

Key financial indicators 2015-19

Key financial indicators are presented for the Bank over 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.¹¹

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 4.7 per cent return in 2019, and an average return on equity of 4.4 per cent over the last five years (2014-18: an average of 4.0 per cent). The Bank's non-performing loan ratio decreased to 4.5 per cent at 31 December 2019 from 4.7 per cent a year earlier.

In terms of cost efficiency, the cost-to-income ratio has decreased by almost half from 44.1 per cent in 2018 to 23.0 per cent in 2019. This mainly reflects significantly higher profit, in particular from share investments. 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 2019 five-year rolling average was 32.6 per cent (2018: 41.9 per cent).

Leverage – debt divided by members' equity – has increased to 266.4 per cent at 31 December 2019 (2018: 263.2 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 26.2 per cent of total assets at 31 December 2019 (2018: 26.4 per cent), including Treasury assets which have an average risk rating between AA and AA- with an average maturity of 1.5 years (2018: 1.6 years). Members' equity represented 57.5 per cent of Banking assets (development-related exposure) at 31 December 2019 (2018: 57.6 per cent). The Bank's capital strength and strong liquidity position is further reflected in its AAA rating with a stable outlook affirmed by all three major rating agencies in 2019.

	2019	2018	2017	2016	2015
Financial performance					
1: Return on members' equity – net profit basis	10.2%	1.5%	5.1%	7.0%	6.5%
2: Return on members' equity – realised after provisions	4.7%	1.9%	4.8%	4.7%	5.7%
Efficiency					
3: Cost-to-income ratio	23.0%	44.1%	35.3%	30.7%	38.8%
Portfolio quality					
4: Non-performing loans ratio	4.5%	4.7%	3.9%	5.5%	5.9%
5: Average rating of Treasury liquid assets	2.4	2.3	2.3	2.3	2.2
6: Average maturity of Treasury liquid assets (tenor in years)	1.5	1.6	1.4	1.3	1.3
Liquidity and leverage					
7: Liquid assets/undisbursed Banking investments plus one-year debt service	94.9%	96.5%	91.6%	91.4%	92.5%
8: Debt/members' equity: leverage ratio	266.4%	263.2%	233.7%	244.5%	250.9%
Capital strength					
9: Members' equity/total assets	26.2%	26.4%	28.8%	27.6%	26.7%
10: Members' equity/Banking assets	57.5%	57.6%	60.0%	56.4%	56.3%

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.
- Represents the average credit rating weighted by Treasury liquid assets based on the Bank's internal rating scale on page 29.
- 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 and one year's estimated interest expense. From 2016, debt redemptions have been based on expected rather than contractual maturity.
- 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.

¹¹ Based on the 2018 audited financial results across multilateral development banks.