

Credit Analysis



Moody's Global Sovereign

December 2008

International Finance Corporation Supranational

Rating Rationale and Outlook

Moody's Aaa rating of the International Finance Corporation (IFC) is based on its strong capitalization and sound financial management, its membership within the World Bank Group and its strong shareholder support. Unlike other multilateral development banks (MDBs), the IFC lends to private sector companies in high-risk economies without the benefit of a sovereign guarantee. It also lacks the callable capital that is a critical rating factor supporting the Aaa ratings of the MDBs such as the International Bank for Reconstruction and Development (IBRD) or the Asian Development Bank. Moody's therefore views the IFC's high level of capital and reserves as essential to its rating. Despite the turmoil in global financial markets, the Corporation saw the favorable financial trends of the last five years continue in FY2008 as high equity income from dividends and capital gains continued to drive net income's high levels and increased the IFC's capital by \$1.2 billion. It is likely, however, that FY2009 and, perhaps 2010, will see a deterioration in the Corporation's asset quality as a result of the global recession, which could affect a significant number of its loans and investments. Nonetheless, Moody's believes that the IFC has the financial strength to withstand such a deterioration without affecting its Aaa rating.

The strong support that the IFC receives from its owners affords a large measure of comfort to investors. In Moody's view, the IFC faces very little transfer risk in its portfolio because of the preferred creditor status it has historically been accorded by the member countries in which it lends. IFC loans have never been included in a sovereign debt rescheduling, nor have payments to the IFC ever been permanently interrupted by a general debt-servicing moratorium. This feature of the Corporation's status has been demonstrated in the past five years in the case of Argentina, where a number of creditworthy borrowers continued to make payments—although others did not, causing IFC's NPLs to increase and to peak in FY2003. Moreover, cumulative write-offs of loans and equity investments as a percentage of cumulative disbursements since the inception of the institution stood at only 5.0% at the end of FY2008, a ratio that reflects the IFC's success in restructuring loans. In Moody's view, given the shareholder support that the IFC enjoys, along with its relatively modest size, it is likely that one or a few member governments would provide additional capital well before any disruption in the organization's ability to maintain operations would occur. While the current global environment could weaken somewhat the availability of funds, over time the commitment of shareholders to the organization remains strong.

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This Credit Analysis provides an in-depth discussion of the credit rating(s) for the International Finance Corporation and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



Moody's Investors Service

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Moody's believes that the IFC is well-positioned to respond to the global financial crisis. In December 2008, the IFC board approved a multi-pronged effort to help companies in emerging markets cope. The IFC will double an existing trade-finance guarantee facility to \$3 billion and create three new programs aimed at recapitalizing banks, supporting infrastructure financing and enabling sovereign wealth fund investments. This expansion of programs is supported by current capital levels and therefore should not place downward stress on the IFC's rating.

Organization Structure and Strategy

The IFC is a multilateral institution that furthers the economic development of its member countries through the promotion of private investment. The Corporation is a member of the World Bank Group, which also includes the IBRD, the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). The IFC makes loans and equity investments in private companies, organizes syndications, underwrites securities, and offers advisory services. In addition to deploying its own resources, the Corporation has sought to catalyze additional investment flows to private companies in developing countries.

By year-end FY2008 (June 30), the 179 member countries had contributed \$2.366 billion of paid-in capital to the IFC. Paid-in capital in turn represents nearly 100% of subscribed capital; as of June 30, 2008 membership subscriptions totaling less than \$1 million were outstanding. The largest single shareholder is the United States with 23.6% of voting power, followed by Japan with 5.9%, and the combined voting power of member countries rated Aaa/Aa by Moody's amounts to 67.0% of the total. Membership in the International Monetary Fund (IMF) and the IBRD are prerequisites for membership in the IFC. Provisions in the IFC's articles ensure that the IFC board of directors is identical to that of the World Bank, facilitating coordination of the two institutions' policies and operations. However, the distribution of voting power in the IFC board differs from that of the World Bank board because of the different patterns of ownership.

Frontier Strategy Continues

For several years the IFC has been following a "frontier" strategy, pursuing opportunities in developing regions such as Sub-Saharan Africa that had been previously underserved. The IFC expects that it will be these frontier countries that will drive the organization's future growth. Thus the IFC's business strategy focuses on aiding the growth of the financial markets and small- and medium-sized enterprises in frontier countries as well as in its traditional market of middle income countries, as well as addressing constraints in the development of infrastructure and social projects in these areas.

As an outgrowth of this strategy, the IFC has been focusing on ways to meet clients' needs more effectively. Over the last several years it has decentralized its staff; at year-end 2008 51% of investment staff was located outside of Washington DC, and regional departments have greater decision making authority. IFC is further developing its client advisory services, which the Corporation sees as one of its comparative advantages. The main vehicle for this work is through the Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS). As of FY2008, there were active programs in 97 countries. A percentage of IFC's operating income above \$150 million may be set aside as a designation of retained earnings to fund the FMTAAS, with the percentage increasing at higher income levels. In FY2007, \$170 million of retained earnings was assigned to FMTAAS and in FY2008 \$123 million was utilized and an additional \$100 million of retained earnings was assigned to FMTAAS. Other designations from FY2008 income included \$450 million for IDA as part of an indicative designation of \$1.25 billion over FY08-FY10 for IDA subject to IFC's profitability, growth, strategic priorities, business and capital adequacy needs.

There are three other programs in particular that are designed to augment the IFC's frontier strategy. The Global Trade Finance Program (GTFFP) was created to increase access to international markets for banks in Africa, Asia, Latin America and the Middle East. The IFC offers confirming banks partial and full guarantees to cover payment risk on banks in emerging markets. It offers funds to banks for short-term pre-export financing. These products are especially popular in frontier markets as clients there need reliable access to short-term

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financing. The IFC also has a program which funds performance-based grants for individual private sector projects that satisfy IFC's developmental mandate and that merit a subsidy, in developing countries, with emphasis on frontier markets (with an initial emphasis on infrastructure, health or education). The principle here is neither to distort markets nor to benefit investors more than the intended beneficiaries; rather, this approach involves tying payment of subsidies to the achievement of pre-defined development results. Finally, in 2007 the IFC developed new local currency products which started as a pilot program of \$100 million for unhedged local currency lending in countries where there are no swap markets. During FY2008 the institution created local currency funding pools (through borrowings or swaps) in Brazil, Russia and Mexico to respond to client's need for local currency.

IFC/IBRD Joint Initiative on Local Bond Markets

The IFC and IBRD have a fund to help countries fund long-term needs (such as for infrastructure) by focusing on the development of local bond markets. The Global Emerging Markets Local Currency Bond Fund (GEMLOC) is being managed by a private fund manager in what is the World Bank Group's first public sector-private sector initiative. GEMLOC could grow to as high as \$5 billion, and is funded by investments that the outside manager solicits from clients such as private institutional investors, sovereign wealth funds and central banks. The fund could invest in up to 40 countries within five years. A private provider, in conjunction with input from the IFC, has launched a Global Emerging Markets Bond Index that aims to establish a benchmark for the asset class to attract greater global investor interest. The index currently includes 19 countries.

Profitability

Equity Income Continues to Drive Results Despite Uncertain Global Financial Markets

The IFC experienced strong financial performance in FY2008, although overall profitability did not reach the FY2007 peak. Operating income and net income fell to \$1.3 billion and \$1.5 billion, respectively, re-aligning them with 2006 levels. Operating income was equivalent to a return on average net worth of 9.0%, excluding the effects of adjustments for the implementation of EITF 03-16 in FY2005 (which excludes unrealized gains from LLPs and certain LLCs) and for SFAS 133. The Corporation's Interest Coverage Ratio (ICR) was 2.9, down from 4.2 last year. Income continued to be driven by high equity income from capital gains and dividends which, at \$1.8 billion, was 1.5 times greater than the amount earned from interest and fees on loans and debt securities (down from \$2.3 billion – double the income from loans and debt securities – in FY2007). Interest rates movements have a strong impact on the Corporation's income statement, as its fixed income securities portfolio is by nature interest rate-sensitive.

Income Volatility Inherent and Manageable

As IFC's business actually resembles less that of a full service bank than that of a particularly large venture capital firm, nearly all components of revenue are subject to considerable fluctuation, which reflects the higher risk nature of its fundamental business. Further, the Corporation's policy toward write-offs (taking as few as possible and preferring to resolve problem situations) suggests that volatility is channeled through income statement revenue instead of the conventional asset quality indicators on the balance sheet. Finally, and appropriately, the Corporation appears less willing to use its equity portfolio to smooth results and more concerned with getting the market timing right and meeting development objectives.

The Corporation continues to plan to transition the presentation of its financial statements from US GAAP to International Financial Reporting Standards (IFRS). They had previously decided to complete the transition by the end of FY2010, but have delayed it and will re-set the timetable by the end of Q3 FY2009. Because all equity investments will be recorded at fair value, the income statement will become more volatile than under the existing US GAAP presentation because the Corporation's substantial unrealized equity gains (or possibly future losses) will go on to the balance sheet. The IFC is currently implementing a corporate VAR model, and by delaying IFRS implementation the model will give the Corporation more detailed data on the equity risk

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profile. Questions remain regarding how IFC's capital and retained earnings would be treated, as under existing IFRS they would be classified as liabilities because members could theoretically withdraw those funds, while the IFC maintains they should continue to be viewed as equity. In evaluating MDBs, Moody's focuses on the willingness and ability of member countries to step in and support the organization and the organization's own risk profile and does not rely solely on accounting measures. Moody's expects member support and sound risk management to continue, and as such the issue of what accounting regime the organization chooses to adopt is viewed by Moody's as a ratings neutral event.

Asset/Liability Management and Liquidity

Current Financial Policies

In FY2007, the financial policies and limits that had been in place since 1993 were updated in light of market developments, new risk management techniques and the needs of the organization. For asset/liability management, the IFC continues to match-fund its loans on the basis of interest rate tenor, currency and maturity, but there can be special cases where asset/liability mismatches are acceptable for new products as approved by the Board. In such cases the capital necessary is estimated using the CAPRI model (which will be discussed in more detail in the Capital Adequacy section of this report). As before, the Corporation uses swaps, forwards and other derivatives to manage currency and interest rate risk pursuant to its internal policy of curtailing risks, and all equity and quasi-equity investments are funded from net worth to avoid creating market liabilities where the offsetting assets have an unpredictable cash flow.

Under the liquidity policy, there is both an external funding component and a ratio component. The external funding policy stipulates that the minimum level of liquidity from external funding must cover at least 65% of the sum of: a) 100% of committed but undisbursed straight senior loans; b) 30% of committed guarantees; and c) 30% of committed client risk management products. The liquidity ratio policy calls for the Corporation to maintain a minimum level of liquidity (plus the undrawn borrowing commitment from IBRD) that would cover at least 45% of the next three years' net cash requirements.

Liquidity on the IFC's balance sheet is high, with cash and liquid assets equal to 50.5% of total assets net of swaps and 62.4% of the next three years' cash needs. The recent high level of liquid assets reflects a number of factors, including repayment of maturing debt, increased capital gains and steady prepayments. To date, the Corporation has managed its liquidity with profitability as a secondary consideration to the preservation of its capital earnings.

Borrowing Authority Raised for FY2009

As a member of the World Bank Group, IFC could borrow from the IBRD as it has done in the past. However, IFC now raises funds entirely in the international debt markets. This has the benefit of reinforcing the private sector character of the IFC by exposing the Corporation to the financial discipline needed to raise money in the international markets at the lowest possible cost. At one time, there was some question as to whether the IFC could borrow at costs no higher than those it would pay on loans from the World Bank. In fact, because of its Aaa status, the IFC does this and will continue to do so in the foreseeable future.

Because of the IFC's strong financial results, total borrowings were \$6.0 billion in FY2008, up from \$2.8 billion in FY2007 and \$1.8 billion in FY2006. The entire program was raised in the international capital markets, and to take advantage of favorable market conditions and to prepare for the substantially larger FY2009 program, the institution borrowed \$999 million in FY2008 as pre-funding for the FY2009 program. For FY2009 the IFC's borrowing authorization is \$8.0 billion, up \$3 billion from FY2008 and its highest authorization level since FY1999. In addition, the IFC can borrow up to \$1.5 billion to pre-fund the FY2010 borrowing program.

Outstanding borrowings are denominated in 16 currencies, with all borrowings converted to US dollars on an afterswap basis except for a few isolated cases in which local currency borrowings are on-lent to clients on matching terms. Outstanding IFC loans are denominated in a variety of currencies, but overwhelmingly concentrated in two: the US dollar (69.1%) and the Euro (13.6%).

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Capital Adequacy

CAPRI Model In Use

The IFC utilizes a Capital, Pricing and Risk (CAPRI) model, which it believes allows it to better differentiate and address the risks for current asset classes as well as for new products. The CAPRI framework mandates that the IFC maintain a minimum level of resources (including paid-in capital, total loss reserves and retained earnings after designations have been made) equal to total potential losses for all on- and off-balance sheet exposures at a level that allows the Corporation to maintain a Aaa rating. The potential loss estimates for the risk asset classes are a minimum of: a) 22% of loan and guarantee exposure gross of reserves; b) 70% of equity exposure; c) 1.5% of treasury assets (including liquid assets and counterparty derivatives); d) 1.5% for other receivable assets; e) 11% for property assets; and f) 11% for eligible trade finance transactions. To cover operational risk, 1% of exposure (net of specific reserves) is added for each asset class mentioned. Under the CAPRI framework, the minimum capital adequacy requirement is \$10.3 billion; at fiscal year-end 2008 capital stood at \$15.0 billion excluding the effects of designation of \$550 million from FY2008 income made subsequent to the close of financial statements for FY2008.

Leverage Policy Unchanged

The IFC's leverage policy remains the same; its maximum leveraging exposure (defined as the ratio of drawn debt to the sum of total subscribed capital plus accumulated earnings) is 400%. At the end of FY2008, the IFC's actual leverage was 162%, very comfortable within its policy limit.

Net worth was \$18.3 billion at the end of FY2008, up from \$14.0 billion in FY2007. This was equal to 57.6% of disbursed assets and approved but undisbursed commitments—an unweighted measure of broad economic exposure. It was also equal to 85.0% of disbursed loans and equity investments (net of loss provisions)—a narrower measure of cash exposure.

Asset Quality

Loans represent the majority of the IFC's investment portfolio, comprising 74.4% of the total. Equity investments represent 20.3% of the portfolio, with risk management products and guarantees rounding out the portfolio. At fiscal year-end 2008, IFC's disbursed investments including guarantees and client risk management products gross of reserves stood at \$22.3 billion, up \$5.3 billion from the previous fiscal year. At the end of the year the IFC's held portfolio included loans and equity investments in 119 countries and 1,491 companies. In recent years portfolio growth has been slower than the growth in commitments and disbursements. Prepayments are the driver of this trend, as client companies have improved their internal cash generation and also benefited from greater access to international capital markets. The liquidity and credit crises that are affecting both advanced industrial and emerging economies may slow this trend, and in fact prepayments in FY2008 dropped to \$1.1 billion from \$1.2 billion the previous year. There will likely be a larger decline in the current fiscal year.

Portfolio Quality Improves Again

Asset quality improved in FY2008, with the stock of non-performing loans (i.e. loans in non-accrual status—defined as those with arrears in excess of 60 days unless collection is anticipated in the near future) falling for the fifth consecutive year. Loans on non-accrual more than doubled from \$633 million in FY1998 to \$1,543 million in FY2003; they were reduced to \$369 million by FY2008. The recovery of loans in Argentina has been notable, as non-accruals accounted for only 6.3% of disbursed loans in Argentina in FY2008, compared to 66.5% in FY2003. Despite this improvement, Argentina is the country with the highest percentage of non-accruing loans. Following Argentina is India (3.7%), China and the Philippines (3.1% each), and Brazil (2.8%). These FY2008 numbers are slightly better than last year's numbers when non-accrual figures for the top five countries were 6.0% for Brazil, 5.7% for Argentina, 4.2% for China, 4.1% for Indonesia, and 4.0 for Nigeria.

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The ratio of IFC's loans in non-accrual as a percentage of the total disbursed loan portfolio fell to 2.2% in FY2008 from 2.9% of total loans the previous year. This ratio is very likely to increase in the coming year or two, given global economic and financial conditions. It can be noted that the ratio peaked at 16.7% in FY2003, but the IFC's financial performance, while affected, continued to record positive net income. The IFC's interest collection rate¹ held steady during the last fiscal year at 94.5% against 93.7% in FY2007 and 92.5% in FY2006.

Balanced Portfolio Structure

By sector and individual obligor, the IFC has a high degree of concentration in the financial sector, which accounts for about 45.1% of its investment portfolio. The other largest exposures are to utilities and oil and gas. Together, the three sectors account for 59.0% of the disbursed portfolio. IFC's commitment volumes rose to \$11.4 billion in FY2008, a 38.7% increase and a new high for the fifth year in a row. While no significant changes in the composition of the portfolio are currently anticipated, the IFC expects that growth will increasingly come from projects located in frontier countries and sectors—that is, in countries and sectors in which the IFC's activity has been limited to date. However, in terms of volume, investments will naturally be greater in larger countries with sufficient absorptive capacity and investment opportunity.

There is some degree of risk concentration by recipient country—similar to the situation at the IBRD but less than the regional multilateral banks. The country concentration guideline differs from country to country and is based on a percentage of net worth plus general reserves. For example, the ceiling for the highest exposure country is 20% of net worth plus general reserves. On this basis, the disbursed exposure (net of specific reserves) for Russia and Brazil accounted for 16.2% and 14.3% of net worth plus general reserves, respectively, at end FY2008. The IFC's next largest disbursed country exposures, in descending order, are India (11.3%), China (10.1%) and Turkey (9.0%). Looking at the disbursed portfolio, the largest ten country exposures (gross of reserves) account for 56.9% of the IFC's portfolio, down from 57.6% last year, and include all five of the countries mentioned previously. Concentration by borrowing company is not as significant but is climbing—there is now one company with a share of the disbursed portfolio over 2% and six with a share between 1% and 2%, compared to none over 2% and only one over 1% four years ago.

Sufficient Reserves Against Loan Losses

Loan loss reserves consist of specific and general reserves, and additions to these reserves are charged to income. Specific reserves are determined after a case-by-case quarterly review of the entire loan portfolio. The level of specific reserves against losses on loans reflects a judgment by IFC management that the loan is suffering significant and relatively permanent value impairment. This judgment is based on the Corporation's experience with the specific borrower, its expected future performance, its security, and the position of other project sponsors. The general reserve against losses on loans is intended to provide for risk in the loan portfolio as a whole that cannot be specifically identified. Management estimates the general reserve against losses on loans. As a result of the adoption of EITF 03-1 in FY2005, an equity investment is written down to its impaired value when an impairment is identified and is deemed to be other than temporary. Thus, the IFC now has general reserves for the loan portfolio only.

At the end of FY2008 total reserves against loan losses (\$848 million) fell to the equivalent of 5.2% of the outstanding loan portfolio, down from 6.5% the previous year.

¹ Defined as interest income due and recognized as income in the fiscal year as a percent to total interest income due in the fiscal year.

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Rating History:

	Issuer Rating		Senior Unsecured	Outlook	Date
	Long-term	Short-term			
Outlook Assigned	--	--	--	Stable	March-97
Rating Assigned	--	P-1	--	--	January-97
Rating Assigned	Aaa	--	--	--	December-94
Rating Assigned	--	--	Aaa	--	November-91

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	2008	2007	2006	2005	2004	2003
BALANCE SHEET SUMMARY [1] (US\$ Millions)						
ASSETS						
Total Assets	41,823	34,475	28,487	28,723	26,940	26,756
Loans and Equity Investments	23,319	15,796	12,731	11,489	10,279	9,377
Gross Loans	15,229	12,650	10,727	9,973	9,753	9,242
Equity Investments	7,318	3,245	2,696	2,505	1,893	1,819
Less Reserve against Loan Losses	-848	-832	-898	-989	-1,367	-1,684
Net cash, deposits and securities	15,125	14,915	11,789	13,460	14,068	13,951
Other	3,379	3,764	3,967	3,774	2,593	3,428
LIABILITIES AND EQUITY						
Total Liabilities	23,562	20,458	17,411	18,925	19,158	19,967
Borrowings Outstanding	20,261	15,879	14,967	15,359	16,254	17,315
From World Bank	54	62	80	55	97	134
From other sources	20,207	15,817	14,887	15,304	16,157	17,181
Other Liabilities	3,301	4,579	2,444	3,566	2,904	2,652
Total Equity	18,261	14,017	11,076	9,798	7,782	6,789
Subscribed Capital	2,366	2,366	2,365	2,365	2,362	2,362
Less Portion not yet paid	0	-1	-1	-1	-1	-2
Plus Pmt. on acct. of pending subscription	0	0	0	0	1	0
Equals Paid-in Capital (PIC)	2,366	2,365	2,364	2,364	2,362	2,360
Accumulated Other Comprehensive Income	2,703	442	1	1	2	4
Retained Earnings	13,192	11,210	8,711	7,433	5,418	4,425
TOTAL LIABILITIES AND EQUITY	41,823	34,475	28,487	28,723	26,940	26,756
BALANCE SHEET COMPOSITION						
As % of Average Assets (Excluding Loss Reserve)						
Gross Loans	35.8	36.1	35.0	34.0	33.5	31.5
Gross Equity Investments	13.5	9.2	8.8	7.6	6.5	6.4
Cash	0.9	0.8	0.5	0.4	0.3	0.3
Earning Liquid Assets	37.6	40.4	42.2	47.1	49.1	52.3
Other	9.2	12.0	13.1	11.0	10.6	9.5
Debt to World Bank	0.1	0.2	0.2	0.3	0.4	0.6
Debt to Market Sources	46.2	47.5	51.1	54.2	58.7	61.2
Other Liabilities	10.1	10.9	10.2	11.2	9.8	8.2
Total Liabilities	56.5	58.5	61.5	65.6	68.9	69.9
Total Equity (incl. Loss Reserve)	43.5	41.5	38.5	34.4	31.1	30.1

[1] All data pertains to fiscal years ending June 30.

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	2008	2007	2006	2005	2004	2003
INCOME STATEMENT SUMMARY [1] (US\$ Millions)						
Total Income	3,463	4,093	2,594	2,462	1,432	1,190
Income, Loans & Equity Investments	2,760	3,365	2,046	2,039	1,180	626
From Loans and Guarantees	1,065	1,062	804	660	518	477
Dividends & Profit Participations	428	385	323	258	207	147
Amortization of UJVs conditional asset retirement obligations	-1	-2	-8	--	--	--
Unrealized Income From LLPs and Certain LLCs	--	19	56	191	--	--
Changes in Carrying Value of Equity Investments	12	--	--	269	74	-50
Equity Investment Impairment Write-Downs	-140	-40	-57	-62	--	--
Capital Gains on Equity Sales	1,396	1,941	928	723	381	52
Income from Debt Securities	163	27	7	--	--	--
Financial Service Fees	58	53	52	41	41	51
Income from Liquid Asset Trading Activities	473	618	444	--	--	--
Income, Deposits and Securities	--	--	--	533	278	318
Income from Pension and Post-Retirement Benefit Plans	--	--	--	--	--	--
Net gains and losses on trading activities	--	--	--	-175	-104	157
Other	9	30	45	24	37	38
Total Expenses	1,375	1,258	1,095	471	450	662
Charges on Borrowings	782	801	603	309	141	226
Administrative Expenses	549	482	436	403	360	332
Provision for Losses	38	-43	15	-261	-103	48
Contribution to Special Programs	0	0	0	0	29	28
Pension and Other Post-Retirement Benefit Plans	3	15	28	14	19	24
Other	3	3	13	6	4	4
Expenditures for Technical Assistance and Advisory Services	123	96	55	38	--	--
Expenditures for Performance-Based Grants	527	150	35	--	--	--
Income before Unrealized Gains (Losses) on Financial Instruments	1,438	2,589	1,409	1,953	982	528
Net Interest Income	2,413	3,225	1,872	2,524	1,420	670
Other Unrealized Gains (Losses) on Financial Instruments	109	-99	-145	62	11	-41
Net Income [2]	1,547	2,490	1,264	2,015	993	487

[1] All data pertains to fiscal years ending June 30.

[2] For 2001 includes \$93 million of accounting changes and for 1998 includes \$34.1 million of accounting changes.

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	2008	2007	2006	2005	2004	2003
FINANCIAL RATIOS						
ASSET QUALITY						
Total Loans on Non-Accrual (US\$ Mil.)	369	378	447	634	1,121	1,543
Non-Accruals as % Gross Loans Out.	2.4	3.0	4.2	6.4	11.5	16.7
Non-Accruals as % Loan Loss Res.	42.6	44.6	48.7	64.1	82.0	91.6
Non-Accruals as % Loan Loss Res. + Accumulated Earnings	2.6	3.1	4.6	7.5	16.5	25.3
Gross Write-offs (Loan & Equity) as % Gross Loans and Equity Investments	0.9	0.5	1.4	4.8	3.9	2.6
Net Write-offs (Loan & Equity) as % Gross Loans & Equity Investments	0.8	0.5	1.2	4.7	3.9	2.5
Loss Reserve to Net Write-offs (Loan & Equity) (X)	4.5	10.6	5.6	1.7	3.0	6.2
Loss Reserve plus Accum. Earn. as % Gross Loan and Equity Investments	62.3	75.8	71.6	67.5	58.3	55.2
LIQUIDITY (%)						
Liquid Assets as % Undisbursed Loans + Equity Investments	165.6	194.9	170.6	230.8	308.8	403.8
Liquid Assets as % Total Borrow. Out.	74.7	93.9	78.8	87.6	86.6	80.6
Liquid Assets as % Total Market Borrow.	74.9	94.3	79.2	88.0	87.1	81.2
PERFORMANCE STATISTICS USING NET INCOME(%)						
Return on Avg Assets (Incl. Loss Res.)	4.0	7.7	4.3	6.9	3.5	1.8
Return on Avg Equity (Incl. Loss Res.)	9.1	18.6	11.1	20.2	11.3	5.9
Return on Earnings Assets	3.9	7.9	5.0	7.8	3.9	1.9
PERFORMANCE STATISTICS USING OPERATING INCOME(%)						
Return on Avg Assets (Incl. Loss Res.)	3.7	8.0	4.8	6.7	3.5	1.9
Return on Avg Equity (Incl. Loss Res.)	8.5	19.3	12.4	19.6	11.1	6.4
Return on Earnings Assets	3.7	8.2	5.6	7.5	3.8	2.1
EQUITY RATIOS						
PIC + Accum. Earn. + Loss Res. as % Gross Assets [1]	44.8	42.1	40.7	36.3	32.3	29.8
PIC + Accum. Earn. + Loss Res. as % Gross Loans + Equity Investments [1]	84.8	93.4	89.2	86.4	78.6	76.6
Borrowings Out. + Guarantees % Subscr. Cap. + Accum. Earn. (X) [1]	1.4	1.2	1.4	1.6	2.1	2.6
Equity Investments net of Loss Reserves as % PIC + Accum. Earnings [1]	40.1	23.2	24.3	25.6	24.3	26.8

[1] PIC equals Paid-in Capital

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COUNTRY EXPOSURE OF IFC [1][2]
(US\$ Million; Fiscal Year 2008)

	Loan	Equity	Guarantees	Risk Management	Total	%
Russian Federation	1807.1	497.6	116.2	0.0	2420.9	10.8
Brazil	1836.6	217.6	138.1	3.0	2195.2	9.8
India	1238.4	432.0	0.0	1.3	1671.6	7.5
China	929.5	588.3	0.2	0.0	1517.9	6.8
Turkey	1046.9	283.9	0.0	0.0	1330.8	6.0
Argentina	695.9	60.8	65.0	3.5	825.1	3.7
Colombia	413.1	270.9	18.2	0.0	702.2	3.1
Philippines	589.8	107.6	0.0	0.0	697.3	3.1
Mexico	513.0	143.9	33.3	2.6	692.8	3.1
Indonesia	549.1	51.3	50.0	0.0	650.4	2.9
Ten Largest Borrowers	9,619.3	2,653.8	421.0	10.4	12,704.4	56.9
Total	16,622.8	4,524.7	1,140.7	42.1	22,330.3	100.0

[1] Ten largest country exposures in the disbursed portfolio.

[2] Figures shown as percentage of gross investment outstanding.

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IFC OWNERSHIP DISTRIBUTION BY TEN LARGEST SHAREHOLDERS (As of June 30, 2008)	Capital		Voting Power
	Amount (US\$ 000)	% of Total	% of Total
United States	569,379	24.07	23.63
Japan	141,174	5.97	5.87
Germany	128,908	5.45	5.36
United Kingdom	121,015	5.12	5.03
France	121,015	5.12	5.03
Canada	81,342	3.44	3.39
Italy	81,342	3.44	3.39
India	81,342	3.44	3.39
Russian Federation	81,342	3.44	3.39
Netherlands	56,131	2.37	2.34
Ten Largest Shareholders	1,462,990	61.8	60.8
Total	2,365,634		

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Moody's Related Research

Credit Opinion:

- International Finance Corporation, April 2008
- IBRD (World Bank), April 2008
- European Investment Bank, February 2008

Analysis:

- International Finance Corporation, October 2007 (105599)
- IBRD (World Bank), October 2007 (105534)
- European Investment Bank, November 2007 (105792)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Websites

For additional information, please see the company's website:

- International Finance Corporation - www.ifc.org
- IBRD (World Bank) - www.worldbank.org
- European Investment Bank – www.eib.org

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Report Number: 113672

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