

Key financial indicators 2017–21

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.¹⁴

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 7.6 per cent return in 2021, and an average return on equity of 4.2 per cent over the last five years (2016–20: an average of 3.6 per cent). The Bank's non-performing loan ratio decreased to 4.9 per cent at 31 December 2021 from 5.5 per cent a year earlier.

In 2021 the Bank introduced a new cost efficiency metric, replacing the cost to income ratio with the cost to debt income ratio, which excludes the more volatile elements of income and therefore gives a better indication of cost efficiency. The Bank monitors this metric on a 12-month rolling average basis. The cost to debt income ratio improved from 52.3 per cent in 2020 to 46.9 per cent in 2021. This improvement mainly reflected higher debt operating income driven by net interest income.

Leverage – debt divided by members' equity – has decreased to 246.4 per cent at 31 December 2021 (2020: 269.5 per cent), mainly thanks to growth in the Bank's capital reserves.

The Bank's capital strength is illustrated by the level of members' equity, which represented 27.3 per cent of total assets at 31 December 2021 (2020: 25.7 per cent), including Treasury assets which have an average risk rating between AA and AA- with an average maturity of 1.1 years (2020: 1.2 years). Members' equity represented 58.9 per cent of Banking assets (development-related exposure) at 31 December 2021 (2020: 55.6 per cent).

During 2021, the Bank's triple-A credit rating with a stable outlook was affirmed by all three major ratings agencies. In 2021 Fitch returned the Bank's outlook to stable from negative acknowledging the resilience of the Bank's loan investments during the Covid-19 pandemic and the now reduced downside risks to the Bank's solvency (capitalisation and asset quality).

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------|--------|--------|--------|--------|
| Financial performance | | | | | |
| 1: Return on members' equity – net profit basis | 14.2% | 1.0% | 10.2% | 1.5% | 5.1% |
| 2: Return on members' equity – realised after provisions | 7.6% | 1.9% | 4.7% | 1.9% | 4.8% |
| Efficiency | | | | | |
| 3: Cost to debt income ratio | 46.9% | 52.3% | 51.2% | 51.8% | 51.1% |
| Portfolio quality | | | | | |
| 4: Non-performing loans ratio | 4.9% | 5.5% | 4.5% | 4.7% | 3.9% |
| 5: Average rating of Treasury liquid assets | 2.4 | 2.5 | 2.4 | 2.3 | 2.3 |
| 6: Average maturity of Treasury liquid assets (tenor in years) | 1.1 | 1.2 | 1.5 | 1.6 | 1.4 |
| Liquidity and leverage | | | | | |
| 7: Liquid assets/undisbursed Banking investments plus one-year debt service | 123.4% | 105.0% | 94.9% | 96.5% | 91.6% |
| 8: Debt/members' equity: leverage ratio | 246.4% | 269.5% | 266.4% | 263.2% | 233.7% |
| Capital strength | | | | | |
| 9: Members' equity/total assets | 27.3% | 25.7% | 26.2% | 26.4% | 28.8% |
| 10: Members' equity/Banking assets (development-related exposure) | 58.9% | 55.6% | 57.5% | 57.6% | 60.0% |

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 movements 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 (excluding non-budgeted and exceptional items) divided by total Banking debt operating income before provisions for impairment.
- 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 34.
- 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.

¹⁴ Based on the 2020 audited financial results across multilateral development banks.