MANAGING RISK
IN EMERGING MARKETS

OUR CORE BUSINESS
FISCAL YEAR 2013
Years of profitable investments in emerging markets

Diversified debt and equity portfolio
  - IFC’s own account
  - On behalf of other investors

Investments committed in 113 developing countries in FY13
  - IFC’s own account
  - On behalf of other investors

Net income in FY13

Staff; 57% of whom are outside headquarters

57
$63.2bn
$49.6bn
$13.6bn
$24.9bn
$18.3bn
$6.5bn
$1bn
4000+
<table>
<thead>
<tr>
<th>IFC INTEGRATED SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Services</strong></td>
</tr>
<tr>
<td>Loans</td>
</tr>
<tr>
<td>Equity</td>
</tr>
<tr>
<td>Trade finance</td>
</tr>
<tr>
<td>Syndications</td>
</tr>
<tr>
<td>Securitized finance</td>
</tr>
<tr>
<td>Blended finance</td>
</tr>
<tr>
<td><strong>Advisory Services</strong></td>
</tr>
<tr>
<td>Access to finance</td>
</tr>
<tr>
<td>Sustainable business</td>
</tr>
<tr>
<td>Investment climate</td>
</tr>
<tr>
<td>Public-private partnerships</td>
</tr>
<tr>
<td><strong>Asset Management Company</strong></td>
</tr>
<tr>
<td>Wholly owned subsidiary of IFC</td>
</tr>
<tr>
<td>Private equity fund manager</td>
</tr>
<tr>
<td>Fundraising and investment of third-party capital alongside IFC</td>
</tr>
</tbody>
</table>

| **$63.2bn** |
| Portfolio |
| **$24.9bn** |
| Committed in FY13 |
| **660+** |
| Active projects in FY13 |
| **$5.5bn** |
| Under management |
| **105** |
| Countries of operations in FY13 |
| **6** |
| Active funds |
S&P’s and Moody’s grant IFC AAA rating due to:

- Strong financial risk profile
- Conservative statutory and management policies
- Geographic and sector diversification of portfolio
- World Bank Group membership
- Preferred creditor status
<table>
<thead>
<tr>
<th><strong>TOTAL ASSETS:</strong> $77.5bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid assets: $31.2bn</td>
</tr>
<tr>
<td>Investments: $34.7bn</td>
</tr>
<tr>
<td>Other: $11.6bn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TOTAL LIABILITIES:</strong> $55.3bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market borrowings: $44.9bn</td>
</tr>
<tr>
<td>Securities, payables, and others: $10.4bn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TOTAL CAPITAL:</strong> $22.3bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid-in: $2.4bn</td>
</tr>
<tr>
<td>Retained earnings: $18.7bn</td>
</tr>
<tr>
<td>Other: $1.2bn</td>
</tr>
</tbody>
</table>
## HISTORY OF GOOD FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss) attributable to IFC</td>
<td>1,018</td>
<td>1,328</td>
<td>1,579</td>
<td>1,746</td>
<td>(151)</td>
</tr>
<tr>
<td>Grants to IDA</td>
<td>340</td>
<td>330</td>
<td>600</td>
<td>200</td>
<td>450</td>
</tr>
<tr>
<td>Income before grants to IDA</td>
<td>1,350</td>
<td>1,658</td>
<td>2,179</td>
<td>1,946</td>
<td>299</td>
</tr>
<tr>
<td>Total assets</td>
<td>77,525</td>
<td>75,761</td>
<td>68,490</td>
<td>61,075</td>
<td>51,483</td>
</tr>
<tr>
<td>Loans, equity investments and debt securities, net</td>
<td>34,677</td>
<td>31,438</td>
<td>29,934</td>
<td>25,944</td>
<td>22,214</td>
</tr>
<tr>
<td>Estimated fair value of equity investments</td>
<td>13,309</td>
<td>11,977</td>
<td>13,126</td>
<td>10,146</td>
<td>7,932</td>
</tr>
<tr>
<td><strong>Key ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average assets (GAAP basis)</td>
<td>1.3%</td>
<td>1.8%</td>
<td>2.4%</td>
<td>3.1%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Return on average capital (GAAP basis)</td>
<td>4.8%</td>
<td>6.5%</td>
<td>8.2%</td>
<td>10.1%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Cash and liquid investments as a percentage of next three years’ estimated net cash requirements</td>
<td>77%</td>
<td>77%</td>
<td>83%</td>
<td>71%</td>
<td>75%</td>
</tr>
<tr>
<td>Debt-to-equity ratio</td>
<td>2.6:1</td>
<td>2.7:1</td>
<td>2.6:1</td>
<td>2.2:1</td>
<td>2.1:1</td>
</tr>
<tr>
<td>Total resources required ($ billions)</td>
<td>16.8</td>
<td>15.5</td>
<td>14.4</td>
<td>12.8</td>
<td>10.9</td>
</tr>
<tr>
<td>Total resources available ($ billions)</td>
<td>20.5</td>
<td>19.2</td>
<td>17.9</td>
<td>16.8</td>
<td>14.8</td>
</tr>
<tr>
<td>Total reserve against losses on loans to total disbursed loan portfolio</td>
<td>7.20%</td>
<td>6.60%</td>
<td>6.6%</td>
<td>7.4%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

**US$ millions**
GROWING BUSINESS

ANNUAL INVESTMENT COMMITTEMENTS

22% growth from FY12 to FY13

GROWING BUSINESS MANAGING RISK IN EMERGING MARKETS
Diversified portfolio by sector

- Financial Markets: 31%
- Infrastructure: 19%
- Manufacturing: 13%
- Agribusiness & Forestry: 8%
- Consumer & Social Services: 8%
- Funds: 8%
- Trade Finance: 7%
- Oil, Gas, & Mining: 5%
- Telecommunications & Information Technology: 3%

FY13-end
DIVERSIFIED PORTFOLIO BY REGION

- Europe and Central Asia: 16%
- Latin America and the Caribbean: 12%
- Sub-Saharan Africa: 11%
- East Asia and the Pacific: 22%
- Middle East and North Africa: 22%
- South Asia: 16%
- Global: 1%

FY13-end
STRONG TRACK RECORD OF MANAGING THROUGH CRISES

NET INCOME

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income (after grants to IDA)</th>
<th>Grants to IDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>99</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>00</td>
<td>0.4</td>
<td>0.4</td>
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<tr>
<td>01</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>02</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>03</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>04</td>
<td>1.8</td>
<td>1.8</td>
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<tr>
<td>05</td>
<td>2.0</td>
<td>2.0</td>
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<tr>
<td>06</td>
<td>2.2</td>
<td>2.2</td>
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<tr>
<td>07</td>
<td>2.6</td>
<td>2.6</td>
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<tr>
<td>08</td>
<td>2.8</td>
<td>2.8</td>
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<tr>
<td>09</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>10</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>11</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>12</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>13</td>
<td>1.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>
BUSINESS DEVELOPMENT

Project due diligence

- Market and credit risk
- Social and environmental standards
- Integrity due diligence
- Corporate governance
- Financial structuring
- Insurance services

Global expertise, local presence

- Global sector specialists in financial markets, manufacturing, agribusiness, services, infrastructure, and natural resources
- Local investment teams close to clients
PORTFOLIO RISK MANAGEMENT

- Supervision processes are performed globally and in client countries
- Management reviews the entire portfolio on a quarterly basis to assess health of portfolio and emerging issues
- IFC monitors compliance with investment agreements, visits operation sites, and identifies solutions to address emerging issues
- IFC tracks financial performance, development outcomes, and environmental and social performance of operations
- Dedicated portfolio team conducts portfolio stress testing analysis of potential scenarios and works with operational teams to prevent and mitigate risks
- For projects in financial distress, the Special Operations Department determines and negotiates remedial actions
- Investors are kept regularly informed
Entreprise Risk Framework

Credit Risk
- Obligor
- Sector
- Country
- Product
- Counterparty

Market Risk
- Interest rates
- FX
- Commodities
- Equities
- Credit spreads

Operational Risk
- People
- Processes
- Systems
- External events

Liquidity Risk
- Market liquidity
- Funding liquidity

Business
- Environmental & social
- Corporate governance
- Integrity
- Conflict of interest
- Fiduciary
CREDIT RISK MANAGEMENT

- Conservative diversification guidelines; economic capital methodology captures the different risks IFC faces
  - By company – limits on economic capital and committed exposure are set for client and client group, depending on the credit-risk rating
  - By sector – portfolio in a single risk sector may not exceed 12% of net worth plus general reserve
  - By country – economic capital exposure in a country may not exceed 7% (8.5 % with special approval) of total resources available

- Credit risk assessments for all investments
  - Collaboration between investment officers and independent credit review team
  - Credit-risk rating and risk-based pricing systems
- IFC has conservative asset liability policies for managing treasury and investment assets
- Independent function monitors currency and interest rates risks, ensuring adequate hedging of financial assets
- Risk specialists, economists, and portfolio teams systematically monitor market trends
Rigorous and conservative capital adequacy management

- IFC’s policies set higher standards than those demanded to maintain a AAA credit rating
- IFC’s policies require overall liquidity to be 65-95% of next three years’ cash needs
Risk control self-assessments conducted by all IFC business lines on an annual basis

Follow-up actions to address identified risks at corporate and departmental levels

Central operational risk management team and network of operational risk management liaisons across industries and regions
OPERATIONAL RISK MANAGEMENT

- Secured Information technology
  - US financial services industry standards
  - Systems management centralized in headquarters, little local exposure
  - In-house teams dedicated to information security and integrity
  - Business continuity team
  - Rigorous compliance function for vendors
  - Internal independent verification and validation unit
  - Annual external audit by KPMG, consistently favorable remarks with no qualifications
**IFC Sustainability Framework**

**IFC**
- **Sustainability Policy**
  - Defines IFC’s social and environmental responsibilities in supporting clients
- **Access to Information Policy**
  - Ensures transparency in operations

**Client**
- **Performance Standards**
  - Define clients’ responsibilities in managing environmental and social risks

**Implementation Tools**
- **Environmental & Social Review Procedures**
  - Assess social and environmental risks in potential transactions and define action plans when needed
- **IFC Advice & Good Practice Materials**
  - Help clients comply with IFC Performance Standards
ENVIRONMENTAL & SOCIAL RISK MANAGEMENT

IFC Performance Standards

- Assessment and management of environmental and social risks and impact
- Labor and working conditions
- Resource efficiency and pollution prevention
- Community health, safety, and security
- Land acquisition and involuntary resettlement
- Biodiversity conservation and sustainable management of living natural resources
- Indigenous people
- Cultural heritage
Rigorous due diligence to assess integrity of potential partners

- Anticorruption
- Tax transparency
- Corporate governance
- Conflict of interest
GOVERNANCE & ACCOUNTABILITY
SYNDICATIONS PROGRAM

- 56
- $42bn+
- 500+
- 1000+
- 100+
- $13.6bn
- $3.1bn

- Years of successful track record of managing syndicated program
  - Mobilized
  - Investors
  - Loans
  - Markets
- Loan portfolio at FY13-end
- Syndicated in FY13
SYNDICATIONS PROGRAM

**B Loans**
- International commercial banks
- Regional commercial banks
- Specialized lenders

**Parallel Loans**
- Development finance institutions
- International finance institutions
- Local commercial banks

- One loan agreement – IFC is the lender of record and administrator
- Participants benefit from IFC structure and preferred creditor status
- IFC fully shares risk with participants

- Participants benefit from IFC due diligence processes, information sharing and other efficiencies
- Specimen common terms agreement to support parallel lender structure
$5.5bn

$3bn  IFC Capitalization Fund
$1bn  IFC African, Latin American, & Caribbean Fund
$182m  The Africa Capitalization Fund
$550m  IFC Russian Bank Capitalization Fund
$500m  IFC Global Infrastructure Fund
$282m  IFC Catalyst Fund
$2.4bn  Invested from its creation in 2009 to FY13-end

Assets under management
AMC mobilizes funds on behalf of institutional investors, including sovereign funds, pension funds, and development finance institutions

As a wholly owned subsidiary of IFC, AMC invests alongside IFC

Investors benefit from IFC’s 57 years of experience investing in emerging markets, strong investment pipeline, operational capacity, and risk management approach

Investments are broadly diversified across regions, countries, and sectors
THANK YOU