

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Asian Development Bank (security code: -)

<Affirmation>

Long-term Issuer Rating: AAA
Outlook: Stable

Rationale

- (1) The Asian Development Bank (ADB) is a multilateral development bank (MDB) aimed to support economic and social development, including poverty reduction, in Asia and the Pacific region. The rating is primarily based on JCR's appraisal of: (i) the strong support ADB enlists from its member countries, (ii) its solid capital structure, (iii) its sound financial position backed by prudent risk management and (iv) the preferred creditor status it enjoys with its borrowing countries. ADB has been retaining sufficient capital as the capital base of its Ordinary Capital Resources (OCR) operations has been strengthened through the fifth general capital increase and assets transferred from the integration of the lending operation of the Asian Development Fund (ADF). It has been providing various forms of emergency financial support aimed to help the regional member countries address the COVID-19 pandemic. Although nonperforming loans in non-sovereign lending increased slightly, its NPL ratio was kept low at 0.13% at the end of September 2020. ADB saw its loan-loss provisions grow due to increased nonperforming loans in the January-September period of 2020, but they still stayed within the range that could be fully absorbed by its operating revenues. JCR holds that ADB will retain a solid financial base in the years to come, supported by its strong capital base and conservative financial management policy. All these considered, JCR has affirmed its rating with a Stable outlook.
- (2) ADB was established in Manila, the Philippines, in 1966. It has 68 member countries, including 23 OECD members. Of the 68, 49 are regional members and 19 are non-regional members. ADB provides various forms of financial assistance to its developing member countries through OCR, Special Funds and trust funds. The rating applies only to OCR operations, which is separate from the funds on an accounting basis. Under its new President Masatsugu Asakawa, the former Special Advisor to Japan's Prime Minister and Minister of Finance, who took office in January 2020, ADB continues to provide its wide-ranging support with priority on poverty and inequality issues, climate change, improvement of urban life environment, rural development, enhancement of governance and regional integration under its Strategy 2030, a new long-term strategy approved in 2018.
- (3) With the completion of the fifth General Capital Increase of USD109 billion in 2012 and the contribution of USD30.8 billion from the Integration of ADF Loan Operations in 2017, ADB's subscribed capital expanded to USD149.7 billion at the end of September 2020. Its paid-in capital accounted for 5% of the total subscribed capital (which consists of the paid-in capital and the callable capital) as of the end of September 2020. However, about 64% of the callable capital has been subscribed by the 23 OECD members, which are mostly highly creditworthy countries that have ample capacity to provide additional support to ADB as needed. The Bank has adopted the capital utilization ratio (the ratio of the amount of used capital to the amount of total capital available for operations) to evaluate capital adequacy since 2020. As of the end of September 2020, it stood at 68%, indicating it keeps a sufficient capital.

(4) ADB has fully complied with its conservative norms for the management of lending, borrowing, liquidity and foreign exchange positions in accordance with its charter, policies and guidelines. At the end of September 2020, OCR's loan portfolio showed a year-on-year growth of 14.1% to USD124.4 billion. OCR's concentration risks were reduced as its exposure to the top five borrowers (India, China, Pakistan, Indonesia and Bangladesh) declined from 63.2% of the total at the end of 2019 to 61.8% at the end of September 2020. ADB announced a USD20 billion COVID-19 response package in April 2020 to help ADB's developing member countries (DMCs) counter the severe macroeconomic and health impacts caused by COVID-19, and a USD9 billion vaccine facility in December 2020 to offer support to its DMCs in the procurement and delivery of effective and safe COVID-19 vaccines. At the end of September 2020, there were no nonperforming loans for sovereign lending, which accounted for 94% of the total while those for non-sovereign lending, which accounted for 6%, increased slightly. However, ADB's asset quality remains sound as the NPL ratio as a whole has been kept low at 0.13%. Its sovereign regular OCR loan operations have experienced no loss of principal. ADB, which plans to expand its non-sovereign lending in the medium term, needs to keep its asset quality sound through prudent risk management. The Bank's operating performance remained generally solid in the January-September period of 2020 with its allocable net income totaling USD745 million, albeit smaller than the year before, by absorbing bigger credit costs resulting principally from the adoption of the new accounting standard on 1 January 2020, which requires providing for credit losses based on expected losses over loan tenors instead of incurred losses.

Yoshihiko Tamura, Shinichi Endo

Rating

Issuer: Asian Development Bank

<Affirmation>

Long-term Issuer Rating: AAA

Outlook: Stable

Rating Assignment Date: March 30, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Multilateral Development Banks" (March 29, 2013) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Asian Development Bank
Rating Publication Date:	April 2, 2021

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as member countries, the issuer's related organizations, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's member countries, the issuer's related organizations, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

13

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset

quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to member countries, the issuer's related organizations, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Asian Development Bank	Issuer(Long-term)	May 1, 2006	AAA	Stable
Asian Development Bank	Issuer(Long-term)	April 20, 2007	AAA	Stable
Asian Development Bank	Issuer(Long-term)	April 9, 2008	AAA	Stable
Asian Development Bank	Issuer(Long-term)	April 9, 2009	AAA	Stable
Asian Development Bank	Issuer(Long-term)	April 21, 2010	AAA	Stable
Asian Development Bank	Issuer(Long-term)	April 4, 2011	AAA	Stable
Asian Development Bank	Issuer(Long-term)	April 5, 2012	AAA	Stable
Asian Development Bank	Issuer(Long-term)	March 29, 2013	AAA	Stable
Asian Development Bank	Issuer(Long-term)	March 31, 2014	AAA	Stable
Asian Development Bank	Issuer(Long-term)	March 31, 2015	AAA	Stable
Asian Development Bank	Issuer(Long-term)	March 18, 2016	AAA	Stable
Asian Development Bank	Issuer(Long-term)	March 29, 2017	AAA	Stable
Asian Development Bank	Issuer(Long-term)	March 28, 2018	AAA	Stable
Asian Development Bank	Issuer(Long-term)	April 2, 2019	AAA	Stable
Asian Development Bank	Issuer(Long-term)	March 26, 2020	AAA	Stable

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Toshihiko Naito
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