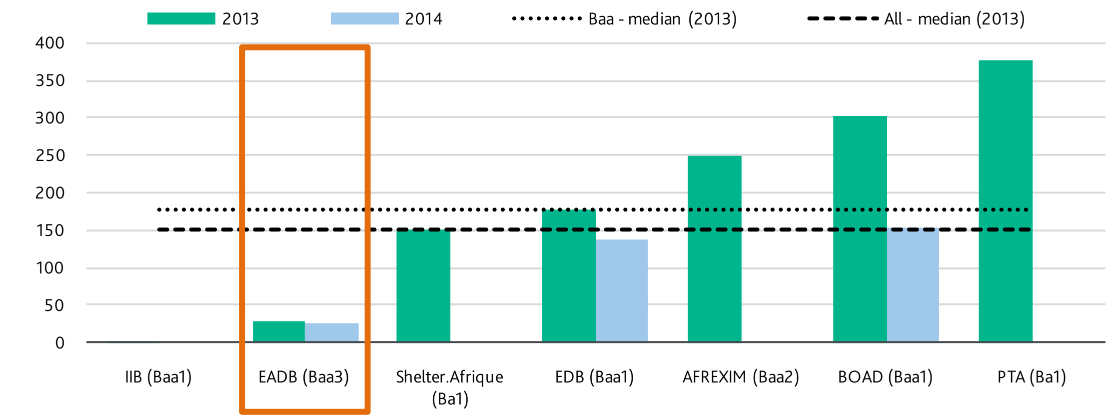
EADB's leverage position is favorable

As a result of the portfolio rationalization and the capital increases, EADB also exhibits a very low leverage ratio compared to other MDBs, with total borrowings representing 26.6% of usable equity in 2014 (see Exhibit 8).

[6] Total equity is defined as paid-in capital plus callable capital, i.e. total subscribed capital.

EXHIBIT 8

The EADB has a lower leverage ratio than most other rated MDBs



Note: latest available data

Source: EADB, Moody's, Annual reports

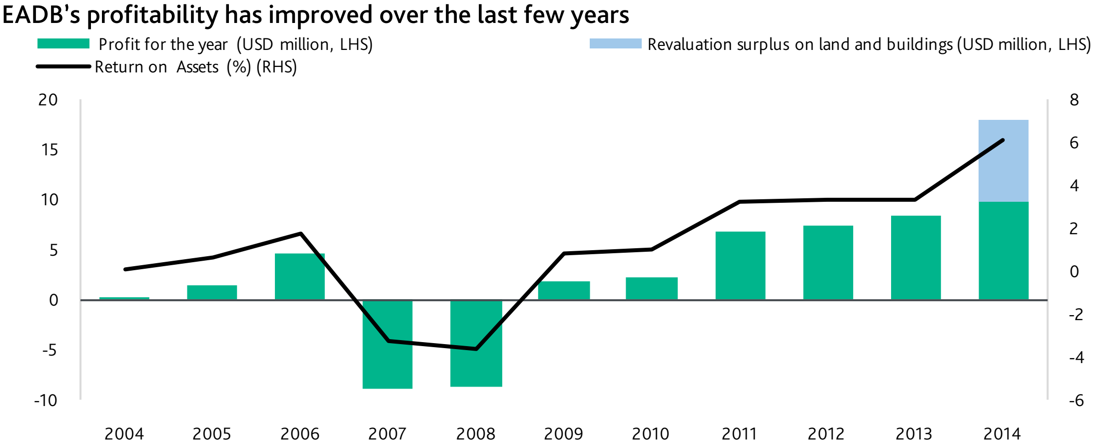
Rising profitability also supports EADB's capital position

Over the last five years, EADB has increased its profitability by restructuring its balance sheet and improving risk management (see *Improvements in the risk-management process have supported asset quality*). Although profitability is not the main objective of most MDBs that primarily fulfill a development mandate, it can in some cases play an important role in our assessment of the contribution to the capital base. To date, EADB's Board of Directors has continued to allocate profits to the bank's capital base. No dividend has ever been distributed to Class A shareholders, and profits have always been transferred to equity. Retained earnings, which were negative in 2008, have continuously increased since then to become positive since 2012, reaching $23.5 million in 2014, thereby contributing to a steady build-up of the capital base.

After consecutive losses in 2007 and 2008, net income returned to profit in 2009 and increased steadily since then, reaching $17.9 million in 2014 ($9.8 million excluding a one-off revaluation surplus on lands and buildings). Return on assets (ROA) has also increased gradually from -3.6% in 2008 to 6.1% in 2014 (3.3% excluding a one-off revaluation surplus on lands and buildings), supporting the bank's capital strength in the coming years.

EXHIBIT 9

EADB's profitability has improved over the last few years



Source: EADB, Moody's

Asset quality is constrained by the bank's challenging operating environment…

Despite the improvement in risk-management processes, asset quality remains the bank's greatest credit challenge. This is directly linked to the challenging operating environment in the East African region to which the bank is highly exposed. Despite the strong growth and moderate inflation outlook, macroeconomic performance has historically been highly volatile (see Box on Macroeconomic Environment). Furthermore, according to its mandate, the bank must provide financing or facilitate financing to agencies, entities or enterprises that operate in its member states. Taking into account the member states' average B1 rating, similar to most other development banks in Africa, the bank is adversely affected by the weak credit quality of its borrowers.

… although significant improvements have been made

Nevertheless, despite its borrowers' low credit quality and a history of high NPLs (averaging 14% of gross loans since 2008), EADB has managed to considerably reduce its gross NPL ratio to 1.4% in 2014 after a peak of 32.2% in 2010 (see Exhibit 10). The current ratio is more in line with other African MDBs, although it remains above the median of our MDB rated universe (which amounted to 0.5% in 2013). In its strategic plan 2011-2015 the bank committed to reduce and maintain its NPL ratio below 5% from 2015 onwards and has reached this target since 2013. Nevertheless, this target is relatively high compared to peers especially as the bank expands its activities. The ongoing expansion of the bank's loan portfolio will be a test for the still relatively new risk management framework. However, we do not expect it to result in a sharp rise in NPL levels.

The sharp reduction in NPLs is the direct result of the enhancement of risk-management procedures over the last few years (see *Improvements in the risk-management process have supported asset quality*). Indeed, most of the NPLs outstanding at the end of 2014 were approved during the 2004-07 period and no loan contracted after the renewed balance sheet expansion in 2012 has turned non-performing, reflecting the effectiveness of the improvements made in projects appraisal and monitoring.

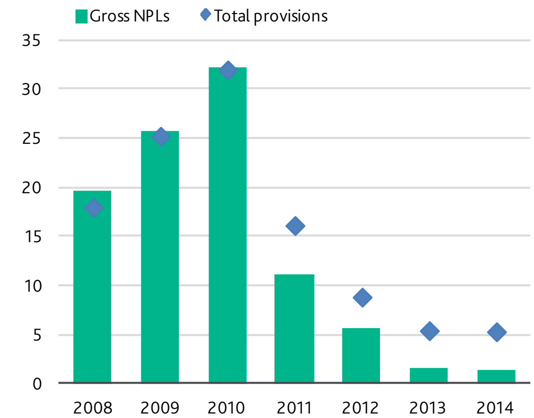
The bank has also increased its provisions compared to NPLs. At the end of 2014, total provisions amounted to $6.0 million, covering close to 376% of NPLs[7] (see Exhibit 10).

[7] The bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio taking to account prudential guidelines of International Financial Reporting Standards (IFRS). The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred on a collective basis.

EXHIBIT 10

Declining NPLs increasingly covered by provisions

(% of gross loans)

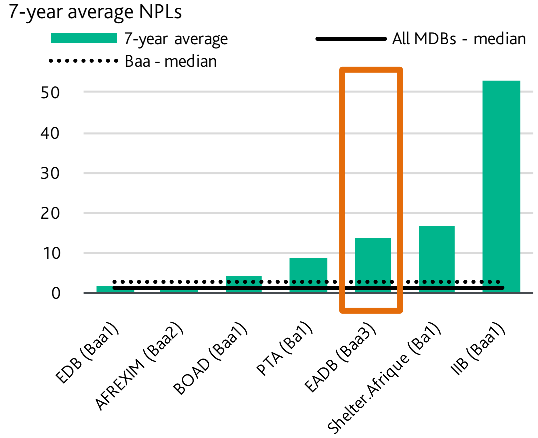


Source: EADB, Moody's

EXHIBIT 11

... but historical average remains high compared to peers

7-year average NPLs



Source: EADB, Moody's, Annual reports

Collateral held against loans also supports asset quality

Another factor supporting asset quality is the fact that EADB holds collateral against loans and advances to customers in the form of mortgage interest over property. This not only mitigates some of the risk of having to write off bad loans, but also increases the probability of recovering the assets in the future. The difficulties lie in the ability of the bank to seize assets and transfer the proceeds of the sale once the loan becomes impaired. Nevertheless, the bank's track record in asset recovery has been satisfactory. For example, from 2008 to 2011, recoveries on average amounted to 105% on principal and 99% on gross exposures including interest.[8] Those numbers are mainly explained by the overcollateralization taken by the bank at the inception of projects.

It should be noted that foreclosure procedures are sometimes relatively lengthy and there are some still ongoing for the remaining amounts. However, when accounting for these considerations, the picture is considerably better than gross NPL numbers suggest, with net NPLs amounting to only 0.3% of the net loan potfolio at the end of 2014. All existing NPLs are backed by collateral in excess of EADB's gross exposure to the loan and are either settled or in restructuring or under negotiation.

[8] Based on the year the loan became non-performing.

Improvements in the risk-management process have supported asset quality

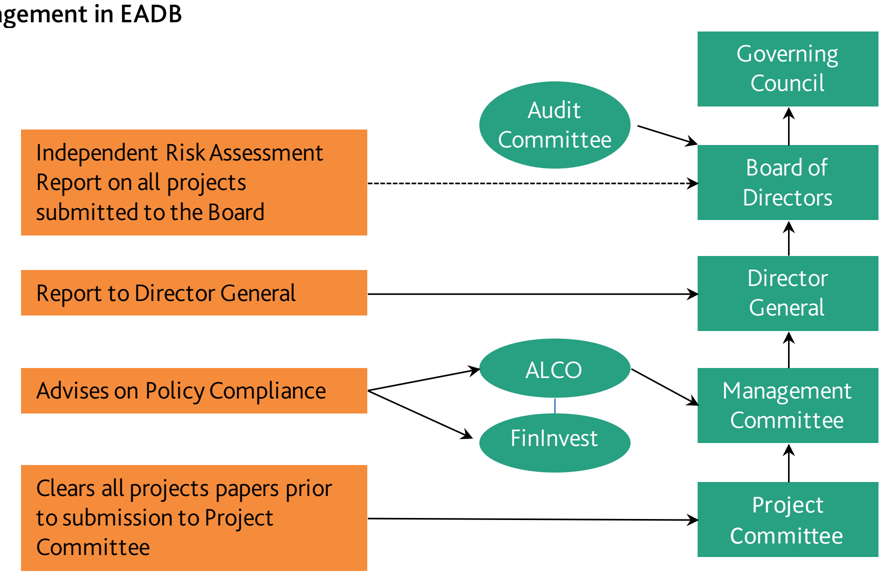
EADB's risk-management apparatus has improved considerably over the past 13 years following the extension of the bank's activities in the early 2000s, though reforms have been accelerated over the last seven years. The bank has focused on governance and risk management in order to improve asset quality.

In 2003, the bank created a dedicated risk-management and control unit, accompanied by the implementation of a credit rating system to grade the risks in its portfolio. In 2005, it also strengthened its internal audit policy and formally established an audit committee in the board of directors. However, the reforms were not able to cope with the fast-paced expansion of the bank's loan portfolio, leading to a rapid build-up of NPLs.[9]

An acceleration of credit and risk-management reforms ensued, affecting both the organizational structure and credit processes within the bank. In 2007, the risk-management function was strengthened with the appointment of a risk manager, who reports directly to the Director-General independent of the operating lines. Concurrently, the bank adopted a risk-based audit framework.

The board of directors has overall responsibility for the establishment and oversight of the bank's risk-management framework. The board has established an asset and liability committee (ALCO), a project committee as well as a risk-management units which are responsible for developing and monitoring the bank's risk-management policies in their specified areas. The bank's audit and governance committee is responsible for monitoring compliance with risk-management policies and procedures, and for reviewing the adequacy of the risk-management framework. Different groups ensure the proper evaluation and monitoring of the risks the EADB potentially faces. The day-to-day operational responsibilities for implementing risk-management policies and guidelines are delegated to the relevant business units, with the Risk Management and Control Unit (RMCU) having an oversight role for all risk-management functions.

EXHIBIT 12
Risk Management in EADB



Source: EADB, Moody's

To strengthen the appraisal process, a mandatory risk-grading has been in place since 2010. Moreover, all projects now require pre-clearance by the risk-management unit prior to consideration by the project committee. Portfolio managers are responsible for monitoring the credit quality of loans and ensuring that appropriate corrective actions are taken. They prepare regular reports for management and the board's consideration on the performance of the loan portfolio. The credit administration also provides advice, guidance and specialist skills to the operations department in order to promote best practice in the management of credit risk. In addition, the internal audit unit undertakes regular audits of the operations department and the bank's credit processes, thereby fostering a strong credit risk culture.

The bank's risk-management policies aim to identify and analyze the risks faced by the bank, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk-management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. With regard to lending authority, any transaction is approved either by a credit committee if it is below $1 million or by the Board of Directors if it exceeds $1 million. The bank works with other MDBs, particularly the AfDB, to co-finance projects and to share risks. The management committee is responsible for oversight of the bank's credit risk, including the formulation of credit policies, coverage of collateral requirements and credit assessments, and the grading and reporting of risks.

The bank is strongly committed to further improving its risk-management framework. To this end, it has appointed the Frankfurt School of Finance and Management to conduct a review of its risk-management processes and develop additional tools to enhance the current rules and their compliance with the Basel Committee on Banking Supervision (BCBS) requirements. The project, and the resulting staff training and software and hardware requirements are funded by the AfDB through the Fund for African Private Sector Assistance (FAPA).

The investment portfolio is relatively concentrated

The nature of EADB's operations means that, compared with a commercial bank, it lends larger amounts to a smaller number of entities.[10] The bank's prudential framework addresses concentration risk by limiting its exposure to any sector to 20% of total exposure and exposure to a single project to 50% of the project's total cost and 15% of EADB's net assets. The portfolio has been relatively well balanced over time, and the bank's largest sector exposures at the end of 2014 are financial institutions (29% of the gross portfolio[11]), electricity and water (23%), agribusiness (17%), and the construction sector (13%) (see Exhibit 13).

Given the bank's mandate, the geographic distribution of the portfolio is extremely concentrated, with 100% of its portfolio in its four member states, although slightly favoring Uganda with 35.9% of gross loans at end-2014 (see Exhibit 14). Although this is comparable to some other MDBs – for example, the exposure of the Black Sea Trade and Development Bank (A3 stable) to Russia (Ba1 negative), Ukraine (Ca negative), Bulgaria (Baa2 stable) and Turkey (Baa3 negative) together represents 64.5% of loans outstanding as of December 2013 – regional and country concentration risk remains high compared to other rated MDBs (see Exhibits 15 and 16).

9 In addition, several other factors explain this rapid evolution: (i) the bank did not at the time create an organisational risk culture; (ii) a large share of NPLs was concentrated on small and medium-sized businesses (SMEs), which often lacked a formalised management system, reporting and succession planning, and which the bank was at the time unable to monitor effectively and closely; and (iii) the absence of an effective Know-Your-Customer (KYC) process to gauge integrity of loan applications.

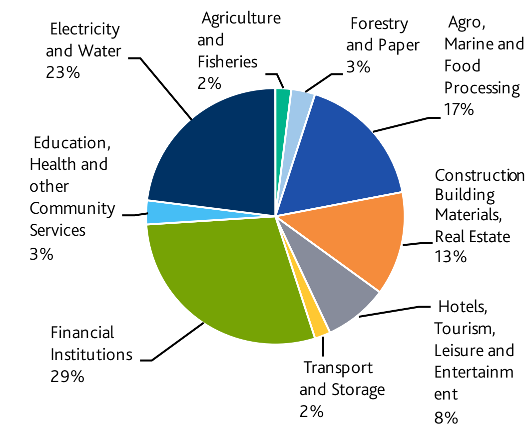
10 At end-2014, the bank's gross balance accounted for $112.8 million distributed over 67 accounts.

11 The breach of the 20% limit for financial institutions and the electricity and water sector was temporary and approved by the Board prior to it. The bank is currently in the process of revising its portfolio concentration limits by sector to reflect the higher capital-intensive dimension of some sectors compared to others.

EXHIBITS 13 & 14

The portfolio is relatively well distributed among sectors…

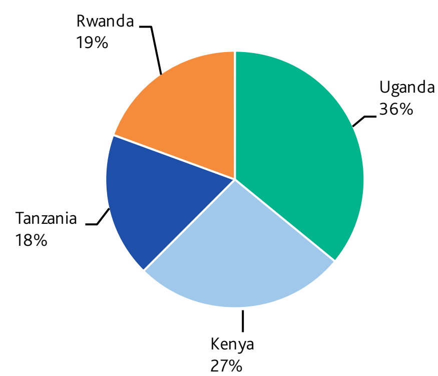
Loan exposure by sector (2014, % of gross loans)



Source: EADB, Moody's

… but remains heavily concentrated geographically

Loan exposure by country (% of gross loans)

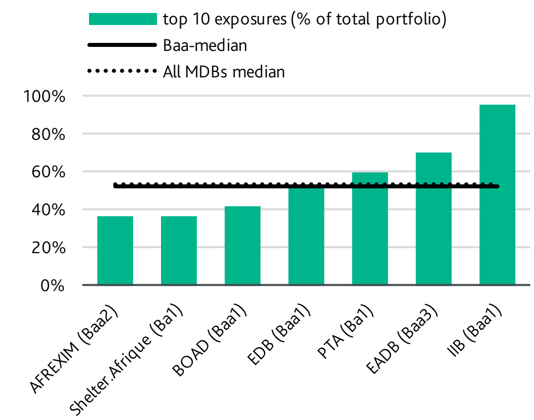


Source: EADB, Moody's

EXHIBIT 15 & 16

Concentration risk appears high relatively to peers

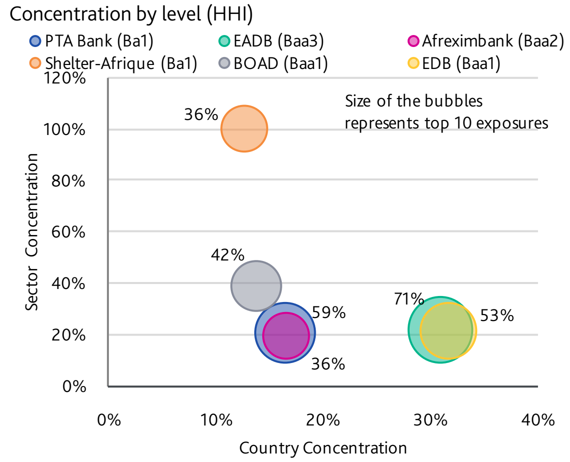
Top 10 portfolio exposures (% of total gross portfolio)



Note: latest available data

Source: EADB, Moody's, Annual reports

Concentration by level (HHI)



Note: latest available data

Source: EADB, Moody's, Annual reports

On top of lending to the private sector (particularly SMEs), the EADB has developed a public portfolio in order to finance infrastructure projects; as a result, the bank now has a relatively large exposure to sovereign risk. In total, the EADB was exposed to six public sector projects at the end Q1 2015, for an amount of $67 million or 53% of the gross portfolio (see Exhibit 17). These projects included: (1) participation in syndicated loans to the governments of Tanzania for infrastructure projects (energy, water and transport) and Kenya for projects in the social sectors, and to the Tanzanian publicly owned power utility company;[12] and (2) lines of credit to state organizations or companies where the government has a majority share.[13] On the one hand, this large sovereign exposure supports the bank's asset quality because this part of the portfolio is more likely to be repaid given EADB's preferred creditor status. Nevertheless, this also implies that the bank has an even larger direct and indirect exposure to the credit quality of its member states.

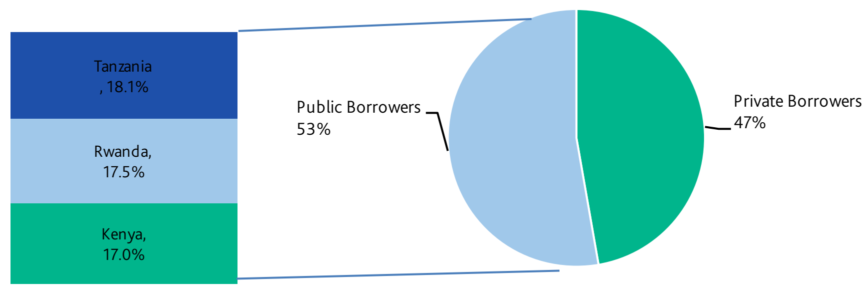
[12] Namely Tanzania Electric Supply Co. (Tanesco), which is fully owned by the government.

[13] Including Bank of Kigali and Banque Rwandaise de Development

EXHIBIT 17

Although the bank lends mostly to the private sector, its sovereign risk exposure is substantial

Exposure by type of borrower (% of gross loans)



Source: EADB, Moody's

Liquidity: High

A strong liquidity position combined with access to diversified and stable sources of funding

Factor 2

Scale		Very High	High	Medium	Low	Very Low	
	+						-

A financial institution's liquidity is important in determining its shock absorption capacity. We evaluate the extent to which liquid assets cover debt service requirements and the stability of the institution's access to funding.

Liquidity plays an important role in our credit assessment of MDBs given that these institutions (bar the European Investment Bank (Aaa stable) and the West African Development Bank (BOAD, Baa1 stable)) are not eligible to access the emergency window offered by central banks.

The bank has a stringent liquidity policy…

In common with most Moody's-rated MDBs, EADB has a liquidity policy that sets a minimum liquidity coverage ratio: currently a minimum of 1.33 times the designated liabilities for the next 12 months. Designated liabilities consist of liabilities and budgeted commitments that are due in the next 12 months. The bank's operational and strategic liquidity pool comprises cash and cash equivalents.[14] The operating level of liquidity was well above its minimum requirement in 2014 (1.9x). It includes coverage for both the risk of being unable to fund assets at appropriate maturities and rates, and the risk of being unable to liquidate an asset at a reasonable price and within an appropriate timeframe. The bank maintains a high level of liquidity to ensure the continuous ability to fund its operations, even if unforeseen circumstances were to render market conditions for borrowing temporarily unfavorable.

The bank also closely monitors its net liquidity gap. It manages its liquidity by: (1) grouping maturing assets and liabilities into six time periods (i.e., matured, up to six months, six months to one year, one to three years, three to five years, five to seven years, and over seven years); and (2) matching the cash inflows and outflows, with the cumulative gap between the cash flows as a percentage of total liabilities being the most relevant ratio. At the end of 2014, the cumulative gap remained positive within each of the time periods

[14] I.e. bank deposits with maturity periods not exceeding three months.

except for maturities exceeding seven years, pointing to the fact that cash flows exceeded liabilities for almost all maturities.

...and has improved its liquidity position in the last few years

Since 2007, the bank has reinforced its liquidity position (see Exhibit 18). Liquid assets amounted to 52% of total assets in December 2014, compared to 25.5% at the end of 2007.

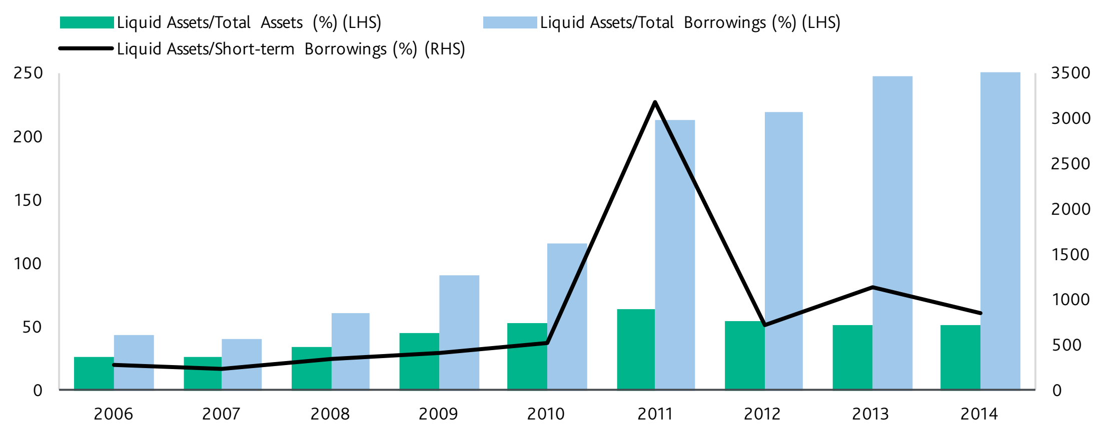
In addition, the treasury portfolio is managed in line with the bank's Treasury Policies and Procedures[15] so as to keep a large part invested in international banks and strong local banks in the region that meet EADB's approved credit criteria. In this respect, the increase in EADB's liquid assets in the last few years has been accompanied by a rising reliance on local banks for its deposits, with all deposits being held in local banks in 2014 compared to 58% in 2009. Nevertheless, these local banks have a relatively strong credit quality, since they are generally subsidiaries of large international or regional banks with high ratings. Moreover, a set of liquidity policies guarantees the availability of the investment portfolio. For instance, the bank cannot place funds on deposits or similar obligations with maturities above three years.[16] As of end-2013, 80% of deposits were due within three months. On top of that, the bank cannot place more than 30% of its total liquid assets in current deposits or deposit accounts in a single financial institution or group of related financial institutions.

In terms of debt-service coverage, liquid assets covered more than eight times the sum of short-term debt and currently maturing long-term debt ("CMLTD") in 2014 (see Exhibit 18), which compares favorably to other MDBs. As a comparison, in 2013 the median ratio of short-term and currently maturing long-term debt over liquid assets in our MDB-rated universe was 44%.

EXHIBIT 18

Liquid assets have been rising

Liquid assets



Source: EADB, Moody's

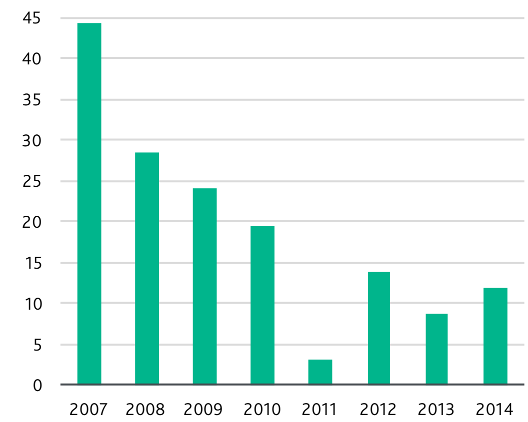
[15] Under the supervision of its Assets and Liabilities Committee (ALCO).

[16] At least 50% of the liquid assets must be maturing within one year, with 35% maturing within two years and the remaining maturing within three years.

EXHIBIT 19

Debt-service coverage is high...

(CMLTD + Short Term Debt)/Liquid Assets (%)

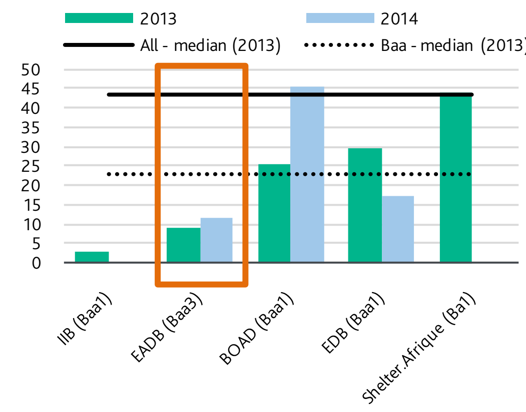


Source: EADB, Moody's

EXHIBIT 20

...and compares well to peers

(CMLTD + Short Term Debt)/Liquid Assets (%)



Note: latest data available

Source: EADB, Moody's

Liquidity is also supported by EADB's access to a large and stable pool of funding sources

The bank has access to diversified and stable sources of funding:

(i) Equity in the form of forthcoming paid-in capital further to the capital commitment by its member states ($31 million to be received by 2016[17] under the General Capital Increase agreed in 2007, $23 million of initial capital contribution, which has to be paid by Rwanda by 2019, an initial capital contribution from Burundi as well as a projected other general capital increase by 2021).

(ii) Lines of credit, with a significant share contracted at concessional rates vis-à-vis development finance institutions (DFIs) that share similar mandates and objectives; and

(iii) Access to local capital market funding on par with domestic sovereign issuers and benefiting from a reliable investor base; this enhances funding flexibility, and limits dependence on one source of funds.

The bank's main sources of financing are concentrated in available lines of credits from other MDBs and financial institutions. At the end of 2014, 54% of EADB's total liabilities were in the form of lines of credit from MDBs, thereby guaranteeing a stable and cheap source of funding. In addition, EADB also has large unused credit lines from international development institutions, which helps boost potential liquidity. The main lending institutions for long-term financing, which EADB has access to include the AfDB, Commercial Bank of Africa Limited, the European Investment Bank (EIB), the OPEC Fund for International Development, the Nordic Development Fund, Development Bank of South Africa (DBSA) and DFCU Bank Limited.

We highlight that MDB funding has fallen over the last few years (lines of credits from MDBs represented 70% of total liabilities in 2012), in favor of lines of credits with other financial institutions. Although this reflects EADB's access to a diversified pool of creditors, this could also translate into potentially higher funding costs for the bank.

The EADB has previously been active in the local bond markets – it was the first issuer in domestic capital markets in East Africa – and intends to re-enter these markets. In September 2012, the bank initiated a $120 million program to mobilize local-currency funds by way of a Medium Term Note (MTN) program in all East African markets. This is the first regional MTN through which EADB is accessing different regional markets in

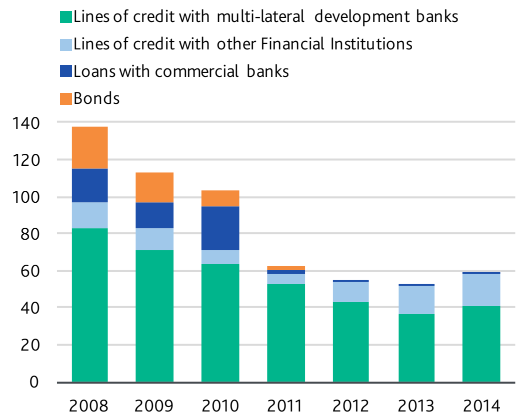
[17] Except Rwanda's contribution, amounting to $20.25 million, which has to be paid by 2018.

different currencies simultaneously. The bank expects to draw down the full program in three to four tranches. The amounts and issue date will depend on the expected projects in the pipeline from each market, as well as on market conditions.

EXHIBIT 21

The bank has access to various sources of funding

Borrowings by creditors (USD millions)



Source: EADB, Moody's

EXHIBIT 22

EADB Bonds

Issue Date	Currency	Amount (mn)	Maturity Date
22-Nov-96	KES	820	22-Nov-99
1-Dec-97	UGX	10,000	2-Nov-03
15-Jan-99	KES	1,200	15-Jan-03
12-Oct-99	TZS	10,000	2-Nov-03
25-Apr-01	KES	2,000	25-Apr-06
9-Feb-02	TZS	20,000	9-Jan-07
19-Jul-04	KES	800	1-Aug-11
27-Apr-05	TZS	15,000	13-Jun-12
5-Dec-05	UGX	20,000	19-Dec-12

Source: EADB, Moody's

Strength of Member Support: Low

High shareholder willingness to support the bank, but their ability is limited

Factor 3

Scale		Very High	High	Medium	Low	Very Low	
	+						-

Contractual support primarily manifests itself in the callable capital pledge, which is a form of emergency support. Extraordinary support is a function of shareholders' ability and willingness to support the institution in ways other than callable capital. Strength of member support can increase the preliminary rating range determined by combining factors 1 and 2 by as many as three scores.

Shareholders' ability to support the bank is constrained by their low average credit quality

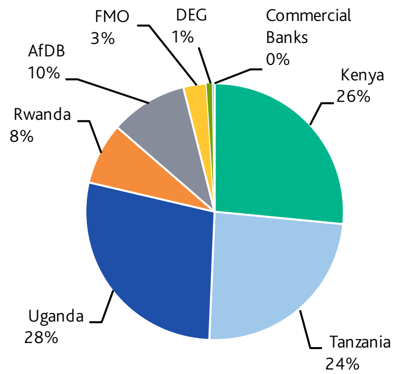
The weighted median rating of EADB's shareholders is B1. This is one of the lowest weighted medians of all Moody's-rated MDBs, along with B1 for Shelter Afrique (Ba1 stable), B2 for PTA Bank (Ba1 stable), B2 for Afreximbank (Baa2 negative) and B2 for Arica Finance Corporation (AFC, A3 stable). In addition, in the case of EADB, some of the bank's shareholders are unrated and would likely be rated in the single-B range if they were. Commensurate with such a rating, our assessment of the ability of these governments to quickly transfer callable capital to the bank in the hypothetical event of an emergency is very low.

AfDB is the EADB's largest investment-grade shareholder, with 9.7% of paid-in capital and 1.8% of callable capital as of December 2014. In 2013, AfDB increased its participation in the bank by committing $24 million in equity investment, of which $10 million has been paid in with the balance in the form of callable capital. Of all of EADB's shareholders, AfDB has the highest ability to honor a call on the callable capital. Moreover, AfDB has provided EADB with recurrent and sustained support since inception, including lines of credit (amounting to $163 million between 1972 and 2014), as well as technical assistance, including risk management, operational enhancement and capacity building. It also acts a co-financier on a number of EADB projects within member states.

In 2008, Rwanda became the latest member to join the bank's shareholder member states, a year after it became a member of the EAC. Its shares amounted to 7.7% of subscribed capital and Rwanda contributed to 8.8% of the EADB's total pool of callable capital. It should also be noted that Burundi, the most recent joiner to the EAC, also intends to become a shareholder of the bank.[18] South Sudan has also formally applied to join the EAC, and will likely become a new EADB shareholder once accepted. The EAC's widened membership would potentially increase the level of class A shareholders within EADB. In addition, potential contributions to callable capital are now available from Class B shareholders following the bank's charter amendment in 2012. The bank is also in discussion with other international and regional development financial institutions which have complementary roles and mandates.

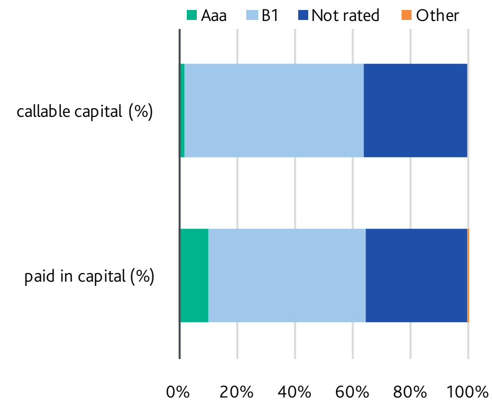
[18] At time of joining the EAC the same year as Rwanda, Burundi was reconsidering its commitment in different development financial institutions in which the country was shareholder (i.e.: AfDB, PTA, for example)

EXHIBIT 23
EADB Shareholders
(% of shareholding, Dec. 2014)



Source: EADB, Moody's

EXHIBIT 24
Most shareholders are non-investment grade
(% of paid in and callable capital, Dec. 2014)



Source: EADB, Moody's

EADB remains the predominant development financier in the EAC - the community's forming treaty describes EADB as an institution of the EAC with the task of helping to fund the socio-economic development of the region, as well as its economic integration. The EADB even survived the break-up of the EAC in 1977 and tensions within members states. In addition, its economic importance is linked to its shareholders' willingness to provide support. Over the past 10 years, loan approvals amounted to $582 million. To also gauge its importance to shareholders, projects financed by EADB employed an estimated 15,700 persons in 2012, and contributed $20 million in taxes to its member states.

Over the years, the bank has developed a unique expertise of the region, enhancing its relevance and importance to it. In addition to its main mandate, EADB was designated as the host of the East African Community Development Fund (EACDF) and has also been chosen to host the EAC resource centre for Public Private Partnerships.[19] The EACDF is to become a sister institution in charge of financing multinational infrastructure projects in the region through grants and concessional loans, with a view to making these projects operational in 2015. It will have a separate balance sheet and will be funded by transfers worth $450 million from governments, of which a third is to be paid in. EADB is to help the institution by providing expertise and technical skills.

Shareholders' willingness to support EADB is therefore very strong, as illustrated by a track record of consecutive capital increases. Since its inception, EADB has benefited from six general capital increases. In 1986, the bank's authorized capital was doubled to SDR80 million. More recently, subscribed capital increased from $270 million to $1,080 million in 2003-04. In 2007, member states committed to a $90 million capital increase, with installments to start from 2009. As Rwanda joined the bank's capital a year later, it agreed to contribute equally to this increase, with installments to be spread over 10 years. As of April 2015, $59 million has been paid in. The full amount is to be paid in by 2016 for historical shareholders, and by 2019 in the case of Rwanda. However, disbursement delays are unlikely to undermine the central role the bank plays in promoting East African regional integration, unless the ability of some its shareholders (bar the AfDB) to provide timely support were to start affecting their disbursements to the bank in a potential period of stress.

EADB also has the unique advantage of having direct access to the decision-makers of its member countries. Not only is the EADB's governing council made up of the ministers of finance from its member states, but

[19] The bank is to act as a broker in selective Public Private Partnership projects, as per a World Bank recommendation.

its Board of Directors includes the permanent secretaries of the ministries of finance that are consequently fully aware of the EADB's needs.

Annex

The Blueline Case

In December 2011, the EADB won an appeal in the Court of Appeal of Tanzania that challenged the 2005 High Court's arbitral award of $61 million to local borrower, Blueline Enterprises. The award represented almost all of the EADB's equity, and almost two-thirds of the bank's liquid assets. In making its decision, the court nullified the proceedings concerning the registration of the award, and firmly upheld EADB's statutory immunity. In late May 2013, the Court of Appeal dismissed Blueline's request for the court to review its 2011 decision, the plaintiff having failed to show any special circumstances to warrant a revision.[20]

Despite the size of such a contingency, its probability of crystallization was, in our opinion, very low on the basis of the immunity conveyed by the charter signed by Tanzania. The latter faced diplomatic pressure from fellow members states questioning the country's commitment to the EAC statutes, including the diplomatic immunity and privileges granted to EAC institutions like the EADB.

This latest decision put an end to a 20-year long judicial dispute. Shareholders showed their support for the bank throughout the proceedings, as reflected in their capital commitment in 2007. The matter was extensively discussed during the EAC Council of Ministers in 2011, with a view to ensuring that the EADB received a fair hearing.

The bank has since taken several measures to guard against such litigation cases in the future:

1) It strengthened its charter by adding a Preferred Creditor Status clause to Article 24. Article 44 and 45 were amended to explicitly strengthen its immunity right by granting the bank immunity from all forms of legal processes, except where it has expressly waived its immunity, and by strengthening the coverage of the bank's assets under immunity.
2) The EADB has also reinforced its legal documentation process. Post-approval legal documentations now undergo reviews by internal and external legal counsels. External lawyers provide assurance that all steps and checks precedent to the agreements have been confirmed. They also provide indemnity should the agreements be found to be defective.

Timeline of the Blueline Case

1990/1992: EADB advanced loans equivalent to $2.2 million to a former client. During the period of the facility, the borrower (Blueline Enterprises) defaulted on the repayment installments on numerous occasions.

1995: The bank subsequently invoked its powers under the debentures by appointing a receiver and manager of the borrower. The borrower filed a suit in the High Court for the parties to submit their dispute to arbitration. Ultimately, the matter was referred to arbitration.

2001: In arbitration, the EADB claimed a sum of $13.8 million which was due and outstanding from the client as at end-February 2011.

[20] Tanzania has a unique system in the EAC that allows parties dissatisfied with a decision of the Court of Appeal to seek a judicial review.

2002: The Arbitrator, the late (rtd)former Chief Justice of the United Republic of Tanzania, by his award found in favor of the bank, and dismissed the borrower's counterclaim on the basis that it lacked legal merit. The borrower applied to the High Court to have this award set aside.

2005: The borrower obtained an award of $61 million against the EADB on its counterclaim for damages for alleged breach of contract before a different arbitrator.

2006/07: Following this Arbitral Award, the EADB filed two petitions to set aside the disputed award in the High Court. Both were struck out, on a procedural technicality and on the grounds of limitation.

2010: The EADB filed a Notice of Appeal in the Court of Appeal against the ruling. The Court of Appeal of Tanzania dismissed the appeal by the bank. The bank's application to the Court of Appeal for a review of its decision on the ground of breach of natural justice was also not successful.

2011: The High Court had, in a separate enforcement proceedings instituted by the borrower ruled that the bank's statutory immunity from execution only covered the bank's physical property and physical assets, but did not cover monies held by or for the benefit of the bank in a bank account. The EADB challenged this ruling successfully and the Court of Appeal declared the proceedings concerning the registration of the award to be a nullity. It firmly upheld EADB's immunity against all forms of legal process and against attachment or interference with its property wherever it may be.

2013: Justices ruled that the borrower had failed to show any special circumstances to warrant the Court of Appeal to revise its 2011 decision on the award. This followed the application in which Blueline had asked the Court of Appeal to review its earlier decision, mainly on the issue of immunity granted to EADB.

Rating Range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our Supranational Rating Methodology.

Supranational Rating Metrics: East African Development Bank

Comparatives

With total assets worth $254 million in 2013 and $294 million in 2014, EADB has a smaller balance sheet than most of its peers. Nevertheless, this comes after several years of downsizing and given the current expansion strategy, total assets are expected to increase in the coming years, although they are likely to remain significantly smaller than those of its peers.

EADB's capital adequacy is constrained by its history of elevated NPLs (averaging 14% of gross loans since 2009). However, for all the other sub-factors, the bank compares favorably to most of its peers. Its leverage and asset coverage ratios are better than all of its peers. Although these indicators are expected to deteriorate with the expansion of the portfolio in the coming years, they will likely remain at favorable levels compared to peers. EADB's portfolio concentration is relatively in line with other MDBs in the Ba to A rating categories and average borrower quality, although low, is also at comparable levels.

The bank's liquidity position compares also well to peers, with the lowest debt-service coverage ratio (11.8% in 2014) in the Baa category.

In terms of strength of member support, the EADB compares less favorably to its peers: Although it has a significant amount of callable capital, our assessment of the credit uplift conferred by such support is constrained by: (1) the low median rating of its shareholders compared to some of its peers; and (2) the fact that its callable capital is held almost exclusively by non-investment grade shareholders, which limits their ability to support the bank in case of need.

	Year	EADB	Shelter Afrique[1]	PTA[1]	AFREXIM[1]	BOAD	AFC	Baa Median[2]
Rating/Outlook		Baa3/STA	Ba1/STA	Ba1/STA	Baa2/NEG	Baa1/STA	A3/STA	--
Total Assets (US$ million)	2014	294	270	2,536	4,358	3,059	2,439	3,059
Factor 1		Low	Very Low	Low	Low	Low	Medium	--
Usable Equity/Gross Loans Outstanding +Equity Operations (%)[3]	2014	192.2	52.4	22.6	20.3	50.6	99.5	67.3
Debt/Usable Equity (%)[3]	2014	26.6	151.4	376.6	249.8	152.3	78.5	137.3
Gross NPLs/Gross Loans Outstanding (%)[4]	2014	1.4	10.4	4.4	3.4	3.0	0.0	3.0
Factor 2		High	High	Medium	Medium	Very High	High	--
ST Debt + CMLTD/Liquid Assets (%)[5]	2014	11.8	44.0	256.2	213.0	45.4	48.1	17.2
Bond-Implied Ratings (Average)	2014	--	--	B1	Ba1	--	--	--
Intrinsic Financial Strength (F1+F2)		Medium	Low	Low	Low	Medium	High	--
Factor 3		Low	Low	Low	Low	Medium	Very Low	--
Total Debt/Discounted Callable Capital (%)[6]	2014	416.5	--	1273.1	4073.9	249.2	--	249.2
Weighted Median Shareholder Rating (Year-End)	2014	B1	B1	B2	B2	--	B2	Baa2
Rating Range (F1+F2+F3)		A2-Baa1	Baa2-Ba1	Baa2-Ba1	Baa2-Ba1	A1-A3	Aa2-A1	--

Notes:

[1] Data from 2013 for Shelter Afrique, PTA and AFREXIM Bank

[2] Based on Baa-rated MDBs with available 2014 annual accounts

[3] Usable equity is total shareholder's equity and excludes callable capital

[4] Non performing loans

[5] Short-term debt and currently-maturing long-term debt

[6] Callable capital pledge by members rated Baa3 or higher, discounted by Moody's 30-year expected loss rates associated with ratings.

Source: Moody's, respective MDB financial statements

Rating History

East African Development Bank

	Issuer Rating		Senior Unsecured	Outlook	
	Long-term	Short-term			Date
Rating Raised	Baa3	--	--	Stable	June -2015
Rating Assigned	Ba1	--	--	Stable	June -2013

Annual Statistics

EXHIBIT 25

East African Development Bank

	2007	2008	2009	2010	2011	2012	2013	2014
Balance Sheet (USD '000)								
Assets								
Cash And Bank Balances	9,812	4,178	5,892	1,862	2,238	5,532	4,463	10,306
Deposits Due From Banks	60,341	79,022	96,225	117,305	129,978	112,396	124,537	142,095
Loans And Advances At Amortized Costs	184,725	139,530	104,344	97,710	66,169	80,267	99,910	106,750
Gross loans	238,210	170,145	136,129	130,721	78,502	87,859	105,664	112,770
Loans to other banks	14,012	12,797	9,670	21,933	37	2,082	-	-
Loans to projects	204,664	139,210	113,075	99,722	73,552	83,374	103,070	110,325
Finance lease receivables	19,534	18,138	13,384	8,907	4,683	2,345	2,565	2,419
Staff loans	-	-	-	159	230	58	29	26
Impairment losses on loans and advances	-53,485	-30,615	-31,785	-33,011	-12,333	-7,592	-5,754	-6,020
Equity Investment	3,837	4,252	4,261	1,933	1,546	1,674	1,620	1,357
Derivative financial instruments	-	-	-	-	1,535	398	72	108
Other Assets Receivable	11,115	11,372	8,602	1,534	1,261	599	1,176	860
Intangible Assets	1,510	1,241	973	-	-	-	-	-
Property And Equipment	4,264	4,212	4,149	3,868	3,530	2,799	4,906	14,261
Total Assets	**275,604**	**243,807**	**224,446**	**224,212**	**206,257**	**219,479**	**253,900**	**294,425**
Liabilities								
Medium And Long Term Borrowings	137,655	115,162	96,953	94,632	59,785	54,031	52,120	58,282
EADB Bonds At Amortized Cost	34,376	22,849	16,426	8,620	2,582	0	0	0
Other Accounts Payable	1,556	1,897	889	3,402	11,425	6,408	4,931	2,039
Dividends Payable	35	35	35	35	35	-	-	0
Special Funds	13,841	13,841	13,841	13,840	13,840	-	3,990	3,990
Grants	1,103	785	467	150	150	150	3,373	3,244
Capital Fund	7,479	7,479	7,479	7,479	7,479	-	7,479	7,479
Total Liabilities	**196,045**	**162,048**	**136,090**	**128,158**	**95,296**	**60,589**	**71,893**	**75,034**
Equity								
Share Capital	86,549	97,038	99,873	99,900	99,900	99,900	152,159	173,097
Share Premium	-	502	1,417	1,425	1,425	1,425	2,532	3,084
Advance Share Capital Contribution	40	49	1,045	6,503	14,702	40,807	2,081	102
Special Reserve	9,356	9,686	9,686	9,875	9,970	10,313	10,624	11,030
Fair Value Adjustment Of Available For Sale Assets	11	-	-	-	-71	-180	475	566
Accumulated Losses	-16,397	-25,516	-23,665	-21,649	-14,965	6,625	14,136	23,460
Total Shareholders Equity	**79,559**	**81,759**	**88,356**	**96,054**	**110,961**	**158,890**	**182,007**	**219,391**
Total Liabilities & Total Shareholders Equity	**275,604**	**243,807**	**224,446**	**224,212**	**206,257**	**219,479**	**253,900**	**294,425**
Callable Capital	362,475	414,923	429,098	429,098	429,233	429,233	654,575	759,267
o.w. Callable Capital of Aaa-Baa3 Members	-	-	-	-	-	-	14,000	14,000

EXHIBIT 25

East African Development Bank

	2007	2008	2009	2010	2011	2012	2013	2014

EXHIBIT 26

East African Development Bank

	2007	2008	2009	2010	2011	2012	2013	2014
Income Statement (USD '000)								
Interest income	25,345	23,873	17,247	12,457	12,523	14,517	11,549	15,142
Interest expense	-11,694	-11,013	-6,064	-4,648	-3,710	-4,408	-2,281	-2,753
Net interest income	**13,651**	**12,860**	**11,183**	**7,809**	**8,813**	**10,109**	**9,268**	**12,389**
Fee and commission income	1,317	827	124	413	429	780	472	772
Net loss on foreign exchange	739	-2,475	1,226	-1,846	-2,668	1,192	41	-656
Net gain/(losses) on financial assets held at fair value	0	0	0	0	-561	-1,137	661	201
Net gain/(losses) on equity investments held at fair value	0	0	0	0	490	296	-32	2
Other operating income	3,572	1,712	1,621	1,821	3,116	3,934	4,818	3,713
Total operating income	**19,279**	**12,924**	**14,154**	**8,197**	**9,619**	**15,174**	**16,630**	**17,893**
Reduction in provision for impairment of loans and leases receivables	-20,917	-13,268	-3,674	1,702	4,160	698	-823	-332
Impairment write back/ (charge) on equity and other investment	0	-457	-637	0	0	0	0	0
Operating income after impairment charges	**-1,638**	**-801**	**9,843**	**9,899**	**13,779**	**15,872**	**15,807**	**17,561**
Employee benefits expense	-3,869	-4,590	-4,223	-3,316	-3,174	-3,735	-4,402	-4,119
Depreciation and amortization	-647	-446	-396	-988	-490	-541	-550	-613
Other operating expenses	-2,701	-2,952	-3,373	-3,390	-3,407	-4,281	-2,378	-3,009
General operating expenses	**-7,217**	**-7,988**	**-7,992**	**-7,694**	**-7,071**	**-8,557**	**-7,330**	**-7,741**
Profit for the year	**-8,855**	**-8,789**	**1,851**	**2,205**	**6,708**	**7,315**	**8,477**	**9,820**
Financial Ratios								
Capital Adequacy (%)								
Usable Equity/Assets (%)	28.9	33.5	39.4	42.8	53.8	72.4	71.7	74.5
Usable Equity/Gross Loans Outstanding (%)	43.1	58.6	84.7	98.3	167.7	198.0	182.2	205.5
Usable Equity/Gross Loans Outstanding + Equity Operations (%)[1]	32.9	46.9	62.9	72.4	138.6	177.5	169.6	192.2
Total Equity/Assets(%)	162.9	210.0	235.7	235.9	256.5	241.1	317.7	316.7
Total Equity/Gross Loans Outstanding(%)	243.1	366.9	506.9	541.4	799.7	659.2	807.5	873.4
Debt/Usable Equity (%)[1]	173.0	140.9	109.7	98.5	53.9	34.0	28.6	26.6
Gross NPLs/Gross Loans Outstanding(%) [2]	28.3	19.6	25.8	32.2	11.1	5.6	1.6	1.4
Allowance for Loan Losses/Gross NPLs(%) [2]	0.0	96.6	93.7	94.6	145.8	153.1	338.5	376.3
Return on Average Assets (%)	-3.3	-3.4	0.8	1.0	3.1	3.4	3.6	6.5
Interest Coverage Ratio (x)	0.2	0.2	1.3	1.5	2.8	2.7	4.7	7.5
Liquidity (%)								
Liquid Assets/Total Assets (%)	25.5	34.1	45.5	53.1	64.1	53.7	50.8	51.8
Liquid Assets/Total Borrowings(%)	40.8	60.3	90.1	115.4	212.0	218.3	247.5	261.5
Liquid Assets/Total Liabilities(%)	35.8	51.3	75.0	93.0	138.7	194.6	179.4	203.1
ST Debt + CMLTD/Liquid Assets(%) [3]	44.3	28.4	24.2	19.4	3.2	13.8	8.9	11.8
Bond-Implied Ratings (Average)	--	--	--	--	--	--	--	--
Strength of Member Support (%)								
Callable Capital of Aaa-Baa3 Members/Total Callable Capital	0.0	0.0	0.0	0.0	0.0	0.0	2.1	1.8
Total Debt/Discounted Callable Capita (%)l[4]	--	--	--	--	--	--	372.4	416.5
Weighted Median Shareholder Rating (Year-End)	B2	B2	B2	B2	B2	B2	B1	B1

Notes: [1] Usable equity is total shareholder's equity and excludes callable capital
[2] Non-performing loans
[3] Short-term debt and currently-maturing long-term debt
[4] Callable capital pledged by members rated Baa3 or higher, discounted by Moody's 30-year expected loss rates associated with ratings

Source: Moody's, EADB

EXHIBIT 27

Portfolio Distribution (% of Gross Loans Outstanding)

(% of Gross Loans Outstanding)	2009	2010	2011	2012	2013	2014
– Country Detail						
Uganda	--	--	35.0	42.4	36.3	35.9
Kenya	--	--	29.8	32.2	23.7	26.6
Tanzania	--	--	29.2	20.8	23.6	18.1
Rwanda	--	--	6.0	4.6	16.4	19.4
Total	**--**	**--**	**100.0**	**100.0**	**100.0**	**100.0**
– Sector Detail						
Agriculture and Fisheries	0.2	0.3	0.2	0.1	1.0	2.0
Forestry and Paper	3.4	3.8	3.2	4.4	4.0	3.0
Mining and Quarrying	0.9	1.0	0.0	0.0	0.0	0.0
General Industrial Manufacturing	3.1	2.0	1.6	1.7	0.0	0.0
Consumer Industrial Manufacturing	0.3	1.0	0.0	0.0	0.0	0.0
Agro, Marine and Food Processing	19.2	18.5	10.6	19.0	18.0	17.0
Construction, Building Materials and Real Estate	12.0	13.8	4.8	12.5	15.0	13.0
Hotels, Tourism, Leisure and Entertainment	10.2	10.1	8.4	11.7	7.0	8.0
Transport and Storage	9.4	8.5	1.8	1.1	1.0	2.0
Telecommunication Services and Information Technology	2.9	1.4	1.0	0.4	0.0	0.0
Financial Institutions	3.5	8.0	9.0	14.4	23.0	29.0
Oil and Gas	2.6	1.9	3.8	2.0	0.0	0.0
Education, Health and other Community Services	6.1	6.3	5.8	18.3	13.0	3.0
General Trading (Wholesale and Retail, and Repairs)	3.6	2.9	0.6	0.0	0.0	0.0
Electricity and Water	-	-	7.6	11.4	18.0	23.0
Total	**77.4**	**79.5**	**58.4**	**97.1**	**100.0**	**100.0**
Residual	22.6	20.5	41.6	2.9	0.0	0.0
Total Gross Loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Moody's, EADB

EXHIBIT 28

EADB Shareholders

(2014)	FC Gov Bond Rating	% of Paid-Up Capital	Paid-Up Capital (USD '000)	% of Callable Capital	Callable Capital (USD '000)
CLASS A					
Kenya Government	B1	26.5%	45,806	30.2%	274,833
Tanzania Government	--	24.0%	41,621	27.4%	249,723
Uganda Government	B1	27.9%	48,303	31.8%	289,818
Rwanda Government	--	7.7%	13,325	8.8%	79,947
TOTAL CLASS A		**86.1%**	**149,054**	**98.2%**	**894,321**
CLASS B					
African Development Bank	Aaa	9.7%	16,740	1.8%	14,000
FMO -Netherlands	--	2.9%	5,063	-	-
DEG -Germany	Aaa	0.8%	1,350	-	-
Consortium of Yugoslav Institutions	--	0.2%	378	-	-
SBIC - Africa Holdings - Johannesburg	--	0.2%	324	-	-
Commercial Bank of Africa, Nairobi	--	0.0%	68	-	-
Nordea Bank Sweden, AB	--	0.0%	68	-	-
Standard Chartered Bank, London	Aa2	0.0%	27	-	-
Barclays Bank PLC, London	A2	0.0%	27	-	-
TOTAL CLASS B		**13.9%**	**24,044**	**1.8%**	**14,000**
TOTAL CLASS A & B		**100%**	**173,097**	**100%**	**759,267**

Source: Moody's, EADB

Moody's Related Research

Credit Opinion:

» East African Development Bank, June 2015

Rating Action:

» Moody's upgrades East African Development Bank to Baa3 with a stable outlook, June 2015

Credit Focus:

» Four African Multilateral Development Banks: A Peer Comparison Focused on Capital Adequacy, Liquidity and Member Support, February 2015 (179324)

Rating Methodologies:

» Multilateral Development Banks and Other Supranational Entities, December 2013 (161372)

» Sovereign Bond Ratings, September 2013 (157547)

Moody's Website Links:

» Sovereign Risk Group Webpage

» Supranational Ratings List

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