

# Key financial indicators 2016-20

Key financial indicators are presented for the Bank covering the last five years. These ratios are influenced by the growth in Banking and Treasury portfolios and Annual Bank Investment over the five-year period in line with the Bank's strategy. This business growth utilises the Bank's capital capacity in pursuit of its mandated objectives, while underlying ratios remain at prudent levels broadly consistent with the upper quartile among multilateral development banks in terms of capital strength and cost efficiency.<sup>13</sup>

The Bank's profits and reserves show volatility due, in particular, to movements in the valuations of share investments. Excluding these, and other unrealised movements, the Bank continues to grow its members' equity, achieving a 1.9 per cent return in 2020, and an average return on equity of 3.6 per cent over the last five years (2015-19: an average of 4.4 per cent). The Bank's non-performing loan ratio increased to 5.5 per cent at 31 December 2020 from 4.5 per cent a year earlier.

In terms of cost efficiency, the cost-to-income ratio has increased from 23.0 per cent in 2019 to 37.7 per cent in 2020. This mainly reflects significantly lower income. The Bank monitors this metric on a five-year rolling average basis due to the high degree of volatility in the income from share investments. The 2020 five-year rolling average decreased slightly to 32.5 per cent (2015-19: 32.6 per cent).

Leverage – debt divided by members' equity – has increased to 269.5 per cent at 31 December 2020 (2019: 266.4 per cent), mainly attributable to growth in the stock of debt in order to maintain an adequate level of liquidity.

The Bank's capital strength is illustrated by the level of members' equity, which represented 25.7 per cent of total assets at 31 December 2020 (2019: 26.2 per cent), including Treasury assets which have an average risk rating between AA and AA- with an average maturity of 1.2 years (2019: 1.5 years). Members' equity represented 55.6 per cent of Banking assets (development-related exposure) at 31 December 2020 (2019: 57.5 per cent).

During 2020, both Standard & Poor's and Moody's rating agencies affirmed the Bank's triple-A credit rating with a stable outlook. Fitch also affirmed a triple-A credit rating, however it revised down the Bank's outlook from stable to negative. Whilst currently rated as "excellent", Fitch noted downside risks to the Bank's solvency (capitalisation and asset quality), resulting from the coronavirus pandemic. The Bank will continue to monitor its performance against all ratings agency ratios and metrics.

	2020	2019	2018	2017	2016
<b>Financial performance</b>					
1: Return on members' equity – net profit basis	1.0%	10.2%	1.5%	5.1%	7.0%
2: Return on members' equity – realised after provisions	1.9%	4.7%	1.9%	4.8%	4.7%
<b>Efficiency</b>					
3: Cost-to-income ratio	37.7%	23.0%	44.1%	35.3%	30.7%
<b>Portfolio quality</b>					
4: Non-performing loans ratio	5.5%	4.5%	4.7%	3.9%	5.5%
5: Average rating of Treasury liquid assets	2.5	2.4	2.3	2.3	2.3
6: Average maturity of Treasury liquid assets (tenor in years)	1.2	1.5	1.6	1.4	1.3
<b>Liquidity and leverage</b>					
7: Liquid assets/undisbursed Banking investments plus one-year debt service	105.0%	94.9%	96.5%	91.6%	91.4%
8: Debt/members' equity: leverage ratio	269.5%	266.4%	263.2%	233.7%	244.5%
<b>Capital strength</b>					
9: Members' equity/total assets	25.7%	26.2%	26.4%	28.8%	27.6%
10: Members' equity/Banking assets	55.6%	57.5%	57.6%	60.0%	56.4%

## Explanatory notes on ratios above

- (Total closing members' equity minus total opening members' equity) divided by total opening members' equity. The total closing members' equity is before net income allocations and capital subscriptions accounted for during the year.
- (Total closing members' equity minus total opening members' equity) divided by total opening members' equity. The unrealised Banking fair value reserves are excluded from both the total closing and opening members' equity. The total closing members' equity is also adjusted for net income allocations and capital subscriptions accounted for during the year.
- Total administrative expenses (including depreciation and amortisation) divided by total operating income before provisions for impairment but including all fair value movements on both Banking and Treasury investments.
- Total non-performing loans as a percentage of total loan operating assets before provisions and fair value adjustments. For further information on non-performing loans see page 34 in the "Risk management" section.
- Represents the average credit rating weighted by Treasury liquid assets based on the Bank's internal rating scale on page 33.
- The average tenor of Treasury assets in years is derived from the weighted average time to final maturity, with the exception of asset-backed securities (ABS) whose final maturity is approximated by the average life of the transaction.
- Treasury liquid assets divided by total Banking undrawn commitments (undisbursed but committed investments), plus one year's debt service, which comprises debt due for redemption within one year (based on expected rather than contractual maturity) and one year's estimated interest expense.
- Total borrowings divided by total members' equity.
- Total members' equity (adjusted for paid-in capital receivable) divided by total assets.
- Total members' equity (adjusted for paid-in capital receivable) divided by total net book value of Banking assets.

<sup>13</sup> Based on the 2019 audited financial results across multilateral development banks.