

## FINANCIAL PERFORMANCE SUMMARY

The overall market environment has a significant influence on IFC's financial performance. The main elements of IFC's net income and comprehensive income and influences on the level and variability of net income and comprehensive income from year to year are:

ELEMENTS	SIGNIFICANT INFLUENCES
<b>NET INCOME</b>	
Yield on interest earning assets	Market conditions including spread levels and degree of competition. Nonaccruals and recoveries of interest on loans formerly in nonaccrual status and income from participation notes on individual loans are also included in income from loans.
Liquid asset income	Realized and unrealized gains and losses on the liquid asset portfolios, which are driven by external factors such as: the interest rate environment; and liquidity of certain asset classes within the liquid asset portfolio.
Income from the equity investment portfolio	Global climate for emerging markets equities, fluctuations in currency and commodity markets and company-specific performance for equity investments. Performance of the equity portfolio (principally realized capital gains, dividends, equity impairments, gains on non-monetary exchanges and unrealized gains and losses on equity investments).
Provisions for losses on loans and guarantees	Risk assessment of borrowers and probability of default and loss given default.
Other income and expenses	Level of advisory services provided by IFC to its clients, the level of expense from the staff retirement and other benefits plans, and the approved administrative and other budgets.
Gains and losses on other non-trading financial instruments accounted for at fair value	Principally, differences between changes in fair values of borrowings, including IFC's credit spread, and associated derivative instruments and unrealized gains associated with the investment portfolio including puts, warrants and stock options which in part are dependent on the global climate for emerging markets. These securities are valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.
Grants to IDA	Level of the Board of Governors-approved grants to IDA.
<b>OTHER COMPREHENSIVE INCOME</b>	
Unrealized gains and losses on listed equity investments and debt securities accounted for as available-for-sale	Global climate for emerging markets equities, fluctuations in currency and commodity markets and company-specific performance. Such equity investments are valued using unadjusted quoted market prices, and debt securities are valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.
Unrecognized net actuarial gains and losses and unrecognized prior service costs on benefit plans	Returns on pension plan assets and the key assumptions that underlay projected benefit obligations, including financial market interest rates, staff expenses, past experience, and management's best estimate of future benefit cost changes and economic conditions.

Global equity markets in emerging economies have been volatile in the year ended June 30, 2015 (FY15) but have generally declined over FY15. Economic downturns in certain countries in Europe and Central Asia, Latin America and the Caribbean, the depreciation of most of IFC's investment currencies against the US Dollar, IFC's functional currency, and the downward trend in oil prices have also negatively impacted financial results for FY15 and for IFC's equity investment portfolio in particular.

As a result of the combination of the macro environment for emerging markets and investment-specific developments, IFC has recorded higher other-than-temporary impairments on equity investments and debt securities, higher unrealized losses on equity investments and higher provisions for losses on loans which, together with lower income from liquid assets, have been the main drivers of IFC's financial results in FY15 when compared to FY14. IFC was however able to generate higher realized gains on a small number of equity divestments which were concentrated in two divestments that occurred in the first three months of FY15.

IFC has reported income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA of \$855 million in FY15, as compared to \$1,782 million in FY14.

Allocable Income was \$1,327 million, 18 percent lower than in FY14 (\$1,614 million).






Change in Income before Net Unrealized Gains and Losses on non-trading financial instruments accounted for at fair value and grants to IDA FY15 vs FY14 (US\$ millions):

	INCREASE (DECREASE) FY15 VS FY14
Higher other-than-temporary impairments on equity investments and debt securities	\$ (484)
Lower gains on equity investments and associated derivatives, net	(383)
Lower income from liquid asset trading activities	(132)
Higher provisions for losses on loans, guarantees and other receivables	(83)
Higher income from loans and guarantees, realized gains and losses on loans and associated derivatives	58
Higher foreign currency transaction gains on non-trading activities	72
Other, net	25
<b>Overall change in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA</b>	<b>\$ (927)</b>

Net unrealized losses on non-trading financial instruments accounted for at fair value totaled \$106 million in FY15 (net unrealized losses of \$43 million in FY14) resulting in income before grants to IDA of \$749 million in FY15, as compared to \$1,739 million in FY14. Grants to IDA totaled \$340 million in FY15, as compared to \$251 million in FY14. Net losses attributable to non-controlling interests totaled \$36 million in FY15 (\$5 million gains in FY14).

Accordingly, net income attributable to IFC totaled \$445 million in FY15, as compared with \$1,483 million in FY14.

IFC's net income for each of the past five fiscal years ended June 30, 2015 is presented below (US\$ millions):

NET INCOME (LOSS)		
For the years ended June 30 (US\$ millions)		
2011		1,579
2012		1,328
2013		1,018
2014		1,483
2015		445

SELECTED FINANCIAL DATA AS OF AND FOR THE LAST FIVE FISCAL YEARS (US\$ MILLIONS): AS OF AND FOR THE YEARS ENDED JUNE 30	2015	2014	2013	2012	2011
<b>CONSOLIDATED INCOME HIGHLIGHTS</b>					
Income from loans and guarantees, realized gains and losses on loans and associated derivatives	\$ 1,123	\$ 1,065	\$ 996	\$ 993	\$ 802
(Provision)/release of provision for losses on loans & guarantees	(171)	(88)	(243)	(117)	40
Income from equity investments and associated derivatives	427	1,289	732	1,548	1,601
Income from debt securities and realized gains and losses on debt securities and associated derivatives	132	89	69	71	67
Income from liquid asset trading activities	467	599	500	313	529
Charges on borrowings	(258)	(196)	(220)	(181)	(140)
Other income	505	461	441	448	222
Other expenses	(1,423)	(1,418)	(1,401)	(1,207)	(981)
Foreign currency transaction gains and losses on non-trading activities	53	(19)	35	145	(33)
Income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	855	1,782	909	2,013	2,107
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	(106)	(43)	441	(355)	72
Income before grants to IDA	749	1,739	1,350	1,658	2,179
Grants to IDA	(340)	(251)	(340)	(330)	(600)
<b>Net income</b>	<b>409</b>	<b>1,488</b>	<b>1,010</b>	<b>1,328</b>	<b>1,579</b>
Less: Net losses (gains) attributable to non-controlling interests	36	(5)	8	–	–
<b>Net income attributable to IFC</b>	<b>\$ 445</b>	<b>\$ 1,483</b>	<b>\$ 1,018</b>	<b>\$ 1,328</b>	<b>\$ 1,579</b>
<b>CONSOLIDATED BALANCE SHEET HIGHLIGHTS</b>					
Total assets	\$87,548	\$84,130	\$77,525	\$75,761	\$68,490
Liquid assets, net of associated derivatives	39,475	33,738	31,237	29,721	24,517
Investments	37,578	38,176	34,677	31,438	29,934
Borrowings outstanding, including fair value adjustments	51,265	49,481	44,869	44,665	38,211
<b>Total capital</b>	<b>\$24,426</b>	<b>\$23,990</b>	<b>\$22,275</b>	<b>\$20,580</b>	<b>\$20,279</b>
Of which					
Undesignated retained earnings	\$20,457	\$20,002	\$18,435	\$17,373	\$16,032
Designated retained earnings	184	194	278	322	335
Capital stock	2,566	2,502	2,403	2,372	2,369
Accumulated other comprehensive income (AOCI)	1,197	1,239	1,121	513	1,543
Non-controlling interests	22	53	38	–	–

KEY FINANCIAL RATIOS	2015	2014	2013	2012	2011
<b>FINANCIAL RATIOS<sup>a</sup></b>					
Return on average assets (GAAP basis) <sup>b</sup>	0.5%	1.8%	1.3%	1.8%	2.4%
Return on average assets (non-GAAP basis) <sup>c</sup>	1.3%	1.8%	0.9%	2.8%	1.8%
Return on average capital (GAAP basis) <sup>d</sup>	1.8%	6.4%	4.8%	6.5%	8.2%
Return on average capital (non-GAAP basis) <sup>e</sup>	4.6%	6.5%	3.1%	9.9%	6.0%
Overall liquidity ratio <sup>f</sup>	81%	78%	77%	77%	83%
External funding liquidity level	494%	359%	309%	327%	266%
Debt to equity ratio <sup>g</sup>	2.6:1	2.7:1	2.6:1	2.7:1	2.6:1
Total reserves against losses on loans to total disbursed portfolio <sup>h</sup>	7.5%	6.9%	7.2%	6.6%	6.6%
Capital measures:					
Total Resources Required (\$ billions) <sup>i</sup>	19.2	18.0	16.8	15.5	14.4
Total Resources Available (\$ billions) <sup>j</sup>	22.6	21.6	20.5	19.2	17.9
Strategic Capital <sup>k</sup>	3.4	3.6	3.8	3.7	3.6
Deployable Strategic Capital	1.1	1.4	1.7	1.8	1.8
Deployable Strategic Capital as a percentage of Total Resources Available	5%	7%	8%	9%	10%

- a. Certain financial ratios, as described below, are calculated excluding the effects of unrealized gains and losses on investments, other non-trading financial instruments, AOCI, and impacts from consolidated Variable Interest Entities (VIEs).
- b. Net income for the fiscal year as a percentage of the average of total assets at the end of such fiscal year and the previous fiscal year.
- c. Return on average assets is defined as annualized Net income, excluding unrealized gains/losses on investments accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial investments, as a percentage of total disbursed loan and equity investments (net of reserves), liquid assets net of repos, and other assets averaged for the current period and previous fiscal year.
- d. Net income for the fiscal year as a percentage of the average of total capital (excluding payments on account of pending subscriptions) at the end of such fiscal year and the previous fiscal year.
- e. Return on average capital is defined as annualized Net income, excluding unrealized gains/losses on investments accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial investments, as percentage of the paid-in share capital and accumulated earnings (before certain unrealized gains/losses and excluding cumulative designations not yet expensed) averaged for the current period and previous fiscal year.
- f. Overall Liquidity Policy states that IFC would at all times maintain a minimum level of liquidity, plus undrawn borrowing commitments from the IBRD, that would cover at least 45% of the next three years' estimated net cash requirements (target range of 65-95%).
- g. Leverage (Debt/equity) ratio is defined as the number of times outstanding borrowings plus outstanding guarantees cover paid-in capital and accumulated earnings (net of retained earnings designations and certain unrealized gains/losses).
- h. Total reserves against losses on loans to total disbursed loan portfolio is defined as reserve against losses on loans as a percentage of the total disbursed.
- i. The minimum capital required consistent with the maintenance of IFC's AAA rating. It is computed as the aggregation of risk-based economic capital requirements for each asset class across the Corporation.
- j. Paid in capital plus retained earnings net of designated retained earnings plus general and specific reserves against losses on loans. This is the level of available resources under IFC's risk-based economic capital adequacy framework.
- k. Total resources available less total resources required.
- l. 90% of total resources available less total resources required.

## COMMITMENTS

In FY15, Long-Term Finance was \$10,539 million, as compared to \$9,967 million in FY14 and Core Mobilization was \$7,133 million, as compared to \$5,143 million for FY14, a total increase of 17 percent. In addition, the average outstanding balance for Short-Term Finance was \$2,837 million at June 30, 2015, as compared to \$3,006 million at June 30, 2014.

Core Mobilization is financing from entities other than IFC that becomes available to clients due to IFC's direct involvement in raising resources. IFC finances only a portion, usually not more than 25 percent, of the cost of any project. All IFC-financed projects, therefore, require other financial partners. IFC mobilizes such private sector finance from other entities through a number of means, as outlined in the table at right.

FY15 AND FY14 LONG-TERM FINANCE AND CORE MOBILIZATION (US\$ MILLIONS)	FY15	FY14
<b>Total Long-Term Finance and Core Mobilization<sup>1</sup></b>	<b>\$17,672</b>	<b>\$15,110</b>
<b>LONG-TERM FINANCE</b>		
Loans	\$ 7,019	\$ 7,327
Equity investments	3,187	2,324
Guarantees	273	286
Client risk management	60	30
<b>Total Long-Term Finance</b>	<b>\$10,539</b>	<b>\$ 9,967</b>
<b>CORE MOBILIZATION</b>		
<b>Loan participations, parallel loans, and other mobilization</b>		
Loan participations	\$ 1,853	\$ 2,043
Parallel loans	1,522	730
Managed Co-lending Portfolio Program	818	320
Other Mobilization	881	606
<b>Total loan participations, parallel loans and other mobilization</b>	<b>\$ 5,074</b>	<b>\$ 3,699</b>
<b>AMC</b>		
Sub-debt Capitalization Fund	\$ 150	\$ 516
ALAC Fund	86	84
Catalyst Funds	66	75
Equity Capitalization Fund	3	7
Russian Bank Cap Fund	–	2
Global Infrastructure Fund	226	146
GIF Co-Investments	230	–
<b>Total AMC</b>	<b>\$ 761</b>	<b>\$ 830</b>
<b>OTHER INITIATIVES</b>		
Global Trade Liquidity Program and Critical Commodities Finance Program	\$ 750	\$ 500
Public Private Partnership	548	114
<b>Total other initiatives</b>	<b>\$ 1,298</b>	<b>\$ 614</b>
<b>Total Core Mobilization</b>	<b>\$ 7,133</b>	<b>\$ 5,143</b>

1. Debt security commitments are included in loans and equity investments based on their predominant characteristics.

## ACTIVITIES OF THE FUNDS MANAGED BY AMC FY15 VS FY14:

	AS OF JUNE 30, 2015			FOR THE YEAR ENDED JUNE 30, 2015			
	TOTAL ASSETS UNDER MANAGEMENT			DISBURSEMENTS FROM INVESTORS TO FUND			
	TOTAL	FROM IFC	FROM OTHER INVESTORS	FROM IFC	FROM OTHER INVESTORS	DISBURSEMENTS MADE BY FUND	DISBURSEMENTS MADE BY FUND (NUMBER)*
Equity Capitalization Fund	\$ 1,275	\$ 775	\$ 500	\$ 6	\$ 4	\$ 8	1
Sub-Debt Capitalization Fund	1,725	225	1,500	29	196	254	4
ALAC Fund	1,000	200	800	29	112	94	7
Africa Capitalization Fund	182	–	182	–	3	–	–
Russian Bank Cap Fund	550	250	300	5	5	–	–
Catalyst Funds	418	75	343	9	41	36	46
Global Infrastructure Fund**	1,430	200	1,230	27	298	293	7
China-Mexico Funds	1,200	–	1,200	–	6	–	–
FIG Fund	344	150	194	–	–	–	–
GEM FOF	406	81	325	–	–	–	–
<b>Total</b>	<b>\$8,530</b>	<b>\$1,956</b>	<b>\$6,574</b>	<b>\$ 105</b>	<b>\$ 665</b>	<b>\$ 685</b>	<b>65</b>

\* Number of disbursements may include multiple disbursements to a single investee company or fund.

\*\* Includes co-investment fund managed by AMC on behalf of Fund LPs.

	AS OF JUNE 30, 2014			FOR THE YEAR ENDED JUNE 30, 2014			
	TOTAL ASSETS UNDER MANAGEMENT			DISBURSEMENTS FROM INVESTORS TO FUND			
	TOTAL	FROM IFC	FROM OTHER INVESTORS	FROM IFC	FROM OTHER INVESTORS	DISBURSEMENTS MADE BY FUND	DISBURSEMENTS MADE BY FUND (NUMBER)*
Equity Capitalization Fund	\$ 1,275	\$ 775	\$ 500	\$ 8	\$ 5	\$ 21	3
Sub-Debt Capitalization Fund	1,725	225	1,500	77	514	544	8
ALAC Fund	1,000	200	800	21	83	89	9
Africa Capitalization Fund	182	–	182	–	3	–	–
Russian Bank Cap Fund	550	250	300	9	10	4	2
Catalyst Funds	418	75	343	3	15	12	17
Global Infrastructure Fund	1,200	200	1,000	32	165	172	6
China-Mexico Funds	–	–	–	–	–	–	–
FIG Fund	–	–	–	–	–	–	–
GEM FOF	–	–	–	–	–	–	–
<b>Total</b>	<b>\$6,350</b>	<b>\$1,725</b>	<b>\$4,625</b>	<b>\$ 150</b>	<b>\$ 795</b>	<b>\$ 842</b>	<b>45</b>

\* Number of disbursements may include multiple disbursements to a single investee company or fund.

## LETTER TO THE BOARD OF GOVERNORS

The Board of Directors of IFC has had this annual report prepared in accordance with the Corporation's by-laws. Jim Yong Kim, President of IFC and Chairman of the Board of Directors, has submitted this report with the audited financial statements to the Board of Governors. The Directors are pleased to report that, for the fiscal year ended June 30, 2015, IFC expanded its sustainable development impact through private sector investments and advice.

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