



Funding Operations

Borrowing Strategy in Emerging Markets

HIGHLIGHTS

- Pioneer in developing emerging capital markets
- IFR 2007 Awards: IFC Amazônia Bond in Brazil; Best Latin America Domestic Currency Bond
- Best Sovereign Supranational Agency Borrower 2006
- Asia Money Award: IFC's Chinese renminbi Bond Issue was voted "Best Local-Currency Bond" December 2005-2006
- Latin Finance Award 2004: The region's largest issuers and institutional investors voted IFC as "Best Multilateral Issuer"
- Emerging Markets Award 2004: IFC's Peruvian Soles Bond Issue was voted "Multilateral Bond Issue in Latin America"

EMERGING MARKETS RATIONALE

IFC started borrowing in its own name in the mid-1980's and has to date borrowed in 36 currencies. Many of these were emerging capital markets at the time IFC first borrowed in them. Emerging capital markets have always been an important part of IFC's borrowing program for a variety of reasons. In many cases, when countries first begin to open up their capital markets they prefer to do so by letting supranational institutions in which they are members be the first borrowers. Being an early borrower in a new market typically brings with it the added advantage of being able to generate favorable funding costs. Thus, emerging market borrowings allowed IFC to diversify its investor base, achieve attractive funding costs, but also achieve good visibility for the Corporation.

Domestic market borrowings in the markets of our clients also helped serve the further important benefit of capital markets development. While all supranational development institutions share this objective, it is particularly pronounced in the case of IFC because of the Corporation's private sector focus. The ultimate beneficiary of accelerated capital market development is the private sector. If compa

nies are borrowing abroad because they cannot access domestic capital, there is a strong likelihood that they are taking on undesirable foreign currency exposure in the process.

By accelerating the development of the domestic capital markets, IFC is ultimately bringing forward the day when domestic corporations can access domestic capital via the issuance of bonds. To the extent the beneficiaries of such borrowings are IFC client companies, we are also improving the quality of our own portfolio assets.

BROADENING OF IFC TREASURY PRODUCT AVAILABILITY

Most recently, IFC's borrowings in the domestic markets have played an important role in ensuring the rapid expansion of IFC's new partial guarantee products. By establishing IFC's credit in new domestic markets, IFC is providing a benchmark to assist in the valuation by investors of bonds partially backed by IFC's credit.

The Colombian capital markets, where IFC was the first non-resident borrower ever to issue, provide an excellent case study of how the establishment of IFC's credit in the domestic capital markets helped in the rapid acceptance of IFC's partial credit guarantee and securitization products. Following IFC's initial two bond offerings in that market, IFC has followed with thirty-six partial credit guarantee products and securitization, including the first ever securitization of a portfolio of non-performing loans in Latin America.

WHAT'S NEXT

The Corporation has an ongoing program of promoting development of emerging capital markets by borrowing in local currencies. The IFC is committed to further bond issues in the markets that we have launched existing funding transactions and has an ongoing process of country review seeking to identify issuance opportunities. IFC currently has an active emerging bond market development program. In FY05, IFC undertook its second Peruvian soles borrowing and its third Colombian peso transaction. These were followed by inaugural deals in Morocco dirham and Malaysian ringgit (Islamic securities). In FY06, IFC became the first ever non-resident entity allowed to borrow in the domestic Chinese capital markets, and recently revisited that market in November 2006.

EMERGING MARKETS LEADERSHIP

| Euro (Offshore) Issues | Domestic Issues | Hybrid / International |
|-------------------------------|-----------------------------------|---------------------------------|
| Russian ruble (1998) | West Africa CFA franc (2007) | Singapore dollars (1998) |
| Philippine pesos (1997) | Chinese renminbi (2006) | Portuguese escudo (1995) |
| South African rand (1996) | Moroccan dirhams (2005) | Greek drachma (1994) |
| Slovak koruna (1996) | Malaysian ringgits Islamic (2005) | Spanish peseta "Matador" (1988) |
| Czech koruna (1995) | Colombian pesos (2002) | |
| | Hong Kong dollars (1992) | |
| | Finnish markka (1988) | |

SHOWCASE 2007: FIRST DOMESTIC AMAZÔNIA (BRL) BOND ISSUE

| Issuer | International Finance Corporation |
|---------------------|--|
| Joint Lead Managers | Banco ABN AMRO Real S.A. and Banco Itau BBA S.A. |
| Amount | BRL 200,000,000 |
| USD equivalent | US\$111,389,585.07 |
| Maturity | January 3, 2011 |
| Coupon | Fixed rate: 11.96% compound daily, paid at maturity |
| Public Distribution | Primary market: CETIP and CBLC Secondary market: BOVESPA FIX and SOMA FIX and CETIP |