

ASIAN DEVELOPMENT BANK STILL AWASH WITH FUNDS.By **Chaitanya Kalbag**

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MANILA, April 20, Reuter - The Asian Development Bank (ADB) is still awash with funds, with liquid assets of 4.5 billion dollars, 74.2 pct of its undisbursed loan balances, at the end of 1987, Treasurer Alan Gill said in an interview.

This compares with liquid assets of four billion dollars, 68.7 pct of undisbursed loans, at the end of 1986.

"The amount of liquidity increased during the course of the year as the value of the U.S. dollar declined," Gill said.

The bank's charter lays down a 40 pct liquidity ratio. It keeps its liquid investments in 22 convertible currencies.

Gill said liquidity had also increased because of inflows caused by loan cancellations and prepayments.

Bank figures do not give details of prepayments but show loan cancellations totalled 554 million dollars in 1987, compared with 649.9 million in 1986.

The ADB's Financial Profile says the bank's net income has increased every year for the past 10 years and totalled 306.9 million dollars in 1987, up from 287.1 million in 1986.

Gill said the bank made only five borrowings totalling 537.2 million dollars in 1987, against a projected 800 million and down from 813 million dollars in 1986.

The bank's 1987 report said net disbursements plunged by 49 pct to 120.8 million dollars from 237.4 million in 1986. Ordinary capital resources (OCR) loan disbursements totalled 693 million dollars, up from 612 million in 1986.

Bank officials said OCR loan cancellations totalled 490.6 million dollars. Repayments and prepayments by some borrowers such as Thailand, who opted for lower-cost short-term borrowings, resulted in a net negative OCR flow of 359.54 million dollars.

Officials note that the ADB's pool-based variable lending rate, cut from 7.65 pct to a historic low of 6.59 pct over the past year, is still above short-term market rates.

"There is a built-in lag time, because our lending rate is based on a pool of funds. What that means is that when interest rates decline we tend to be on the higher side," Vice-President S. Stanley Katz said. But when rates rise, borrowers can expect funds to be available at lower rates.

"I think it's safe to say that our lending level will never be as sensitive as short-term rates provided by commercial banks," Gill said. "By borrowing longer-term and locking in the cost to the bank for a longer period of time, we know that it generates a degree of stability in the lending rate."

As far as the ADB was concerned, Gill said, interest rates had touched a historic low.

He said the bank had been emphasising low-coupon borrowings in marks, Swiss francs or yen. One high-coupon sterling borrowing had been swapped in 1987, he said.

Bank figures show that the average life of outstanding loans at end-1987 was 10.18 years, while the average life of the Bank's borrowings was 7.88 years.

The bank, whose bonds are rated Triple-A by both Moody's and Standard and Poor's, would stick to the "plain vanilla" type of financing in 1988, Gill said.

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