A SOLID START

In early July, against an environment of global market volatility as the markets awaited news on Greece’s debt reforms, IFC identified an opportunity to capture investors’ “flight to quality” sentiment. IFC launched its FY16 funding program with a successful US$2.25 billion 5-year global bond priced at mid swaps + 2 basis points, an equivalent spread of 16.2 basis points over U.S. treasuries, and yielding 1.705%. The issue generated an order book of US$3.25 billion with final allocations distributed 48% to bank treasuries, 47% to central banks and official institutions, with the remaining 5% going to fund managers. The geographical mix was wide-ranging with EMEA (38%), Asia (32%) and the Americas (30%). In FY16, IFC plans to raise up to US$17 billion across a range of markets and currencies.

LOOKING BACK ON THE YEAR

IFC closed its FY15 fiscal year on June 30, 2015. For FY15, IFC’s borrowing program was US$17.3 billion, which comprised of US$15.8 billion issuance in IFC’s core markets, and US$1.5 billion of net discount notes issuance. In addition, up to US$ 2 billion was assigned for pre-funding the FY16 program. By year end, we had issued 205 bonds in 20 currencies amounting to US$15.8 billion, compared to US$13.4 billion through 111 bonds in 17 currencies in FY14. The weighted average maturity of borrowings increased to 4.2 years at the end of FY15, from 3.7 years in FY14, matching more closely IFC’s loan book. The U.S. dollar remains IFC’s main funding currency, accounting for just over half of the FY15 funding program. IFC continued to issue in other established markets such as the Australian-dollar Kangaroo market and the Japanese retail market, however a growing proportion of borrowings come from emerging market currencies such as Brazilian real, Chinese yuan and Indian rupee. We continued to be active in the thematic bonds market, issuing US$352 million in green bonds, focusing on smaller transactions through private placements. IFC also launched a new socially responsible bond program during the year - the Inclusive Business Bond Program which raised US$220 million to support businesses providing services to the world’s poorest people. In the money markets space, IFC extended its discount note program to issuance in Turkish lira. Cumulatively, under the global discount note program, IFC issued US$6.5 billion in dollars, CNH2.6 billion in Chinese yuan, and TRY100 million in Turkish Lira. In FY16, IFC plans to raise up to US$17 billion across a range of markets and currencies.

FY15 Core Funding breakdown: by currency

FY15 Core Funding breakdown: by market

FY15 Core Funding breakdown: by maturity

* Includes on-shore local currency trades

* Maturity is calculated through the first call date for structured trades
FY15 Funding Debuts

- In FY15, green bonds were made accessible to US retail investors with the expansion of IFC’s Impact Notes retail program into themed bonds.
- IFC became the largest issuer of renminbi denominated bonds on the London Stock Exchange, with the issuance of a benchmark-sized bond of CNH 1 billion (US$ 163 million) transaction placed in September 2014.
- IFC’s Inclusive Business bond program was launched in October 2014 and raised over US$ 100 million via the Japanese retail market. The bonds are an innovative way to mobilize funding to improve lives and transform sustainable development outcomes in low-income communities around the globe.
- First onshore rupee “Maharaja” bond: Under the program, IFC will use a combination of rupee-denominated bonds and swaps to raise local-currency financing of up to US$2.5 billion, or INR15,000 crore over the next five years. The first issue reached INR 6 billion, or approximately $100 million. Proceeds from the program will be used for infrastructure investments in India.
- Iruzu Bond, a CRC5 billion (US$10 million) issue by IFC, is the first institutional triple-A rated bond in Costa Rica’s domestic markets.
- Twigire bond: IFC issued the first ever offshore bond in the Rwandan currency. A RWF3.5 billion (US$5 million) three-year bond, called ‘Twigire’ (self-reliance), was placed with five international investors. Bond proceeds will be used for private sector investment in Rwanda.
- Iveria bond: IFC issued a 30 million Georgian lari bond (US$ 15 million) to support Georgia’s capital markets. This is IFC’s first local currency issuance in Georgia. Iveria bond is part of a 200 million lari bond program and creates a pricing benchmark for future IFC issuances in Georgia’s domestic capital markets. Under the program, IFC can issue lari-denominated bonds when market opportunities align with the funding needs of the country’s private sector.

IFC’s Treasury inaugurated a hub in the city of London. The London treasury team is headed by Deputy Treasurer Bahar Alsharif and includes Funding staff. IFC’s Funding team is now spread across three locations – Washington DC (HQ), London and Tokyo. Ben Powell, IFC’s Head of Funding along with Elena Panomarenko are based in the new London office. In Washington, the funding team includes funding officers - Marcin Bill and Flora Chao - and a newly joined funding analyst - Zauresh Kezheneva. Esohe Denise Odaro manages investor relations from DC and Kenichiro Shiozawa manages Japanese investor relations and Japanese retail market transactions from Tokyo.

Private placements

In H2 2015, IFC strategically increased funding through a steady flow of private placements. IFC printed in 10 currencies in private placement format, for a total of US$ 1.1 billion, all at attractive levels.

Record volume of structured notes

With US$12 billion raised in H1 FY15, in the second half of its financial year IFC was more focused on select trades with lower funding costs, such as structured notes and uridashi. The second half of the year witnessed a record number of structured trades - 29 trades counting towards FY15 funding totaling US$1 billion. Additionally, IFC raised US$300 million in structured trades counting towards FY16 prefunding.

New structures/themes

CNH equity-linked bond: In May, IFC placed its first structured note in Chinese yuan, a CNH 600 million (US$ 100 million) equity index linked bond. The 2 year bond is linked to the Hang Seng China Enterprises Index, an index that tracks performance of China enterprises listed on the Stock Exchange of Hong Kong Limited.


Sizable volumes in EM currency markets

RUB market:

Early in the period, IFC saw a solid flow of enquiries in the RUB market. With RUB being a currency in demand for investors, IFC issued RUB 13 billion (US$ 212 million) through public and private placements.

INR market:

Responding to investor demand, IFC tapped its 2019 issue twice with total proceeds of INR 11 billion (US$ 180 million). Later in April, IFC launched a successful 3.5 year line – initially targeting an INR 10 billion trade, the team managed to upsize it to INR 16 billion (US $253 million) on the back of overwhelming investor demand.

CNH market:

IFC continued to support the CNH market throughout the year. In total, IFC raised CNH 1.6 billion (US$ 250 million) through public offerings and private placements. Notably, the initial CNH 1 billion London-listed January 2017 Dim Sum bond was tapped five times during the year and three more times in the nascent FY16, taking the outstanding volume to over CNH 4.4 billion.

Other News

IFC Supports CAMESA’s Inaugural Bond to Boost Microfinance, Capital Markets in Mexico
IFC respalda bono inaugural de CAMESA destinado a impulsar mercados de capitales microfinancieros en México
IFC, Central Bank of the Congo Launch Swap Facility for Private Sector Local Currency Financing
China Can Lead on Capital-Market Solutions for Green Growth, Experts Say at Global Conference