



Chair's Summary of Meeting of the Board of Directors

22 March 2017

Review of the Asian Development Bank's Loss Reserve and Provisioning Policies

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Asian Development Bank

1. The Board of Directors approved the *Review of the Asian Development Bank's Loss Reserve and Provisioning Policies*.
2. Directors agreed that the prevailing loss reserve and provisioning framework continue to be instrumental for estimating and accounting for potential financial losses, and they supported maintaining the conceptual framework for estimating and accounting for expected loss.
3. Directors endorsed a principles-based process for estimating the parameters for calculating expected loss. Based on the principles laid out in the review, Directors supported the proposed changes to the parameters for exposure at default and loss given default. Some Directors urged management to refine modeling to better account for the historical credit experience of the Asian Development Bank and to report back to the Board, preferably within a year.
4. While Directors approved delegating to Management the authority to update technical parameters for loss estimation in line with best practice and new information, some requested Management to present and explain to the Board future revisions to the loss reserve and provisioning policies.