

Financial Reporting and Loan Administration to Support Project Implementation

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Controller

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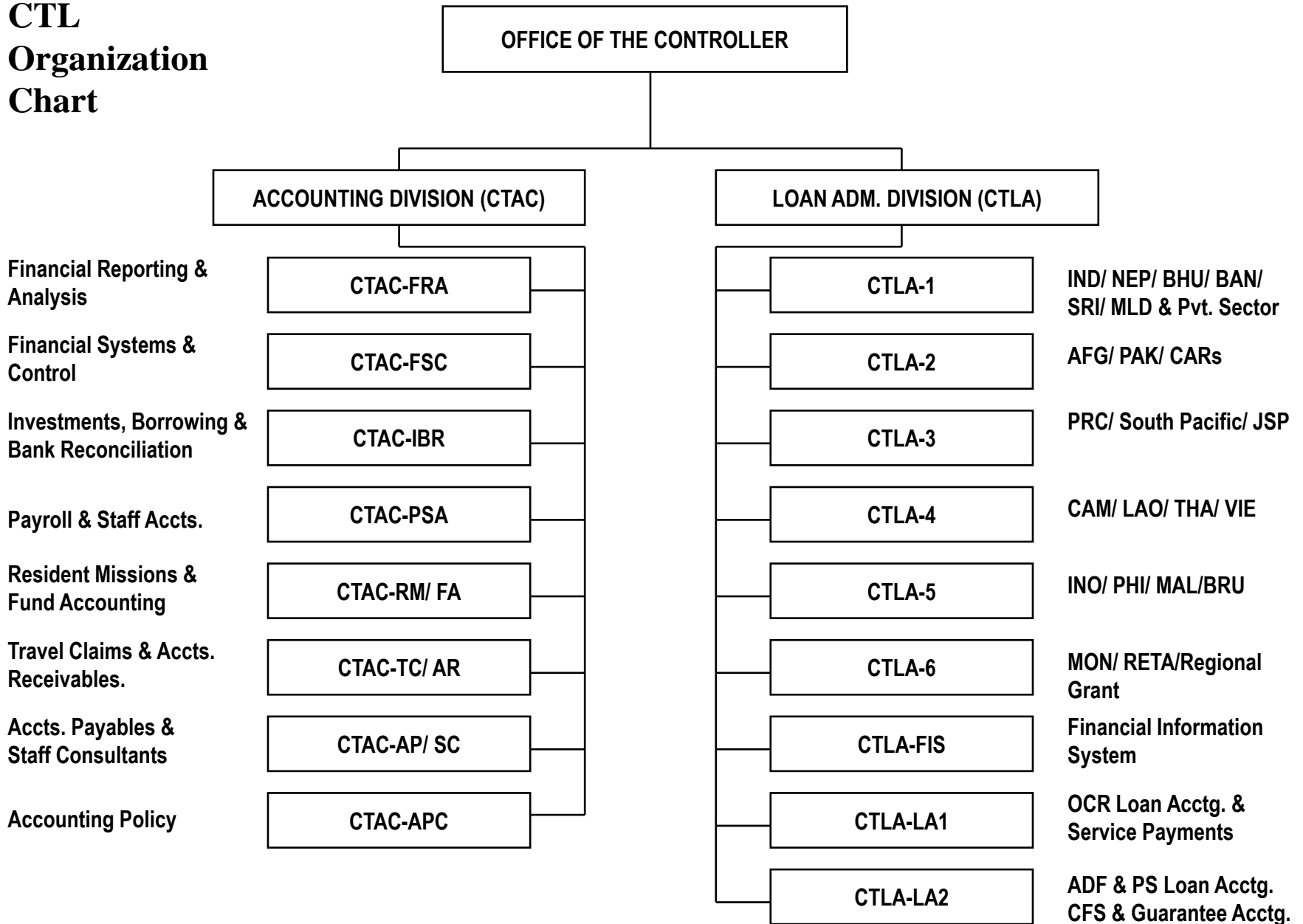
The logo for the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font on a dark blue square background.

ADB

CTL functions

- ❑ Financial reporting
 - Maintaining financial records
 - Maintaining proper internal controls
 - Preparing financial reports
- ❑ Financial control
 - Examining and authorizing admin payments
 - Examining and authorizing loan/TA disbursements
- ❑ Assisting customers with disbursements and loan services

CTL Organization Chart



ADB's Financial Reporting

- ❑ Annual and Quarterly Reports
 - Annual Report : Audited by external auditor (PwC)
 - Quarterly Report: Not audited, filed to US SEC
- ❑ Adopting US GAAP
 - IFRS conversion under review
- ❑ Attestation on internal control over financial reporting

ADB's Operations

(in billion US\$)

	Volume in '07	Remarks
Loans		
• Sovereign	9.2	OCR 7.3 ADF 1.9
• Nonsovereign	0.9	OCR
Equity Investments	0.1	OCR
Technical Assistance	0.2	TASF, JSF, PEF, RCIF, Others
Grants	0.7	ADF 0.5, Others 0.2
Guarantees	0.4	OCR
Cofinancing	0.7	

OCR: Ordinary Capital Resources

ADF: Asian Development Fund

TASF: Technical Assistance Special Fund

JSF: Japan Special Fund

PEF: Pakistan Earthquake Fund

RCIF: Regional Cooperation and Integration Fund



ADB's Financing Facilities

	Source	Amount (end '07)
OCR	Borrowing from capital markets	31.6
	Paid-in capital	3.8
	Accumulated retained income (reserves)	10.4
		<u>45.8</u>
ADF	Contributions from donors	28.7
	Transfer from OCR	0.7
	Accumulated surplus	2.2
		<u>31.6</u>
Other SFS	Contributions from donors	
	Transfer from OCR	7 funds
Trust Funds	[Funded by donors externally Administered by ADB on behalf of donors]	66 funds

ADB Balance Sheet

☐ Assets	69.5 billion US\$
• Investments	13.3
• Loans	30.3
• Swaps, etc.	25.9
☐ Liabilities	55.3
• Borrowings	31.6
• Swaps, etc.	23.7
☐ Equity	14.2
• Paid-in capital	3.8 (Authorized and subscribed 56.0)
• Reserves	10.4

ADB Income Statement

□ Revenue	2,208 mill US\$
• From loans	1,442
• From investments	683
• From guarantees	5
• From other sources	78
□ Expenses	1,520
• From borrowings	1,390
• From admin. Exp.	127
• Others	3
□ Net realized gains	23
□ Net unrealized gains	54
□ Net income	765

Disbursements in a Project Cycle



Disbursements

- ❑ Processing Withdrawal Applications and issuing Payment Orders
- ❑ Follows Charter requirements
 - Used for the purpose
 - Due attention to economy and efficiency
 - Actually incurred
- ❑ Delegated to some Resident Missions
- ❑ Volume increasing
 - 10 thousand loan and disbursement claims /year
 - 15 thousand TA/Grant claims /year

Basic ADB Disbursement Principles

■ Loan purposes

➤ Article 14-XI

Proceeds of ADB loan used only for the purposes for which it was approved, and with due attention to considerations of economy and efficiency.

● Expenditures incurred

➤ Article 14-X

Borrower permitted to draw loan funds only to meet project expenditures as they are actually incurred.

● Procurement in member countries

➤ Article 14-IX

Proceeds of ADB loan used only for procurement in member countries. In addition, goods and services should be produced in member countries.

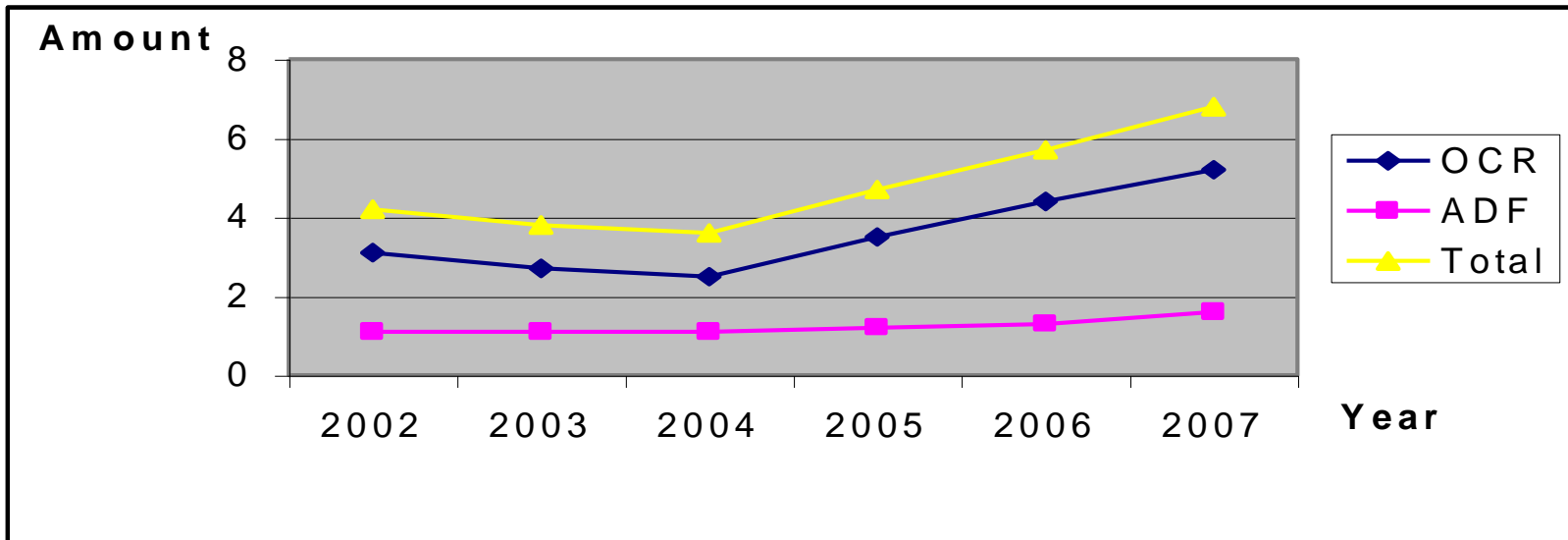
Disbursement formalities

- ❑ Loans (Project, Sector, Program, Private Sector, TA Loan, Development Institution Loan)
- ❑ TAs
- ❑ Grants
- ❑ Credit enhancement products (Guarantees, Complementary financing)
- ❑ Co-financing (ADB administered)
- ❑ Equity investments

Loan Disbursement Trends

(in billion US\$)

	2002	2003	2004	2005	2006	2007
OCR	3.1	2.7	2.5	3.5	4.4	5.2
ADF	1.1	1.1	1.1	1.2	1.3	1.6
Total	4.2	3.8	3.6	4.7	5.7	6.8



Loan Accounting and Billing

- ❑ Keep accounting records, billing, and receiving repayments
- ❑ All sovereign/non-sovereign loans, credit enhancement products
- ❑ Outstanding loans (at end '07)
 - OCR : 488 loans, US\$ 30.3 billion
 - ADF : 1,068 loans, US\$ 24.0 billion

Systems for Loan Administration

❑ Loan Disbursement

- Loan Financial Information System (**LFIS**)

❑ TA Disbursement

- Technical Assistance Information System (**TAIS**)

❑ Grant Disbursement

- Grant Financial Information System (**GFIS**)

❑ Accounting/billing/collections

- Comprehensive Loan Accounting and Servicing System (**CLASS**)

Customer Supports

□ Capacity Building

- Loan Disbursement Seminar
- Loan Accounting Seminar
- CPIA Seminar (with COSO)
- EC-LAS – Software to support borrower's accounting for LBL

□ Information Service

- Expansion of LFIS - web
- Launch GFIS - web
- Loan accounting - web

□ Improve Disbursement Performance

- Delegation of loan disbursement function to selected RMs
- Implementation of e-Star (pilot phase)
- Disbursement Missions – to address specific issues

Future challenges for CTL

- ❑ An increase in non-sovereign sector operation
- ❑ An increase in regional operation
- ❑ Expanded partnerships
- ❑ Converting to IFRS
- ❑ Internal control and work efficiency

OCR Loan Portfolio

Sovereign & Nonsovereign, 30 Jun 2008 (\$ million)

Borrower	30 Jun 2008					
	No. of Outstanding Loans ¹	Loans Outstanding	Undisbursed Effective Loans	Loans Approved Not Yet Effective	Total Loans	% of Total Loans
China, People's Rep. of	95	7,712	4,570	957	13,240	25.9%
India	65	5,477	4,326	1,124	10,927	21.4%
Indonesia	120	9,322	614	75	10,011	19.6%
Pakistan	38	3,614	1,756	1,007	6,378	12.5%
Philippines	70	3,857	211	120	4,188	8.2%
Viet Nam	6	169	434	1,137	1,739	3.4%
Bangladesh	13	452	911	-	1,363	2.7%
Sri Lanka	19	279	627	8	914	1.8%
Uzbekistan	19	423	330	-	753	1.5%
Kazakhstan	6	235	32	50	316	0.6%
Azerbaijan	7	49	244	-	293	0.6%
Papua New Guinea	6	119	65	60	244	0.5%
Malaysia	12	222	-	-	222	0.4%
Fiji Islands	7	89	29	-	119	0.2%
Korea, Rep. of	3	104	-	-	104	0.2%
Lao PDR	2	62	8	-	70	0.1%
Afghanistan	2	58	-	-	58	0.1%
Thailand	2	55	-	-	55	0.1%
Georgia	1	25	-	-	25	0.0%
Nepal	4	22	-	-	22	0.0%
Mongolia	2	13	2	-	15	0.0%
Maldives	1	2	3	8	12	0.0%
Cambodia	-	-	-	8	8	0.0%
Micronesia, Fed. States of	1	0	5	-	5	0.0%
Marshall Islands	1	3	-	-	3	0.0%
Nauru	1	1	-	-	1	0.0%
Regional	1	9	15	42	65	0.1%
Total	504	32,374	14,182	4,595	51,151	100.0%

¹ Total effective loans with undisbursed and/or outstanding balance.

ADF Loan Portfolio

30 Jun 2008

(\$ million)

Borrower	As of 30 Jun 2008					
	No. of Outstanding Loans ^a	Loans Outstanding ^b	Undisbursed Effective Loans	Loans Not Yet Effective	Total Loans	% of Total Loans
	Bangladesh	159	5,745.7 ^b	1,287.8	71.5	7,105.0
Pakistan	147	5,877.3	933.6	37.2	6,848.1	21.1%
Viet Nam	67	2,529.6	1,252.1	218.1	3,999.7	12.3%
Sri Lanka	108	2,716.8	498.7	-	3,215.5	9.9%
Nepal	101	1,558.1	387.9	-	1,946.0	6.0%
Indonesia	47	1,134.8	438.8	82.4	1,656.1	5.1%
Lao PDR	62	1,096.3	106.8	-	1,203.1	3.7%
Cambodia	38	782.3	226.9	24.1	1,033.3	3.2%
Philippines	37	884.1	-	-	884.1	2.7%
Afghanistan, Islamic Rep. of	14	437.7	387.9	-	825.5	2.5%
Mongolia	39	589.8	116.3	-	706.1	2.2%
Kyrgyz Republic	26	587.4	75.1	-	662.6	2.0%
Myanmar	28	512.7	-	-	512.7	1.6%
Papua New Guinea	32	312.1	48.7	41.1	401.9	1.2%
Tajikistan	22	207.1	190.3	-	397.4	1.2%
Bhutan	22	112.6	64.1	-	176.7	0.5%
Uzbekistan	4	22.1	90.7	31.2	143.9	0.4%
Samoa	27	91.0	44.9	-	135.8	0.4%
Maldives	15	70.8	26.3	7.5	104.6	0.3%
Micronesia, Fed. States of	7	50.0	24.3	-	74.4	0.2%
Armenia	2	0.7	70.4	-	71.0	0.2%
Marshall Islands	11	64.2	-	-	64.2	0.2%
Azerbaijan	4	22.9	38.4	-	61.3	0.2%
Solomon Islands	15	58.5	-	-	58.5	0.2%
Vanuatu	9	52.5	-	-	52.5	0.2%
Tonga	13	47.3	-	-	47.3	0.1%
Thailand	6	46.0	-	-	46.0	0.1%
Cook Islands	13	27.8	0.7	-	28.5	0.1%
Kiribati	6	14.4	-	-	14.4	0.0%
Tuvalu	3	6.9	1.4	-	8.4	0.0%
Kazakhstan	1	6.9	0.6	-	7.4	0.0%
Regional	1	0.8	0.9	-	1.7	0.0%
Totals	1,086	25,667.0	6,313.6	513.1	32,493.7	100%

¹Total effective loans with undisbursed and/or outstanding balance.

² Excludes provision made for HIPC debt relief to Afghanistan amounting to \$89.2 million.

Overview of Lending Operations – OCR

Sovereign & Nonsovereign, 2003–30 Jun 2008

	2003	2004	2005	2006	2007	2008 30 Jun
Number of Loans						
Approved ¹	37	31	31	35	60	18
Effective	21	43	39	33	44	26
Outstanding Loans ²	464	457	470	463	488	504
Amount (\$M)						
Approved ¹	4,706	3,797	4,398	6,117	8,213	2,467
Effective	2,724	4,476	4,810	5,903	6,637	3,889
Disbursement	2,688	2,508	3,498	4,420	5,234	2,702
Cancellation	(981)	(797)	(651)	(201)	(789)	(51)
Repayment	1,253	1,162	2,894	1,275	1,374	791
Prepayment	5,884	2,790	597	460	80	32
Loans Outstanding	25,506	24,309	23,569	26,192	30,256	32,374
Net Resource Transfers	(5,937)	(2,540)	(1,034)	1,499	2,385	1,123

¹ Adjusted to exclude terminated loans.

² Total effective loans with undisbursed and/or outstanding balance.

Overview of Lending Operations – ADF

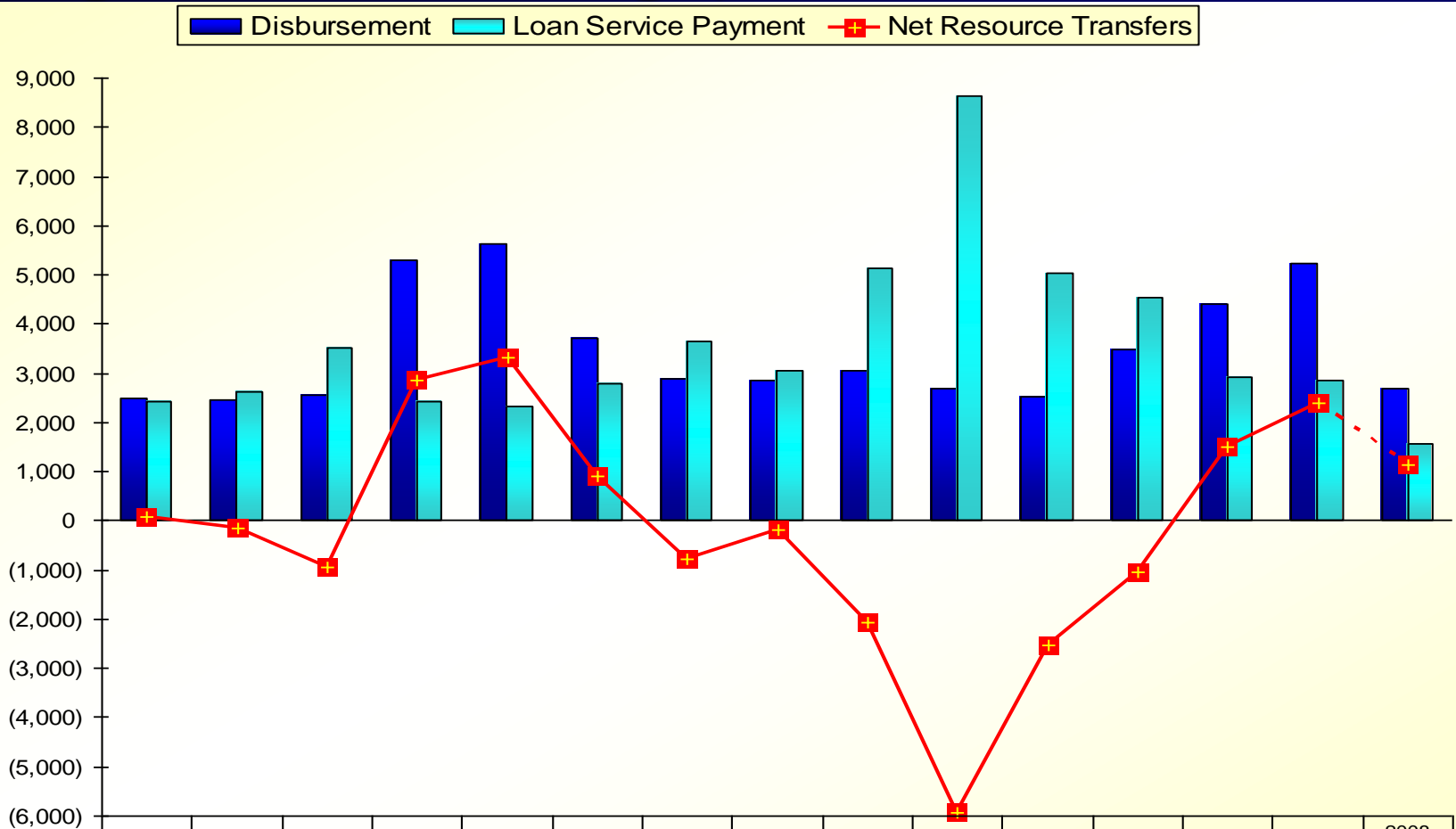
Sovereign & Nonsovereign, 2003–30 Jun 2008

	2003	2004	2005	2006	2007	2008 30 Jun
Number of Loans						
Approved	47	47	40	45	36	7
Effective	49	46	49	44	48	18
Outstanding Loans ¹	892	934	982	1,023	1,068	1,086
Amount (\$M)						
Approved	1,379	1,242	1,362	1,279	1,893	290
Effective	1,650	1,278	1,478	1,446	1,939	856
Disbursement	1,128	1,055	1,247	1,338	1,618	812
Cancellation	(152)	(229)	(93)	(222)	(544)	(61)
Repayment	312	390	434	468	586	326
Loans Outstanding	20,047	21,627	20,238	21,522	24,018	25,667
Net Resource Transfers	641	469	612	666	821	364

¹ Total effective loans with undisbursed and/or outstanding balance.

Net Resource Transfers – OCR

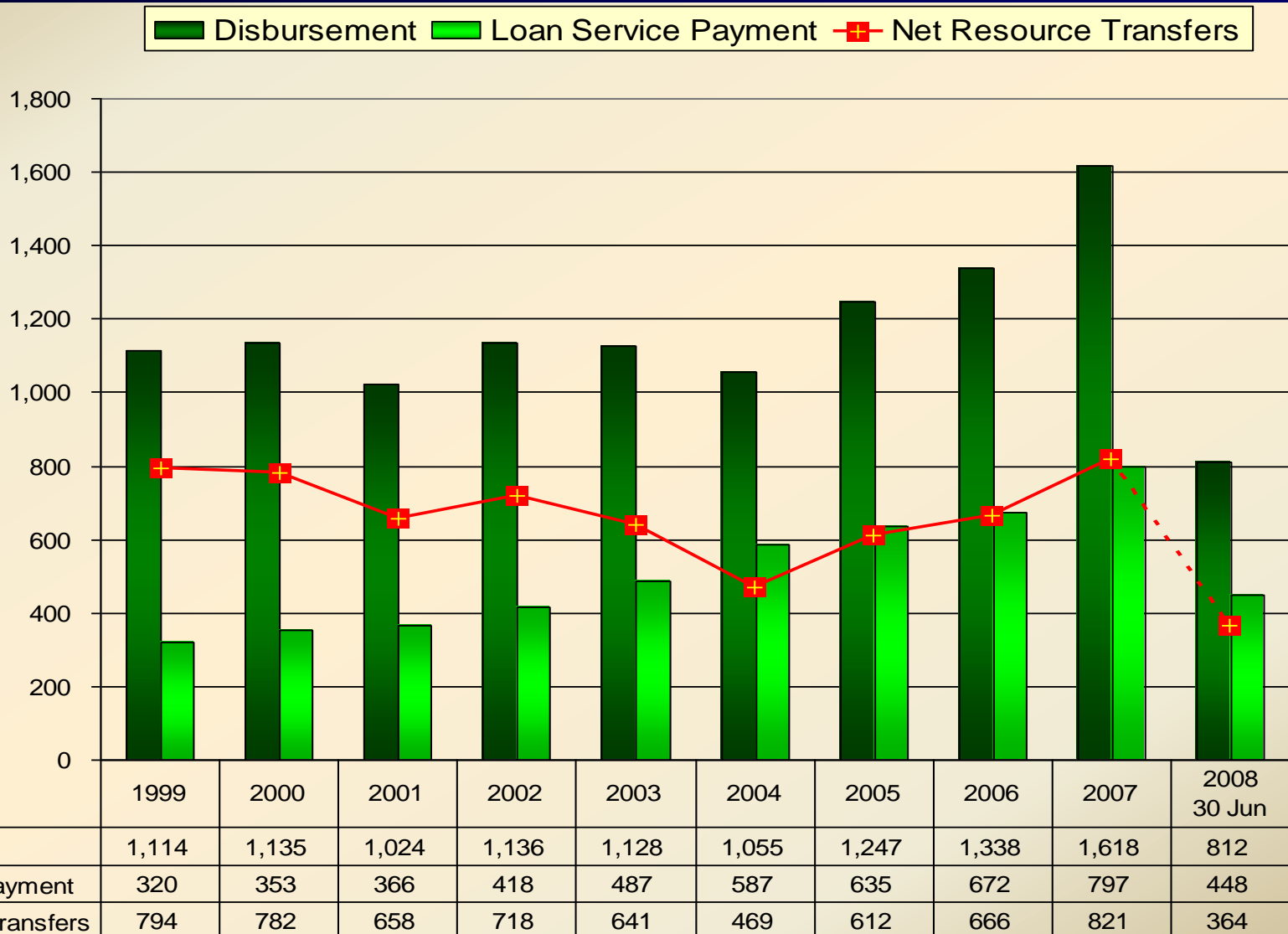
Sovereign & Nonsovereign, 1993–30 Jun 2008 (\$ million)



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 30 Jun
Disbursement	2,501	2,442	2,563	5,304	5,623	3,710	2,884	2,850	3,067	2,688	2,508	3,498	4,420	5,234	2,702
Loan Service Payment	2,411	2,608	3,518	2,439	2,313	2,801	3,653	3,039	5,148	8,625	5,048	4,532	2,921	2,849	1,579
Net Resource Transfers	90	(166)	(955)	2,864	3,309	909	(769)	(189)	(2,081)	(5,937)	(2,540)	(1,034)	1,499	2,385	1,123

Net Resource Transfers – ADF

Sovereign & Nonsovereign, 1999–30 Jun 2008 (\$ million)

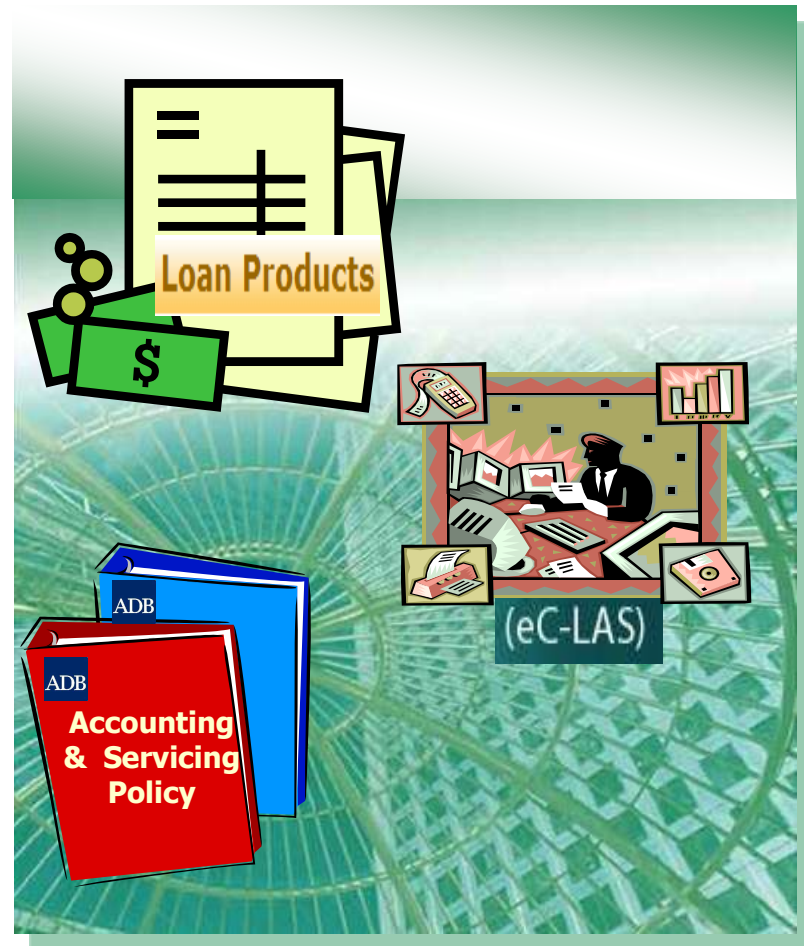




Asian Development Bank











ADB Sovereign Loans - OCR/ADF

- ▶ **Features**
- ▶ **Accounting**
- ▶ **Servicing**



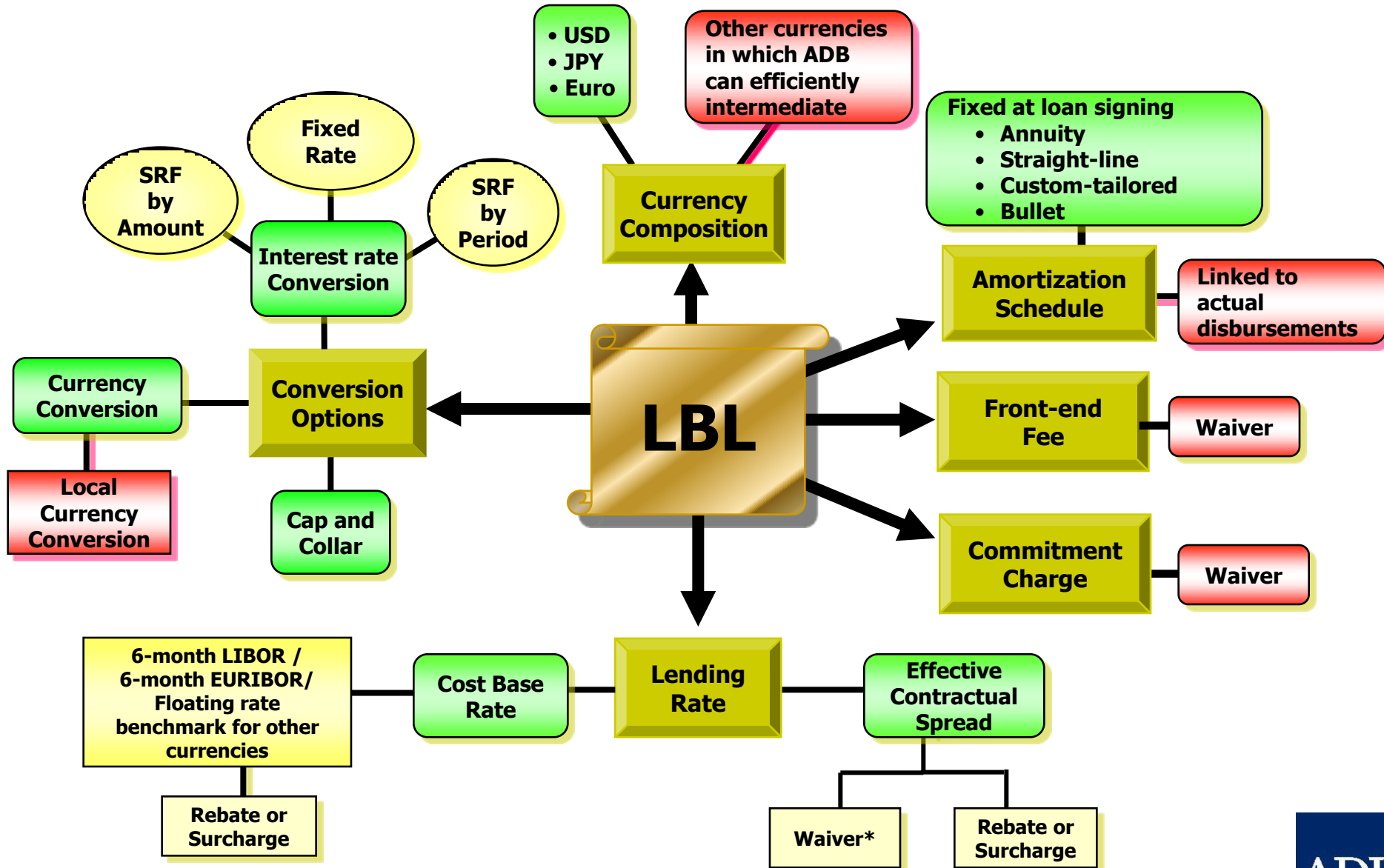
CTLA
Oct 2008

Changes in OCR Loan Products

Product	Interest Rate Type
 Local currency loan (LCL) for sovereign -2005	<ul style="list-style-type: none"> • Back-to-back funding: ADB's cost of a funding transaction plus spread
 Local currency loan (LCL) for non-sovereign - 2002	<ul style="list-style-type: none"> • Pool-based funding: Local floating rate benchmark plus spread
 LIBOR-based loan (LBL) - 2001	LIBOR/EURIBOR plus spread
 Market-based loan (MBL) - 1994	
 Pool-based single currency loan (PSCL) in US\$ - 1992	Pool-based Variable Interest Rate
 Pool-based multicurrency loan (PMCL) -1983  Transformed to PSCL in JPY in 2004	
 Effective 1 Jul 1986	
 Jan 1983 to 1 Jul 1986	Pool-based Fixed Interest Rate
 Fixed rate multicurrency loan (FMCL) – Prior to 1983	Fixed Interest Rate for the Life of the Loan



LBL Main Features



* Applicable only to sovereign LBLs that carry a lending spread of 0.60% p.a.

Changes in ADF Lending Terms



I	Loans Approved Prior to 21 March 1974	Various
II	Loans Approved on or After 21 March 1974 and Completed Negotiations Before 1 January 1999	<p>40-yr maturity, including 10-yr grace period</p> <ul style="list-style-type: none"> • First 10 years after grace period: repayment of principal at <u>2% a year</u> • After 10 years: repayment of principal at <u>4% a year</u>
III	Loans Negotiated On or After 1 January 1999*	<p><u>Project Loans</u>: 32-yr maturity, including 8-yr grace period, with <u>equal</u> amortization.</p> <p><u>Program Loans</u>: 24-yr maturity, including 8-yr grace period, with <u>equal</u> amortization</p>

* ADF emergency assistance loans carry a term of 40 years, including a 10-year grace period, with repayment of principal at 2% per annum for the first 10 years after the grace period, and 4% per annum thereafter.

Loan Milestone Events

Negotiation
&
Board
Approval

Loan
Signing

Loan
Effectivity

Disbursement

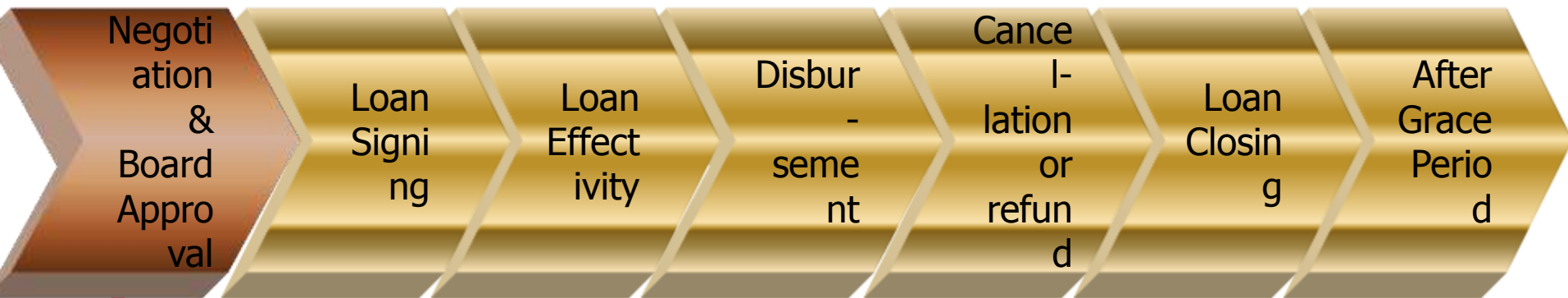
Cancellation
or
refund

Loan
Closing

After
Grace
Period

Loan Milestone Events

- Negotiation and Board Approval



- 📌 Prepare amortization schedule
- 📌 Determine interest payment date
- 📌 Record in ADB's Loan Financial Information System (LFIS)

OCR - LBL Amortization Schedule

Schedule 2 of Loan Agreement

- ▶ Before 1 Jan 2007
 - ✓ Annuity with discount rate fixed at 10%
 - ✓ Linked to disbursement in tranches (Straight-line) for DFI loans
- ▶ Additional options for loans negotiated on or after 1 Jan 2007
 - Fixed at loan signing
 - ✓ Annuity with discount rate in any percentages
 - ✓ Straight-line
 - ✓ Bullet repayment
 - ✓ Custom-tailored repayment
 - Linked to disbursement in tranches
 - ✓ Straight-line

NEW

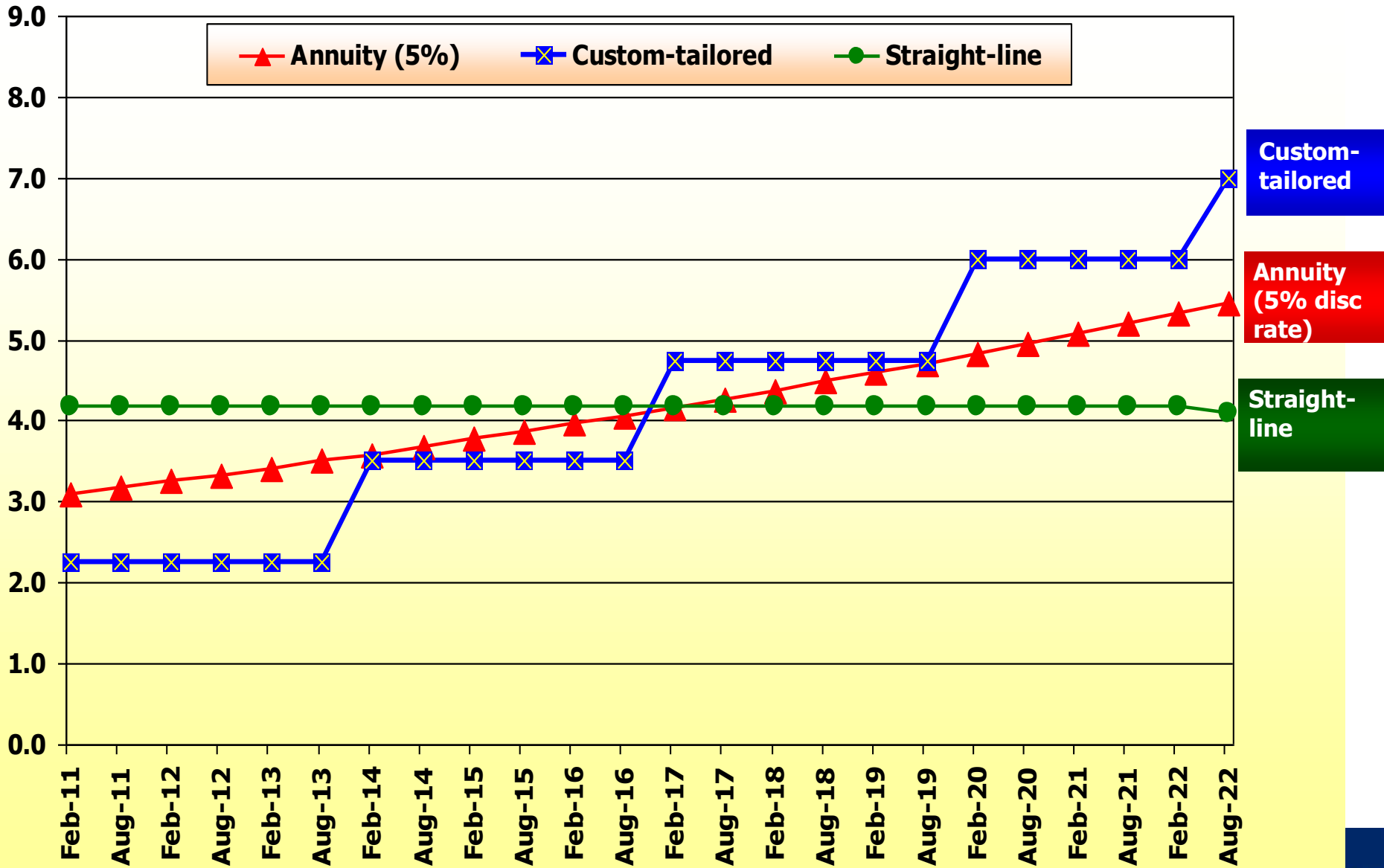
OCR - LBL Amortization Schedule Options



Repayment Date		Annuity *		Straight-line		Custom-tailored		Bullet	
		(based on 5% discount rate)	Amount	%	Amount	%	Amount	%	Amount
1	15 Feb 2011	3.09	6,180,000.00	4.17	8,340,000.00	2.25	4,500,000.00		
2	15 Aug 2011	3.17	6,340,000.00	4.17	8,340,000.00	2.25	4,500,000.00		
3	15 Feb 2012	3.25	6,500,000.00	4.17	8,340,000.00	2.25	4,500,000.00		
4	15 Aug 2012	3.33	6,660,000.00	4.17	8,340,000.00	2.25	4,500,000.00		
5	15 Feb 2013	3.41	6,820,000.00	4.17	8,340,000.00	2.25	4,500,000.00		
6	15 Aug 2013	3.50	7,000,000.00	4.17	8,340,000.00	2.25	4,500,000.00		
7	15 Feb 2014	3.58	7,160,000.00	4.17	8,340,000.00	3.50	7,000,000.00		
8	15 Aug 2014	3.67	7,340,000.00	4.17	8,340,000.00	3.50	7,000,000.00		
9	15 Feb 2015	3.77	7,540,000.00	4.17	8,340,000.00	3.50	7,000,000.00		
10	15 Aug 2015	3.86	7,720,000.00	4.17	8,340,000.00	3.50	7,000,000.00		
11	15 Feb 2016	3.96	7,920,000.00	4.17	8,340,000.00	3.50	7,000,000.00		
12	15 Aug 2016	4.06	8,120,000.00	4.17	8,340,000.00	3.50	7,000,000.00		
13	15 Feb 2017	4.16	8,320,000.00	4.17	8,340,000.00	4.75	9,500,000.00		
14	15 Aug 2017	4.26	8,520,000.00	4.17	8,340,000.00	4.75	9,500,000.00		
15	15 Feb 2018	4.37	8,740,000.00	4.17	8,340,000.00	4.75	9,500,000.00		
16	15 Aug 2018	4.48	8,960,000.00	4.17	8,340,000.00	4.75	9,500,000.00		
17	15 Feb 2019	4.59	9,180,000.00	4.17	8,340,000.00	4.75	9,500,000.00		
18	15 Aug 2019	4.70	9,400,000.00	4.17	8,340,000.00	4.75	9,500,000.00		
19	15 Feb 2020	4.82	9,640,000.00	4.17	8,340,000.00	6.00	12,000,000.00		
20	15 Aug 2020	4.94	9,880,000.00	4.17	8,340,000.00	6.00	12,000,000.00		
21	15 Feb 2021	5.07	10,140,000.00	4.17	8,340,000.00	6.00	12,000,000.00		
22	15 Aug 2021	5.19	10,380,000.00	4.17	8,340,000.00	6.00	12,000,000.00		
23	15 Feb 2022	5.32	10,640,000.00	4.17	8,340,000.00	6.00	12,000,000.00		
24	15 Aug 2022	5.45	10,900,000.00	4.09	8,180,000.00	7.00	14,000,000.00	100.00	200,000,000.00
TOTAL		100.00	200,000,000.00	100.00	200,000,000.00	100.00	200,000,000.00	100.00	200,000,000.00

*Any discount rate may be used (in the past, the discount rate is fixed at 10%)

OCR - LBL Amortization Schedule Options

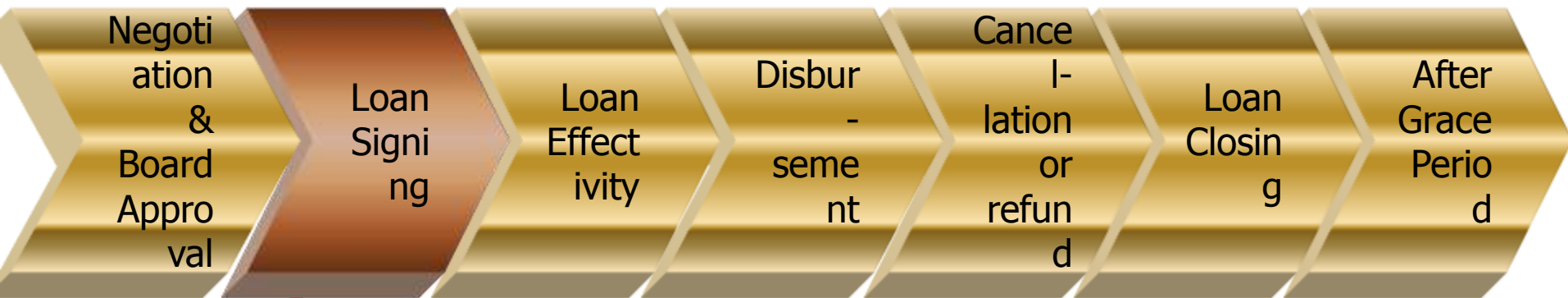


ADF Amortization Schedule

		Negotiated before 1 Jan 1999	Negotiated on or after 1 Jan 1999	
			Project Loan	Program Loan
Maturity		40 years	32 years	24 years
Grace Period		10 years	8 years	8 years
Repayment Period		30 years	24 years	16 years
Repayment Date		Payment of Principal (in SDR)		
		Negotiated before 1 Jan 1999	Negotiated on or after 1 Jan 1999	
			Project Loan	Program Loan
1	15-Jun	100,000.00	208,333.30	312,500.00
2	15-Dec	100,000.00	208,333.30	312,500.00
3	15-Jun	100,000.00	208,333.30	312,500.00
19	15-Jun	100,000.00	208,333.30	312,500.00
20	15-Dec	100,000.00	208,333.30	312,500.00
21	15-Jun	200,000.00	208,333.30	312,500.00
22	15-Dec	200,000.00	208,333.30	312,500.00
32	15-Jun	200,000.00	208,333.30	312,500.00
33	15-Dec	200,000.00	208,333.30	-
47	15-Jun	200,000.00	208,333.30	-
48	15-Dec	200,000.00	208,334.90	-
49	15-Jun	200,000.00	-	-
50	15-Dec	200,000.00	-	-
60	15-Dec	200,000.00	-	-
TOTAL		10,000,000.00	10,000,000.00	10,000,000.00

Loan Milestone Event

- Loan Signing



For OCR loans, trigger accrual of commitment charge (60 days after loan signing)

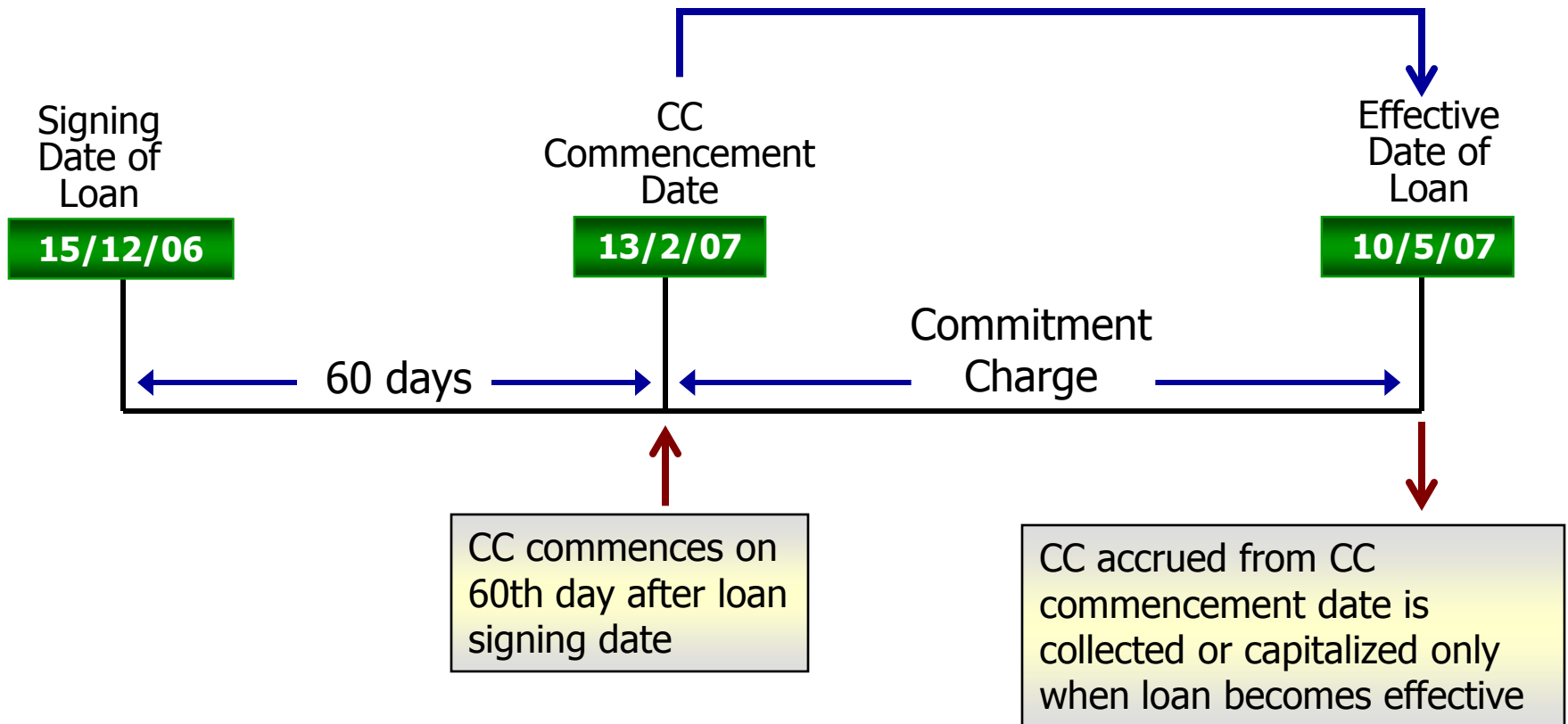


Note: Commitment charge is collected or capitalized only when the loan becomes effective

Commitment Charge

- ✓ OCR: Commences on 60th day after loan signing date
- ✗ ADF: Not applicable

OCR - Accrual of Commitment Charge



OCR - Commitment Charge

CC Type	Project Loans		Program Loans
	Progressive (applied on progressive structure of undisbursed balance)	Flat (applied on full amount of undisbursed balance)	Flat (applied on full amount of undisbursed balance)
➤ Negotiated before 1 Jan 2007	0.75%	n/a	0.75%
➤ Negotiated from 1 Jan to 30 Sep 2007	n/a	0.35%	0.75%
➤ Negotiated on or after 1 Oct 2007	n/a	0.15%	0.15%

NEW

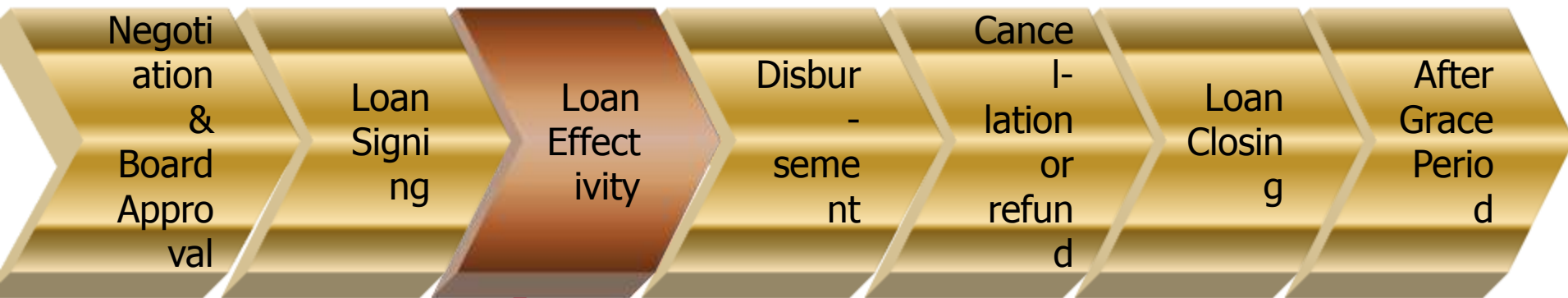
OCR - Waiver on Commitment Charge

Sovereign Loan	Type	CC Rate	Waiver on CC Rate	Net CC Rate
▶ Project Loans				
▪ Negotiated before 1 Jan 2007	Progressive	0.75%	None	0.75%
▪ Negotiated from 1 Jan to 30 Sep 2007	Flat	0.35%	-0.10%	0.25%
<i>NEW</i> ▪ Negotiated on or after 1 Oct 2007	Flat	0.15%	None	0.15%
▶ Program Loans				
▪ Negotiated before 1 Oct 2007	Flat	0.75%	-0.50%	0.25%
<i>NEW</i> ▪ Negotiated on or after 1 Oct 2007	Flat	0.15%	None	0.15%



Loan Milestone Event

- Loan Effectivity



Set up loan accounts in Loan Accounting System



For OCR loans, collect or capitalize commitment charge on interest payment date

Capitalization of Loan Charges

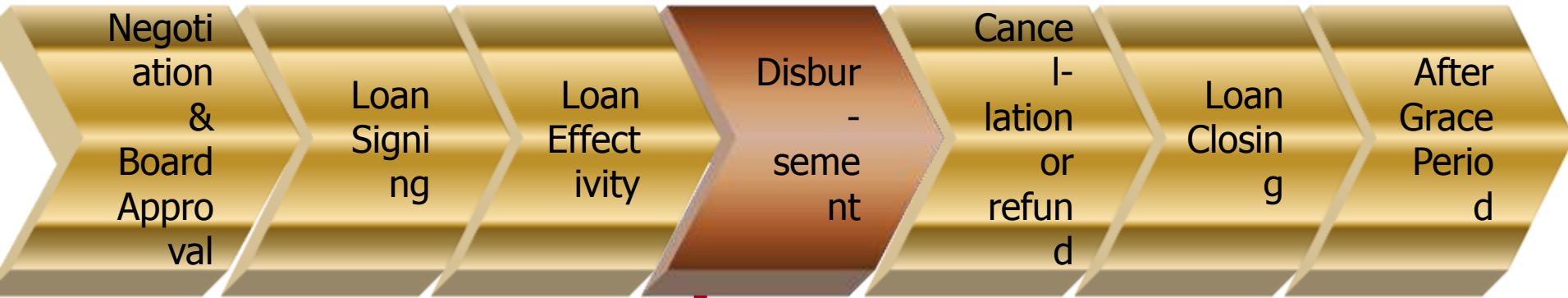
- Borrowers have flexibility to choose fee item to be capitalized
- Following loan charges can be capitalized:
 - ✓ Front-end fee (currently eliminated)
 - ✓ Commitment charge (net of waiver, applicable for OCR loans only)
 - ✓ Interest (net of rebate and waiver, if any)
 - ✓ Premium on interest rate cap and collar (applicable for OCR loans only)

Capitalization of Loan Charges – Schedule 3 of Loan Agreement

ALLOCATION OF LOAN PROCEEDS	
CATEGORY	ALLOCATION (US\$)
1 Civil Works	53,000,000
2 Equipment	39,500,000
3 Training	5,000,000
4 Consulting Services	1,500,000
5 Interest and Commitment Charge	800,000
6 Unallocated	200,000
Total	100,000,000

Loan Milestone Event

- Disbursement



- After loan becomes effective
- Reduce undisbursed balance by the amount disbursed and reduce commitment charges, if any
- Increase principal outstanding and interest

OCR – LBL Interest

■ Includes:

● 6-month LIBOR	Adjusted every 6 months
● Rebate on funding cost margin	Adjusted every 6 months (ADB's calculation)
● Effective contractual spread	No change during life of loan (Loan Agreement)
● Waiver on lending spread*	Based on ADB's announcement
● Rebate/surcharge on fixed spread	Based on ADB's announcement


* Applicable only to sovereign LBLs that carry a lending spread of 0.60% p.a.



OCR - LBL Net Lending Rate

Example: Interest period: 15 Aug 08 –14 Feb 09	US\$	JPY
6-month LIBOR	3.09500%	0.97188%
Less: Rebate on funding cost margin	-0.33%	-0.39%
Effective contractual spread	0.20%	0.20%
Net lending rate	2.96500%	0.78188%

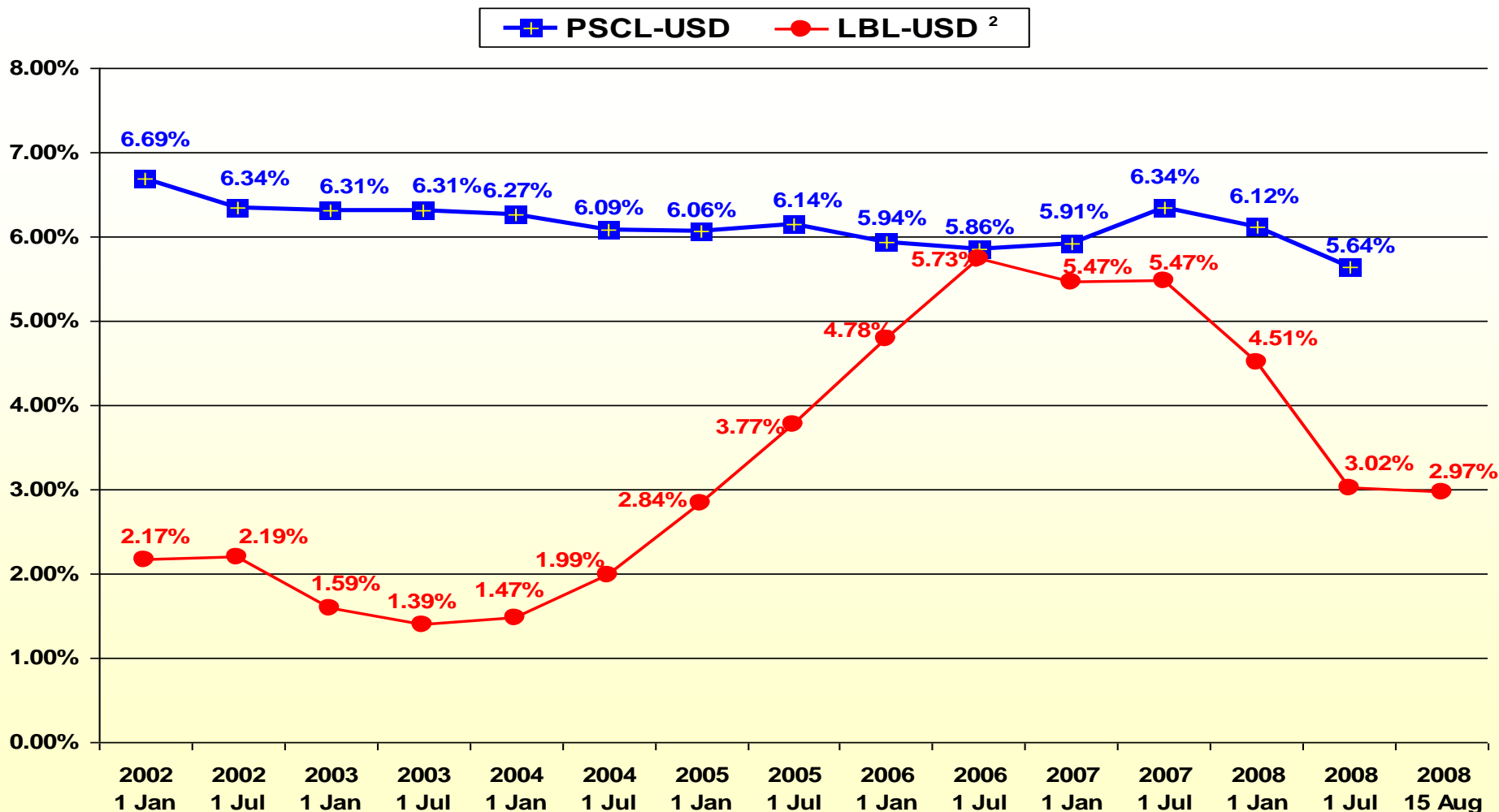
OCR Lending Spread

Period	Lending Spread	Waiver on Lending Spread
Prior to 2000	0.4%	n/a
1/1/00 – 30/6/04	0.6%	n/a
1/7/04 – 30/9/07	0.6%	-0.2%
1 Oct 2007 onwards 	0.2%	n/a

OCR - Net Lending Rates ¹

PSCL & LBL – USD

2002 Jan – 2008 Aug



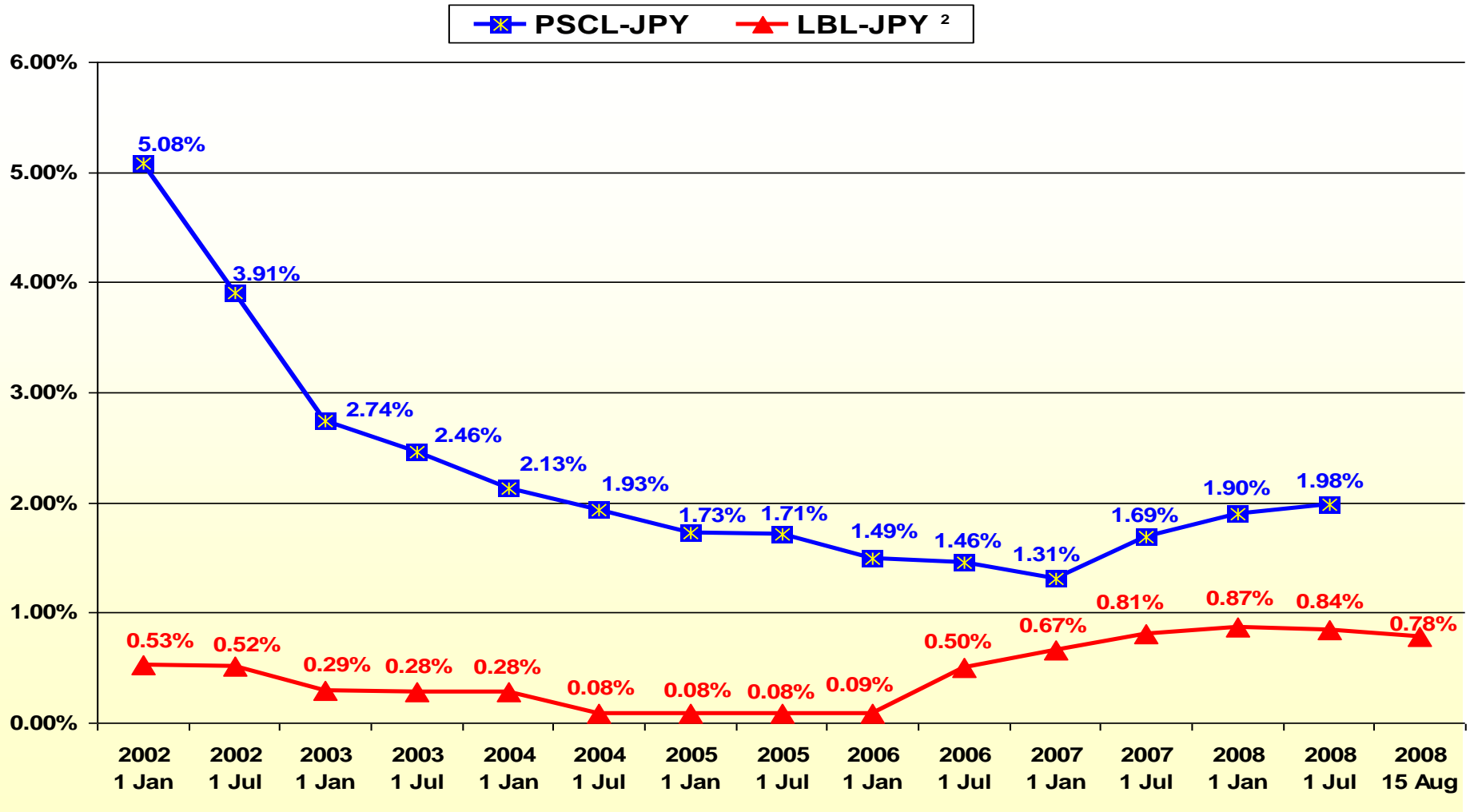
¹ Includes lending spread of 60 bps from 1 January 2002 to 30 June 2004, 40 bps (net of waiver of 20 bps) from 1 July 2004 to 30 September 2007, and 20 bps starting on 1 October 2007.

² Includes applicable rebate rate announced on 1 January and 1 July of each year starting on 1 January 2002.

OCR - Net Lending Rates ¹

PSCL & LBL – JPY

2002 Jan – 2008 Aug



¹ Includes lending spread of 60 bps from 1 January 2002 to 30 June 2004, 40 bps (net of waiver of 20 bps) from 1 July 2004 to 30 September 2007, and 20 bps starting on 1 October 2007.

² Includes applicable rebate rate announced on 1 January and 1 July of each year starting on 1 January 2002.

OCR – LBL Rebate on Funding Cost Margin

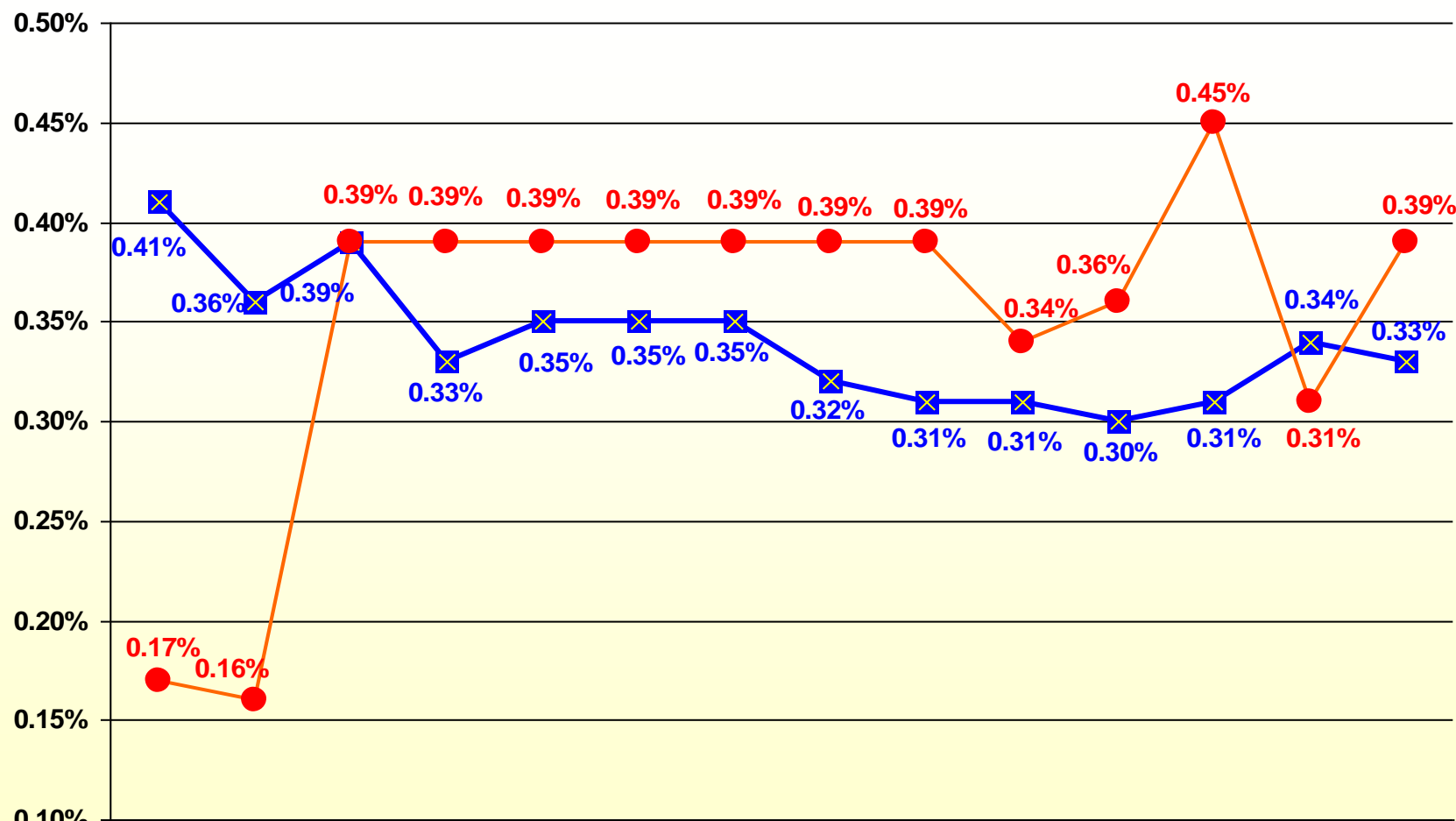
- ADB's AAA credit ratings have enabled ADB to enjoy sub-LIBOR funding level
- Applicable to sovereign LBLs
- Calculated and announced twice a year on 1 January and 1 July

Rebate (sub-LIBOR funding cost margin)
= ADB's Funding Cost < 6-month LIBOR

OCR – LBL Rebate on Funding Cost Margin Rates

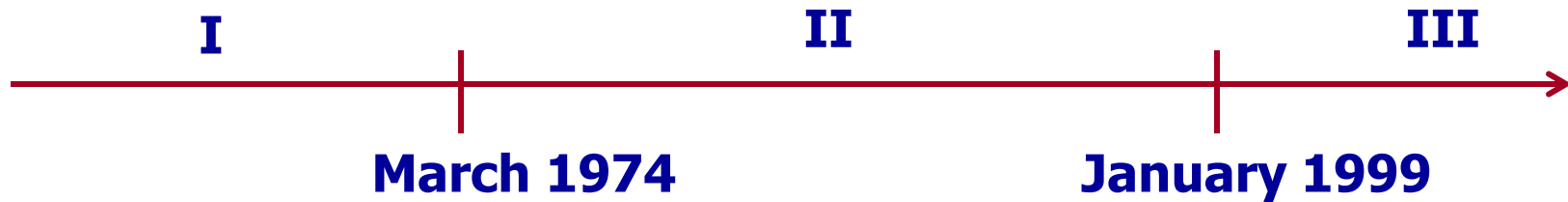
2002 Jan – 2008 Jul

—x— US Dollar —●— Japanese Yen



	2002 1 Jan	2002 1 Jul	2003 1 Jan	2003 1 Jul	2004 1 Jan	2004 1 Jul	2005 1 Jan	2005 1 Jul	2006 1 Jan	2006 1 Jul	2007 1 Jan	2007 1 Jul	2008 1 Jan	2008 1 Jul
—x— US Dollar	0.41%	0.36%	0.39%	0.33%	0.35%	0.35%	0.35%	0.32%	0.31%	0.31%	0.30%	0.31%	0.34%	0.33%
—●— Japanese Yen	0.17%	0.16%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.34%	0.36%	0.45%	0.31%	0.39%

ADF – Lending Rate

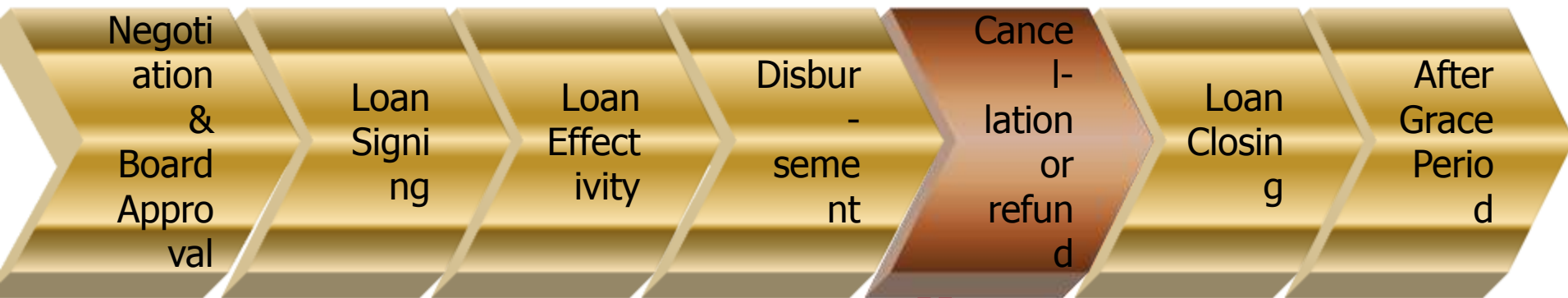


I	Loans Approved Before 21 March 1974	1% –3% Per Annum
II	Loans Approved on or After 21 March 1974 and Negotiations Completed Before 1 January 1999	1% Per Annum
III	Loans Negotiated On or After 1 January 1999*	<ul style="list-style-type: none"> ➤ During Grace Period: 1% Per Annum ➤ During Amortization Period: 1.5% Per Annum

* ADF emergency assistance loans carry an interest of 1% per annum.

Loan Milestone Events

- Cancellation or Refund



Cancellation

- Undisbursed balance may be cancelled partially before loan closing
- Entire undisbursed balance should be cancelled before loan closing
- Reduce undisbursed balance
- For OCR loans, reduce commitment charge (for project loan during progressive period, applies to the loan tranches in the same proportion as the commitment charge)

Refund

- Increase undisbursed balance
- For OCR loans, increase commitment charge, if applicable
- Reduce interest
- For closed loans and small amounts, ADB may apply the amount refunded to loan service payment



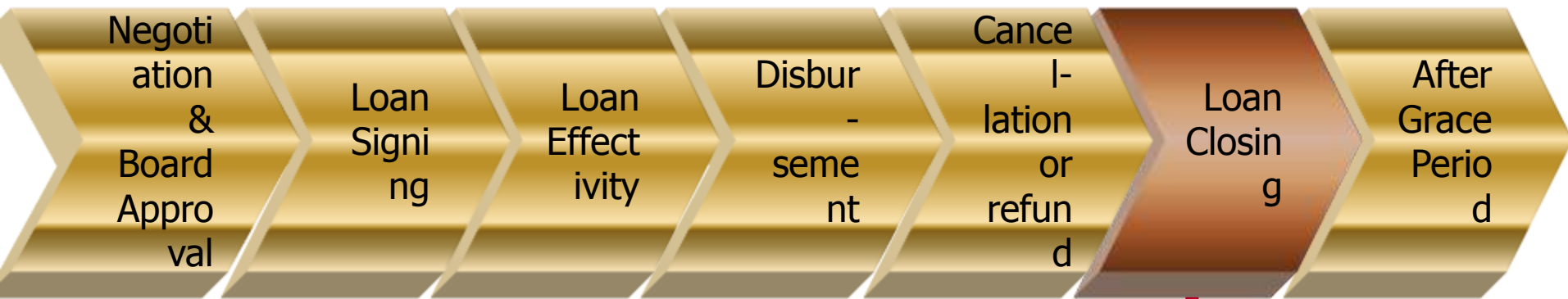
Loan Cancellation

Impact on Amortization Schedule

	Impact on Amortization Schedule
OCR	■ No impact on LIBOR-based Loans as the amortization schedule is based on <u>disbursed amount</u>
ADF	■ Amortization schedule is revised as it is based on <u>approved loan amount</u>

Loan Milestone Events

- Loan Closing



Stop disbursement



Cancel undisbursed balance

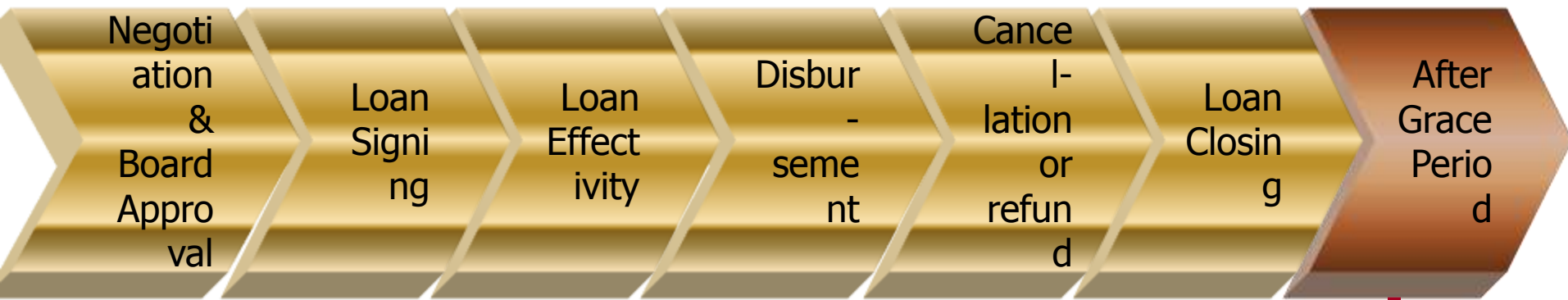



Stop capitalization of loan charges



Loan Milestone Event

- After Grace Period



 Start repaying principal installment



OCR Loan Features

Approved in Nov 2006

Loan Feature	Before Enhancements	After Enhancements
Available currencies for LBL	Euro, Yen, US dollar	Euro, Yen, US dollar and other major currencies in which ADB can efficiently intermediate
Repayment terms for project / program loans	Only one repayment option based on annuity method	Flexible, including equal installments, bullet, and custom-tailored subject to exposure limit guidelines
Local currency conversion option for LBL	Not available	Available on a case-to-case basis

OCR Loan Features

Approved in Nov 2006

Loan Feature	Before Enhancements	After Enhancements
Rebate	Retroactive	Forward (effective 1 Jul 2007)
Commitment charge on project loans	75 bps on progressive structure of undisbursed balance	For loans negotiated <u>1 Jan to 30 Sep 2007</u> : Flat rate of 35 bps on full undisbursed balance
Conversion option for Pool-based Single Currency Loan into LIBOR-based Loan	Not available	Available

OCR - Latest Loan Features

Approved in Dec 2007

Loan Feature	Loans Negotiated Before 1 Oct 2007	Loans Negotiated on or after 1 Oct 2007
Effective contractual spread	0.60% p.a.	0.20% p.a.
Commitment charge on project loans	<ul style="list-style-type: none"> ➤ Negotiated before 1 Jan 2007: 0.75% p.a. on progressive structure of undisbursed loan balance ➤ Negotiated from 1 Jan to 30 Sep 2007: flat rate of 0.35% p.a. on full undisbursed balance 	Flat rate of 0.15% p.a. on full undisbursed balance
Commitment charge on program loans	Flat rate of 0.75% on full undisbursed balance	

OCR - Pricing for Sovereign Loans

As of 31 December 2007

Item	LBL Negotiated after 1 Oct 2007	LBL Negotiated 1 Jan-30 Sep 2007		LBL Negotiated before 1 Jan 2007		PSCL
	Project/Program	Project	Program	Project	Program	Project/Program
A. Interest						
➤ Cost Basis	6-Month LIBOR	6-Month LIBOR	6-Month LIBOR	6-Month LIBOR	6-Month LIBOR	Previous semester's weighted average cost
➤ Rebate/Surcharge	Funding Cost Under/Over LIBOR	Funding Cost Under/Over LIBOR	Funding Cost Under/Over LIBOR	Funding Cost Under/Over LIBOR	Funding Cost Under/Over LIBOR	–
➤ Effective Contractual Spread (bps)	20	60	60	60	60	60
Waiver	–	(20)	(20)	(20)	(20)	(20)
Net Lending Spread	20	40	40	40	40	40
B. Front-End Fee (bps)	–	100	100	100	100	100
Waiver	–	(100)	(100)	(100)	(100)	n.a.
C. Commitment Charge (bps)	15	35	75	75	75	75
Structure	Flat	Flat	Flat	Progressive	Flat	Progressive
Waiver	–	(10)	(50)	–	(50) *	–
Net Commitment Charge	15	25	25	75	25	75

*Effective on 1 Jan 2007 for program loans with undisbursed balances.

Loan Charges

- ADB vs. MDBs

basis points

Loan Charges	IBRD VSL	IBRD FSL	IADB	AfDB	ADB LBL
Front-end fee (FEF)					
Front-end fee	25	25	0	0	
Waiver	0	0	-	-	
Spread equivalent for FEF(I)	3	3	0	0	0
Commitment charge (CC)					
Commitment charge	-	-	25	-	15
Waiver	-	-	-15	-	0
Spread equivalent for CC (II)	-	-	4	0	6
Sub-LIBOR funding cost					
Benefit of Sub-LIBOR funding cost (III)	-32	-30	-24	-	-33 *
Lending Spread					
Spread	30	30	30	40	20
Risk premium	-	5		-	-
Waiver	-	-	-15	-	-
Net spread (IV)	30	35	15	40	20
Total spread equivalent over LIBOR (I+II+III+IV)	1	8	-5	40	-7

Source: World Bank Website 25 August 2008

* Based on ADB's latest announcement and applicable to interest period commencing on or after 1 Jul 2008

OCR - LBL Conversion

- Interest Rate Conversion

- ✓ Floating to fixed rate

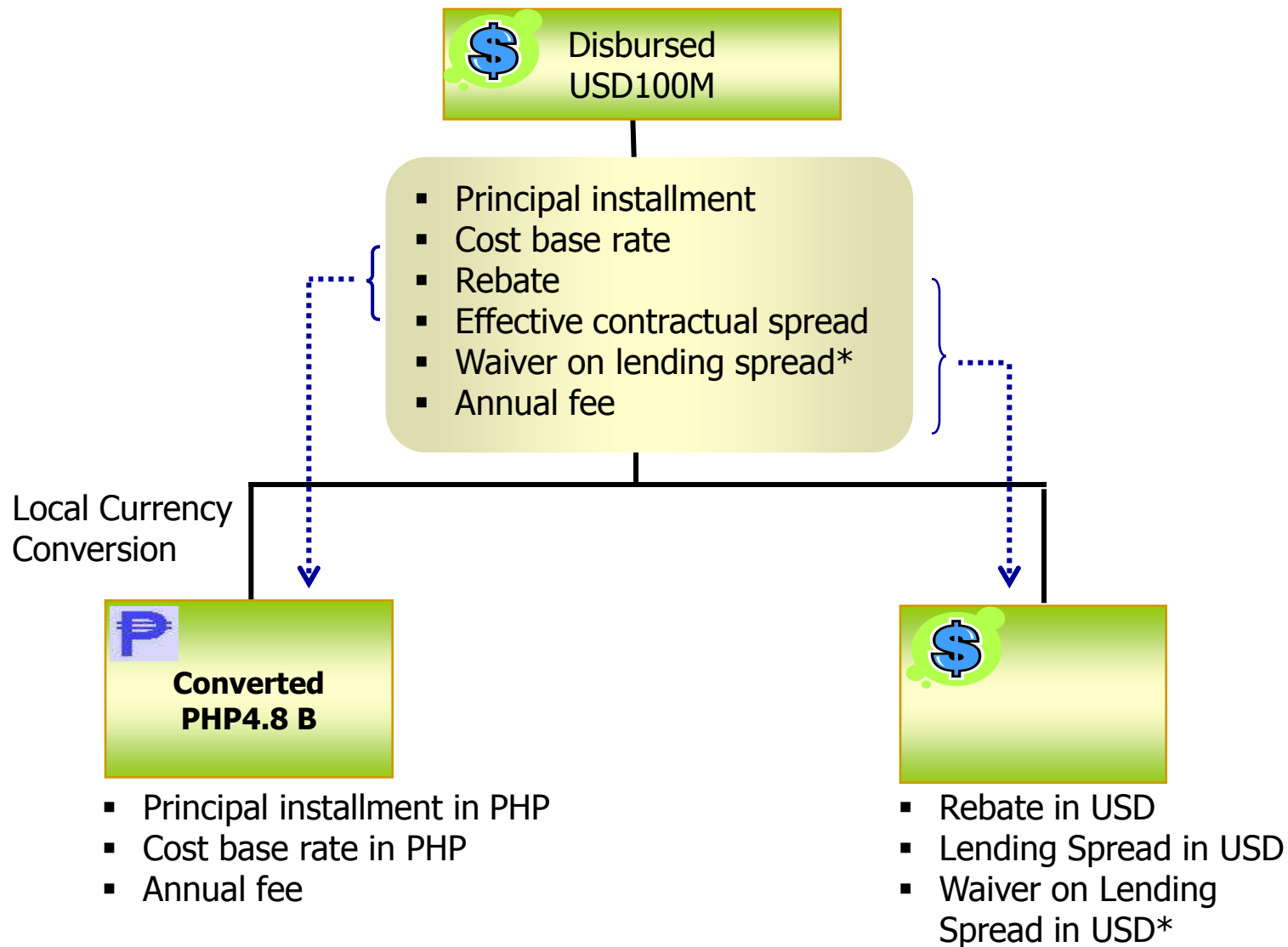
- ✓ Fixed to floating rate

- Currency Conversion

- ✓ Undisbursed amount

- ✓ Disbursed amount

OCR - LBL Local Currency Conversion



*Applicable only to LBLs that carry a lending spread of 0.60%

OCR - Conversion of PSCL to LBL

- PSCL outstanding balance is converted to LBL
- Eligibility for conversion:
 - ✓ Fully disbursed
 - ✓ No overdue amount
- Interest rate composition:
 - Base rate – 6-month LIBOR
 - Lending spread
 - **Conversion spread**
 - Lending spread waiver
 - **Conversion rebate / surcharge**



ADF Loan Features

- Negotiated on or after 1 Jan 1999

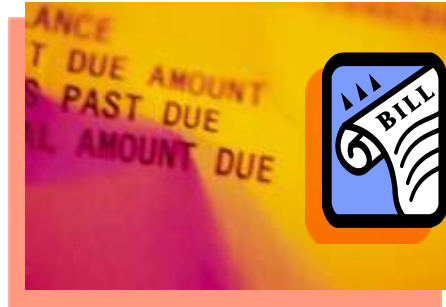
- Amortization/Grace Period
 - Project loan: 32 years including 8-year grace period
 - Program loan: 24 years including 8-year grace period
- Interest
 - 1% during grace period
 - 1.5% during amortization period
- Commitment Charge – Not applicable for ADF loans

ADF - Currency Practice for Full-Fledged SDR Loan

Loan Negotiations in 2006 onwards	
Loan Denomination	SDR
Amortization Schedule	SDR
Cost Currency	SDR Currencies
Liability Currency	SDR
Repayment Currency	One of SDR currencies; changeable upon advance notice

SDR Conversion Option for Legacy ADF Loans

- Starting January 2008
- Option to convert multiple liability currencies under legacy loans into SDR
- Available for all ADF borrowers with no arrears in outstanding legacy loans
- Multiple liability currencies of disbursed and outstanding balances will be converted into SDR
- Undisbursed balances remain in SDR and future disbursements will follow the practice of full-fledged SDR loans



Loan servicing

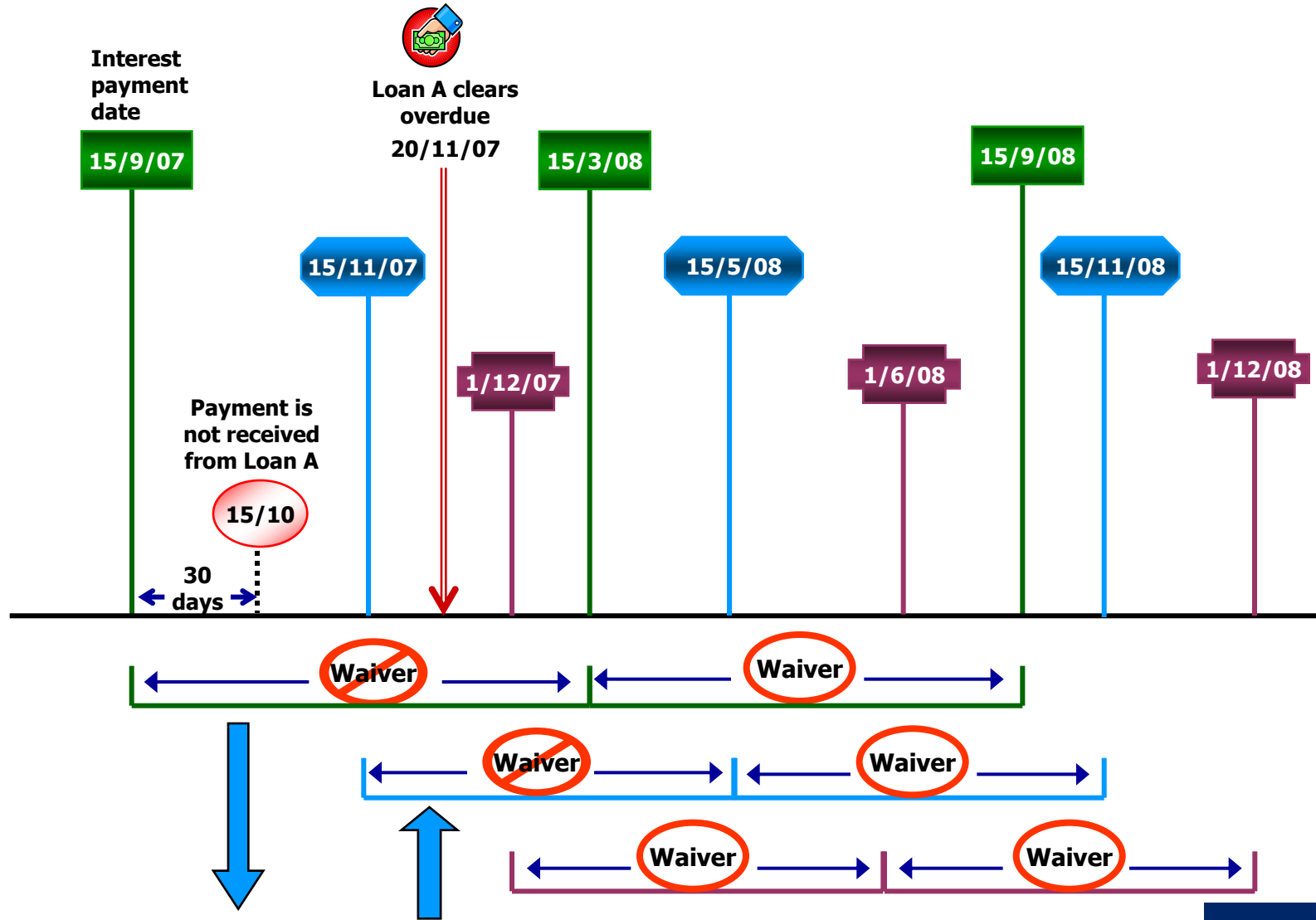
MONTHLY PAYMENT NEEDED TO PAY BACK A LOAN

	2 YEARS	3 YEARS	4 YEARS	5 YEARS
1 YEAR	2.32	1.63	1.28	1.00
2 YEARS	4.64	3.25	2.56	2.00
3 YEARS	9.28	6.50	5.12	4.00
4 YEARS	13.91	9.75	7.68	6.00
5 YEARS	18.55	13.00	10.24	8.00
6 YEARS	23.19	16.25	12.80	10.00
7 YEARS	27.82	19.50	15.36	12.00
8 YEARS	32.46	22.75	17.92	14.00
9 YEARS	37.09	26.00	20.48	16.00
10 YEARS	41.73	29.25	23.04	18.00
11 YEARS	46.36	32.50	25.60	20.00
12 YEARS	50.99	35.75	28.16	22.00
13 YEARS	55.62	39.00	30.72	24.00
14 YEARS	60.25	42.25	33.28	26.00
15 YEARS	64.88	45.50	35.84	28.00
16 YEARS	69.51	48.75	38.40	30.00
17 YEARS	74.14	52.00	40.96	32.00
18 YEARS	78.77	55.25	43.52	34.00
19 YEARS	83.40	58.50	46.08	36.00
20 YEARS	88.03	61.75	48.64	38.00
21 YEARS	92.66	65.00	51.20	40.00
22 YEARS	97.29	68.25	53.76	42.00
23 YEARS	101.92	71.50	56.32	44.00
24 YEARS	106.55	74.75	58.88	46.00
25 YEARS	111.18	78.00	61.44	48.00
26 YEARS	115.81	81.25	64.00	50.00
27 YEARS	120.44	84.50	66.56	52.00
28 YEARS	125.07	87.75	69.12	54.00
29 YEARS	129.70	91.00	71.68	56.00
30 YEARS	134.33	94.25	74.24	58.00
31 YEARS	138.96	97.50	76.80	60.00
32 YEARS	143.59	100.75	79.36	62.00
33 YEARS	148.22	104.00	81.92	64.00
34 YEARS	152.85	107.25	84.48	66.00
35 YEARS	157.48	110.50	87.04	68.00
36 YEARS	162.11	113.75	89.60	70.00
37 YEARS	166.74	117.00	92.16	72.00
38 YEARS	171.37	120.25	94.72	74.00
39 YEARS	176.00	123.50	97.28	76.00
40 YEARS	180.63	126.75	99.84	78.00
41 YEARS	185.26	130.00	102.40	80.00
42 YEARS	189.89	133.25	104.96	82.00
43 YEARS	194.52	136.50	107.52	84.00
44 YEARS	199.15	139.75	110.08	86.00
45 YEARS	203.78	143.00	112.64	88.00
46 YEARS	208.41	146.25	115.20	90.00
47 YEARS	213.04	149.50	117.76	92.00
48 YEARS	217.67	152.75	120.32	94.00
49 YEARS	222.30	156.00	122.88	96.00
50 YEARS	226.93	159.25	125.44	98.00
51 YEARS	231.56	162.50	128.00	100.00
52 YEARS	236.19	165.75	130.56	102.00
53 YEARS	240.82	169.00	133.12	104.00
54 YEARS	245.45	172.25	135.68	106.00
55 YEARS	250.08	175.50	138.24	108.00
56 YEARS	254.71	178.75	140.80	110.00
57 YEARS	259.34	182.00	143.36	112.00
58 YEARS	263.97	185.25	145.92	114.00
59 YEARS	268.60	188.50	148.48	116.00
60 YEARS	273.23	191.75	151.04	118.00
61 YEARS	277.86	195.00	153.60	120.00
62 YEARS	282.49	198.25	156.16	122.00
63 YEARS	287.12	201.50	158.72	124.00
64 YEARS	291.75	204.75	161.28	126.00
65 YEARS	296.38	208.00	163.84	128.00
66 YEARS	301.01	211.25	166.40	130.00
67 YEARS	305.64	214.50	168.96	132.00
68 YEARS	310.27	217.75	171.52	134.00
69 YEARS	314.90	221.00	174.08	136.00
70 YEARS	319.53	224.25	176.64	138.00
71 YEARS	324.16	227.50	179.20	140.00
72 YEARS	328.79	230.75	181.76	142.00
73 YEARS	333.42	234.00	184.32	144.00
74 YEARS	338.05	237.25	186.88	146.00
75 YEARS	342.68	240.50	189.44	148.00
76 YEARS	347.31	243.75	192.00	150.00
77 YEARS	351.94	247.00	194.56	152.00
78 YEARS	356.57	250.25	197.12	154.00
79 YEARS	361.20	253.50	199.68	156.00
80 YEARS	365.83	256.75	202.24	158.00
81 YEARS	370.46	260.00	204.80	160.00
82 YEARS	375.09	263.25	207.36	162.00
83 YEARS	379.72	266.50	209.92	164.00
84 YEARS	384.35	269.75	212.48	166.00
85 YEARS	388.98	273.00	215.04	168.00
86 YEARS	393.61	276.25	217.60	170.00
87 YEARS	398.24	279.50	220.16	172.00
88 YEARS	402.87	282.75	222.72	174.00
89 YEARS	407.50	286.00	225.28	176.00
90 YEARS	412.13	289.25	227.84	178.00
91 YEARS	416.76	292.50	230.40	180.00
92 YEARS	421.39	295.75	232.96	182.00
93 YEARS	426.02	299.00	235.52	184.00
94 YEARS	430.65	302.25	238.08	186.00
95 YEARS	435.28	305.50	240.64	188.00
96 YEARS	439.91	308.75	243.20	190.00
97 YEARS	444.54	312.00	245.76	192.00
98 YEARS	449.17	315.25	248.32	194.00
99 YEARS	453.80	318.50	250.88	196.00
100 YEARS	458.43	321.75	253.44	198.00

Past Due - Sanction Policy


Monitoring		Sanction
Overdue by	Action	
7 days	Weekly reminders to borrower	
30 days	Delay is reported to the Director of the borrowing country	Warning notice. No further loans to or guaranteed by the country will be proposed to the Board or signed if the overdue amount is not settled within the next 30 days.
60 days	Delay is reported to the Board	Warning notice. Disbursements will be suspended on all loans of the borrower. Copy of the notice will be sent to the Board and co-financiers will be informed if the overdue amount is not settled within the next 30 days.

OCR - Eligibility for Waiver on Commitment Charge / Lending Spread



One loan in arrears will trigger suspension of waiver on the entire sovereign loan portfolio of the borrower

Prepayment

- Borrowers have right to repay in advance of maturity, as of a date acceptable to ADB
- Borrowers should send ADB a written notice not less than 45 days before the prepayment
-  Note: Undisbursed balance should be fully cancelled and loan account should be closed before requesting for prepayment

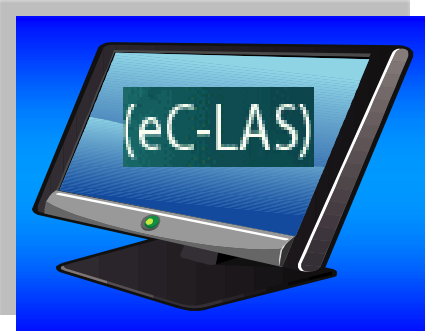
Loan Accounting Helpdesk



Loan Accounting Website



Loan Accounting Workshops and Seminars



eC-LAS Advantages

1. Ease of use

- ✓ Main menu
- ✓ On-line user's manual



2. Store loan profile and reference rates

- ✓ Commitment charge rates, interest rates, rebate rates and waiver rates
- ✓ FOREX rates



3. Record loan transactions and calculate loan charges

- ✓ Ledger



4. Generate financial reports

- ✓ Billing and capitalization summary
- ✓ Loan balances
- ✓ Loan profile summary



5. Separate records for multiple subloans

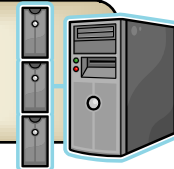


6. Make projections

- ✓ Amortization schedule
- ✓ Loan charges during construction
- ✓ Loan service payments



7. Back-up database



For any questions or comments, please contact:

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