MOODY'S
INVESTORS SERVICE

CREDIT ANALYSIS

# International Finance Corporation

Supranational

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Analyst Contacts:

NEW YORK 1.212.553.1653

Steven Hess 1.212.553.4741
*Vice President – Senior Credit Officer*
steven.hess@moodys.com

Mauro Leos 1.212.553.1947
*Vice President – Senior Credit Officer*
mauro.leos@moodys.com

Annette Swahla 1.212.553.4037
*Analyst*
annette.swahla@moodys.com

Bart Oosterveld 1.212.553.7914
*Managing Director – Sovereign Risk*
bart.oosterveld@moodys.com

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

## Rating Rationale and Outlook

Moody's Aaa rating of the International Finance Corporation (IFC or Corporation) is based on its adequate level of capitalization in relation to its risk profile, sound financial management, membership within the World Bank Group, and strong shareholder support. Unlike most other multilateral development banks (MDBs), the IFC lends to private sector companies in high-risk economies without the benefit of a sovereign guarantee. Consistent with this modus operandi, its capital structure does not include the callable capital that is a factor supporting the Aaa ratings of other MDBs such as the International Bank for Reconstruction and Development (IBRD) or large regional MDBs. Moody's therefore views the IFC's high level of paid-in capital and retained earnings as essential to its rating.

The strong support that the IFC receives from its government owners affords 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 decade in the case of Argentina, where a number of creditworthy borrowers continued to make payments despite a government-imposed moratorium on external debt repayments. Moreover, cumulative write-offs of loans and equity investments as a percentage of cumulative disbursements since the inception of the institution stood at 5.9% at the end of FY2011, a ratio that reflects the IFC's success in restructuring loans. While it is highly unlikely that the Corporation would require shareholder assistance given its very strong management of the resources it has on hand, 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 instability could weaken somewhat the availability of funds, over time the commitment of shareholders to the organization remains strong, enhancing the already sound financial strength of the Corporation.

The IFC weathered the turmoil over the past few years well. The global financial crisis of 2008-09 had a muted impact because the crisis affected advanced industrial nations and not the emerging markets which the IFC targets for its development mandate. There was only a modest increase in non-performing loans, and unrealized losses in the equity portfolio have since reversed. In fact, the crisis decreased competition for the Corporation; its higher lending rates became acceptable to top-tier companies that faced refinancing issues due to the credit crunch. In addition, the Corporation is not heavily exposed to the Middle East and North Africa, limiting the extent of damage from the political developments in those regions throughout 2011.

The risk management culture in the Corporation is very strong, owing to a clear and distinct risk management function as well as a risk management mindset throughout all departments, including the Treasury's handling of liquid assets. The Corporation is preparing for global consequences from the ongoing European sovereign debt crisis, which it acknowledges could provide more challenges than the previous crisis. While the Corporation's investment portfolio does not have exposure to euro area countries it does have exposure to eastern Europe; geographic proximity could lead to indirect real macroeconomic impact on its clients. In addition, the IFC recognizes that many of its markets may not fare as well if there is another global financial crisis because the sovereigns are in a weaker position after responding with fiscal stimulus to mitigate the impact during 2008-09. Moody's views the IFC as being in a strong position to effectively manage the increased risks they face while maintaining the Aaa 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 to 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.

In 2009, the IFC established the IFC Asset Management Company (AMC), a wholly-owned subsidiary whose financials are fully consolidated with the IFC's. AMC functions to mobilize and manage third-party funds for investment in private enterprises in the IFC's target markets and thereby expands the supply of long-term capital to these markets. At end-FY2011, there were $4.1 billion in assets under management on behalf of institutional investors such as sovereign funds, pension funds, and development finance institutions. The Corporation plans to grow the AMC's operations which Moody's views as supportive of its financial strength, as it supports the IFC's earning base and therefore capital base while not subjecting the IFC's capital to any risk.

By fiscal year-end 2011 (June 30), the 182 member countries had contributed $2,369 million of paid-in capital to the IFC. Paid-in capital in turn represents 100% of subscribed capital as there were no membership subscriptions outstanding as of June 30, 2011. 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 69.2% 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.

## IDA Strategy Guides Product Offering and Operational Structure

Prior to FY2009, the IFC had 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 IDA countries (the world's poorest developing 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 IDA countries (in addition to its largest markets in middle income countries), as well as addressing constraints in the development of infrastructure and social projects in these countries. During FY2011, the Corporation, consistent with the World Bank Group, expanded the IDA pillar[1] to include the "frontier regions of middle-income countries," thus ensuring its operations are inclusive of the poorest individuals, regardless of which developing country.

As a result of IDA16, the IFC has an indicative transfer of $1 billion over FY2011-FY2013 to IDA, subject to IFC's profitability, growth, strategic priorities, and business and capital adequacy needs. The IFC is further developing its client advisory services, which the Corporation sees as one of its comparative advantages stemming from its exceptional reputation and quality of advice. In the more challenging IDA countries, advisory services are often the first offering of any IFC product as they help improve the countries' investment climate. At the end of FY11, IFC had an active program of over 640 advisory services projects, representing funding commitments of $820 million. IFC advisory services are paid for mainly by clients and donors (56%), with the remainder funded by IFC. The Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS) is the main funding source for IFC's contribution. A percentage of IFC's operating income above $150 million may be set aside as a designation of retained earnings to fund FMTAAS, with the percentage increasing at higher income levels.[2]

Consistent with the IDA strategy, during FY2011 the Corporation expanded the use of its equity product offering by incorporating it into its capital strategy. Although equity investment[3] has always been a tool it uses to fulfill its development mandate, it had previously never established a strategy around it. Now, the IFC will target equity investment to be 25% of the total investment portfolio. In IDA markets, the availability of equity is usually even scarcer than loans, so the Corporation can have an even greater development impact through the increased use of equity investments. Moody's views this strategy as supportive of the IFC's financial strength as it will benefit from higher profitability from capital gains versus income from loans. In addition, the Corporation has proven able to successfully manage the inherently riskier nature of equity investments and a 25% strategy does not represent a significant increase over historical operations (average equity investments as a percent of total investment portfolio for the period FY2007-10 were 19.6%).

As an outgrowth of the IDA 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 fiscal year-end 2011 55% of investment staff was located outside of Washington and organized into regional departments that have a high degree of decision-making authority. The Corporation operates 130 offices globally and during

1 IFC's strategic priorities are the following five pillars: strengthening the focus on frontier markets; addressing climate change and ensuring environmental and social sustainability; addressing constraints to private sector growth in infrastructure, health, education, and the food-supply chain; developing local financial markets; and building long-term client relationships in emerging markets.

2 $10 million from FY2010 income and $69 million from FY2011 income was designated to FMTAAS.

3 The Corporation makes direct equity investments as well as through private equity funds (10-15% of total equity portfolio).

FY2011 established an operations center in Istanbul with an in-house risk officer; Hong Kong and Johannesburg have hubs which are slightly smaller than the operations center. This decentralization allows for closer relationships with clients which help keep non-performing loans at a very low level.

## 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 FY2011 cash and liquid assets equal to 52% of total assets net of swaps and 83% of the next three years' cash needs. In addition, the actual external funding liquidity level is 266%, far above the minimum. To date, the Corporation has managed its liquidity with profitability as a secondary consideration to the preservation of its capital earnings. In FY2011, income from the liquid asset trading portfolio fell to $529 million compared to FY2010, when it amounted to $815 million. This trend is likely to continue as the Corporation manages the current European sovereign debt crisis and resultant market volatility through very conservative management of the liquid asset trading portfolio, including reduced exposure to peripheral and non-Aaa Europe and only indirect exposure to European sovereigns via related entities, such as KfW Bankengruppe.

Due to a robust capital position, the Corporation did not have to sell the structured securities in the liquid assets trading portfolio which experienced significant unrealized losses during the 2008-09 crisis. More than half has since recovered and the Corporation expects to recover over half of the remaining marked-to-market losses.

### Successful Borrowing Program Resumes Historical Trend

As a member of the Word Bank Group, IFC can 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 we expect it will continue to do so in the foreseeable future.

During the 2008-09 global financial crisis, the IFC, along with all other supranationals, saw a significant increase in borrowing costs (an example is a March 2009 $3 billion 5-year global bond issued at Libor+78 bps) as the near collapse of the credit markets closed out many market participants and punished even those who remained financially sound throughout the turmoil. After that period of extreme turmoil, the Corporation's funding rates have returned back to normal, at around Libor-15 bps overall, as investors resume differentiating issuers. The current and ongoing European sovereign debt crisis and the U.S. federal government's fiscal pressures that came to a head in 2011 benefitted the IFC as it was able to serve in the flight-to-safety role normally filled by sovereigns. In addition, more of the U.S. domestic market is open to the IFC, as investors seek alternatives to U.S. Government-Sponsored Enterprise investments. This increased demand supports sustained lower funding costs and is both reflective and supportive of the Aaa rating.

Total borrowings (including pre-funding and/or repurchased debt) were $10.9 billion in FY2011, up from $9.8 billion in FY2010 and $9.0 billion in FY2009. The entire FY2011 program was raised in the international capital markets and did not include any pre-funding for FY2012[4]. Highlights for the funding program during the past fiscal year include a lengthening of the average maturity to 4.7 years from 4.2 years, owing to 58% of the program being raised in maturities of 5 years or longer; a 7-year USD benchmark issue, the first one ever to be greater than 5 years; and the first time in which the Corporation issued two USD global bonds.

For FY2012, the IFC's borrowing authorization is $10.0 billion, down $2.5 billion from FY2011. In addition, the IFC can borrow up to $2.0 billion to pre-fund the FY2013 borrowing program for a total FY2011 program of $12.5 billion. This lower borrowing authority reflects the abating upward pressure on IFC investments as the 2008-09 global financial crisis subsides.

Outstanding borrowings are denominated in 18 currencies, with all borrowings converted to US dollars on an after-swap 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 (71%) and the Euro (15%).

## 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) 1.5% for property assets; and f) 11% for eligible trade finance transactions. To cover operational risk, 1% of exposure

[4] The FY2011 borrowing program allowed for $2.0 billion in pre-funding to take advantage of favorable market conditions; this was in addition to the $12.5 billion authorization.

(net of specific reserves) is added for each asset class mentioned. Under the CAPRI framework, the minimum capital adequacy requirement is $14.4 billion; at fiscal year-end 2011 capital stood at $17.9 billion, excluding the effects of designation of $69 million from FY2011 income made subsequent to the close of financial statements for FY2011 as well as the $330 million designation to IDA.

### 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 FY2011, the IFC's actual leverage was 260%, very comfortably within its policy limit.

Total equity was $20.3 billion at the end of FY2011, up from $18.4 billion in FY2010. This was equal to 52.3% of disbursed assets and approved but undisbursed commitments—an unweighted measure of broad economic exposure. It was also equal to 74.1% 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 65.6% of the total. Equity investments represent 24.1% of the portfolio, with risk management products and guarantees rounding out the portfolio. At fiscal year-end 2011, IFC's disbursed investments including guarantees and client risk management products gross of reserves stood at $31.8 billion, up $4.5 billion from the previous fiscal year. At the end of the year the IFC's held portfolio included loans and equity investments in 129 countries and 1,737 companies.

### Muted Impact of Global Financial Crisis on Portfolio Quality

As anticipated in light of the global financial crisis and subsequent recession, asset quality deteriorated starting in FY2009, with the stock of non-performing loans[5] rising for the first time since 2003. Loans on non-accrual more than doubled from $633 million in FY1998 to $1,543 million in FY2003; by FY2008 they fell to $369 million but saw an average annual increase of 41% during FY2009 through FY2011 and amounted to $943 million as of end-FY2011. The recovery of loans in Argentina has been notable, as non-accruals accounted for only 2.7% of disbursed loans in Argentina in FY2011, compared to 66.5% in FY2003. Resulting from this improvement, Argentina is no longer the country with the highest percentage of non-accruing loans. The Ukraine has the highest with 33.9% of the disbursed loans in non-accrual status[6], followed by the Philippines (4.8%), China (4.1%), Turkey (3.9%), and Argentina.

The ratio of IFC's loans in non-accrual as a percentage of the total disbursed loan portfolio fell slightly in FY2011 to 4.7% from 4.8% of total loans the previous year. This ratio, although roughly double its level in FY2008, remains low in the historical context; it peaked at 16.7% in FY2003 following the Argentine and Russian crises, however the average level during the pre-crises period from FY1993-1997 was 6.6%. This reflects two things: the most recent global crisis was not an emerging market crisis so it did not directly affect the IFC's mandated client base and an improvement in the Corporation's credit risk mitigation ability – most notably the decentralized structure which allows for more direct contact with clients and therefore more problem avoidance and resolution.

[5] Loans in non-accrual status—defined as those with arrears in excess of 60 days unless collection is anticipated in the near future

[6] Due primarily to a single borrower.

To that end, the IFC's Department of Special Operations (CSO), is specifically designed to handle financial and economic crises that have the potential to materially impact the Corporation's asset quality. Even before the 2007-2009 global credit crisis, the CSO prepared for a downturn in the global economy by creating scenarios based on historical crises and developing a preparedness plan. When the crisis materialized the IFC reacted by increasing the size of the CSO, enabling the team to quickly identify and closely monitor projects that showed signs of trouble. The team has increased training for investment officers in the field to help them identify early warning signals and understand the consequences of project structuring decisions.

## Balanced Portfolio Structure

By sector and individual obligor, the IFC has a high degree of concentration in the financial sector – including both banking and insurance – which accounts for about 34.5% of its disbursed loan portfolio. The other largest exposures are to utilities and oil, gas, and mining; together, these three sectors account for 56.1% of the disbursed portfolio. After increasing by 20.1% between FY2009 and FY2010, IFC's commitment volume fell to $12.2 billion in FY2011, a 3.8% decrease from the previous year. 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 IDA countries and sectors. 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 is based on an economic capital-based exposure approach, in which countries are grouped based on the size of their economy and risk rating[7], and limits are set based on the economic capital required[8] as a percentage of net worth plus reserves[9]. The country group with the highest allowed exposure is set at 7% of net worth plus reserves with India as the exception at 8.5%. On this basis, the economic capital required for India accounted for 6.4% of net worth plus general reserves at end FY2011. The IFC's next largest disbursed country exposures, in descending order, are China (5.3%), Russia (4.5%), Turkey (3.8%), and Brazil (3.3%). Looking at the disbursed portfolio, the largest ten country exposures (gross of reserves) account for 49.8% of the IFC's portfolio, down from 52.1% in FY2009, and include all five of the countries mentioned previously. Concentration by borrowing company is not as significant and the ten largest company exposures combined holds less than 10% of the total portfolio. The company with the largest exposure holds 1.4% of the disbursed investment portfolio with the remaining top 10 holding 1.2% or lower.

## 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;

[7] IFC's internal risk-ranking system.

[8] Economic capital is calculated by applying a risk weight to the exposure at risk (100% of outstanding portfolio + 75% of undisbursed portfolio), based on the capital ratio assigned to different products – loans, equities, quasi equities, guarantees, risk management products – under the Corporation's economic capital framework.

[9] This is a new procedure adopted in December 2009 and replaced the framework in which limits were set based on nominal exposure (outstandings net of specific reserves). Under that framework, the ceiling for the highest country exposure was 20% of net worth plus general reserves.

management estimates the general reserve against losses on loans. As a result of the adoption of EITF[10] 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 FY2011 total reserves against loan losses ($1,307 million) fell slightly to 6.1% of the outstanding loan portfolio, from 6.9% the previous year.

## Profitability

### Temporary Impact of Global Financial Crisis on Results

For the first time in its history, the IFC reported a loss in FY2009 with the operating loss amounting to $443 million and a net loss of $151 million. The Corporation's Interest Coverage Ratio (ICR) was 3.1, up from 2.9 the year prior. In previous years income was driven by high equity income from capital gains and dividends, which were 1.5 times greater than the amount earned from interest and fees on loans and debt securities in FY2008. However, in FY2009 high levels of equity write-downs resulting from the volatile financial markets were the main driver of the loss. Another contributing factor was the increased expense related to loan loss provisioning, a result of aggressive changes in the Corporation's internal risk rankings in anticipation of decreasing asset quality. It is important to note that without the contribution to IDA, the results would have been positive for the year.

IFC's FY2011 results were largely in line with the historical norm making FY2009 a unique year. The $1,579 million net income in FY2011 was slightly lower than FY2010 ($1,746 million) however, the average of these two most recent years' results is the same as the 5-year average for the years 2004-2008 ($1,662 million). This return to trend indicates that despite occasional volatility in financial performance the IFC's operations continue to support the preservation of the capital base, a key rating element.

Specifically contributing to FY2011 net income results was an increase in net interest income (when looking at interest income from loans and guarantees versus borrowing expenses), a loan-loss provisioning release compared to a charge the previous year, and historically high grants to IDA.

### Income Volatility Inherent and Manageable

As IFC's business model resembles more that of a large venture capital firm and less that of a full service bank, 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.

[10] Financial Accounting Standards Board -- Emerging Issues Task Force

## Rating History

### International Finance Corporation

| | 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 |

## Annual Statistics

### International Finance Corporation

| Balance Sheet Summary [1] (US$ Millions) | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | |
| **Total Assets** | **58,526** | **49,994** | **42,900** | **41,823** | **34,475** | **28,487** | **28,723** | **26,940** |
| Investments | 29,934 | 25,944 | 22,214 | 23,319 | 15,796 | 12,731 | 11,489 | 10,279 |
| Gross Loans | 19,762 | 18,009 | 16,566 | 15,229 | 12,650 | 10,727 | 9,973 | 9,753 |
| Equity Investments | 9,313 | 7,469 | 5,344 | 7,318 | 3,245 | 2,696 | 2,505 | 1,893 |
| Debt Securities | 2,166 | 1,815 | 1,542 | 1,620 | 733 | 206 | -- | -- |
| Less Reserve against Loan Losses | -1,307 | -1,349 | -1,238 | -848 | -832 | -898 | -989 | -1,367 |
| Net cash, deposits and securities | 25,990 | 21,537 | 18,656 | 15,125 | 14,915 | 11,789 | 13,460 | 14,068 |
| | | | | | | | | |
| LIABILITIES AND EQUITY | | | | | | | | |
| Total Liabilities | 38,247 | 31,635 | 26,778 | 23,562 | 20,458 | 17,411 | 18,925 | 19,158 |
| Borrowings Outstanding | 38,211 | 31,106 | 25,711 | 20,261 | 15,879 | 14,967 | 15,359 | 16,254 |
| From World Bank | 50 | 50 | 51 | 54 | 62 | 80 | 55 | 97 |
| From Market Sources | 38,161 | 31,056 | 25,660 | 20,207 | 15,817 | 14,887 | 15,304 | 16,157 |
| Other Liabilities | 36 | 529 | 1,067 | 3,301 | 4,579 | 2,444 | 3,566 | 2,904 |
| | | | | | | | | |
| Total Equity | 20,279 | 18,359 | 16,122 | 18,261 | 14,017 | 11,076 | 9,798 | 7,782 |
| Subscribed Capital | 2,369 | 2,369 | 2,369 | 2,366 | 2,366 | 2,365 | 2,365 | 2,362 |
| Less Portion not yet paid | 0 | 0 | 0 | 0 | -1 | -1 | -1 | -1 |
| Plus Pmt. on acct. of pending subscription | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Equals Paid-in Capital (PIC) | 2,369 | 2,369 | 2,369 | 2,366 | 2,365 | 2,364 | 2,364 | 2,362 |
| Accumulated Other Comprehensive Income | 1,543 | 1,202 | 711 | 2,703 | 442 | 1 | 1 | 2 |
| Retained Earnings | 16,367 | 14,788 | 13,042 | 13,192 | 11,210 | 8,711 | 7,433 | 5,418 |
| | | | | | | | | |
| TOTAL LIABILITIES AND EQUITY | **58,526** | **49,994** | **42,900** | **41,823** | **34,475** | **28,487** | **28,723** | **26,940** |
| | | | | | | | | |
| BALANCE SHEET COMPOSITION | | | | | | | | |
| Gross Loans | 34.0 | 36.2 | 36.6 | 35.8 | 36.1 | 35.0 | 34.0 | 33.5 |
| Gross Equity Investments | 15.1 | 13.4 | 14.6 | 13.5 | 9.2 | 8.8 | 7.6 | 6.5 |
| Cash | 1.1 | 1.0 | 0.8 | 0.9 | 0.8 | 0.5 | 0.4 | 0.3 |
| Earning Liquid Assets | 41.7 | 41.1 | 38.1 | 37.6 | 40.4 | 42.2 | 47.1 | 49.1 |
| Other | 4.6 | 4.8 | 6.2 | 9.2 | 12.0 | 13.1 | 11.0 | 10.6 |
| | | | | | | | | |
| Debt to World Bank | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 |
| Debt to Market Sources | 62.3 | 59.4 | 52.8 | 46.2 | 47.5 | 51.1 | 54.2 | 58.7 |
| Other Liabilities | 0.5 | 1.7 | 5.0 | 10.1 | 10.9 | 10.2 | 11.2 | 9.8 |
| Total Liabilities | 62.9 | 61.2 | 58.0 | 56.5 | 58.5 | 61.5 | 65.6 | 68.9 |
| Total Equity (incl. Loss Reserve) | 37.1 | 38.8 | 42.0 | 43.5 | 41.5 | 38.5 | 34.4 | 31.1 |

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

## International Finance Corporation

| Income Statement Summary [1] (US$ MILLIONS) | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|
| Total Income | 3,105 | 3,456 | 1,537 | 3,463 | 4,093 | 2,594 | 2,462 | 1,432 |
| Income, Loans & Equity Investments | 2,346 | 2,444 | 827 | 2,760 | 3,365 | 2,046 | 2,039 | 1,180 |
| From Loans and Guarantees | 877 | 801 | 871 | 1,065 | 1,062 | 804 | 660 | 518 |
| Dividends & Profit Participations | 280 | 285 | 311 | 428 | 385 | 323 | 258 | 207 |
| Amortization of UJVs conditional asset retirement | -1 | 3 | -2 | -1 | -2 | -8 | -- | -- |
| Unrealized Income From LLPs and Certain LLCs | -- | -- | -- | -- | 19 | 56 | 191 | -- |
| Unrealized Gains (Losses) on Equity Investments | 454 | 240 | -299 | 12 | -- | -- | 269 | 74 |
| Equity Investment Impairment Write-Downs | -218 | -203 | -1,058 | -140 | -40 | -57 | -62 | -- |
| Capital Gains on Equity Sales | 954 | 1,318 | 1,004 | 1,396 | 1,941 | 928 | 723 | 381 |
| Income from Debt Securities | 46 | 108 | 71 | 163 | 27 | 7 | -- | -- |
| Financial Service Fees | 88 | 70 | 39 | 58 | 53 | 52 | 41 | 41 |
| Income from Liquid Asset Trading Activities | 529 | 815 | 474 | 473 | 618 | 444 | -- | -- |
| Income, Deposits and Securities | -- | -- | -- | -- | -- | -- | 533 | 278 |
| Net gains and losses on trading activities | -- | -- | -- | -- | -- | -- | -175 | -104 |
| Other | 96 | 19 | 126 | 9 | 30 | 45 | 24 | 37 |
| | | | | | | | | |
| Total Expenses | 925 | 1,061 | 1,555 | 1,375 | 1,258 | 1,095 | 471 | 450 |
| Charges on Borrowings | 140 | 163 | 488 | 782 | 801 | 603 | 309 | 141 |
| Administrative Expenses | 700 | 664 | 582 | 549 | 482 | 436 | 403 | 360 |
| Provision for Losses on Loans and Guarantees | -40 | 155 | 438 | 38 | -43 | 15 | -261 | -103 |
| Contribution to Special Programs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 29 |
| Pension and Other Post-Retirement Benefit Plans | 109 | 69 | 34 | 3 | 15 | 28 | 14 | 19 |
| Other | 16 | 10 | 13 | 3 | 3 | 13 | 6 | 4 |
| | | | | | | | | |
| Expenditures for Technical Assistance and Advisory | 156 | 101 | 129 | 123 | 96 | 55 | 38 | -- |
| | | | | | | | | |
| Grants to IDA and Other | 600 | 209 | 456 | 527 | 150 | 35 | -- | -- |
| | | | | | | | | |
| Income before Net Gains (Losses) on other Non-Trading Financial Instruments | 1,424 | 2,085 | -603 | 1,438 | 2,589 | 1,409 | 1,953 | 982 |
| | | | | | | | | |
| Net Interest Income | 2,775 | 2,941 | 375 | 2,413 | 3,225 | 1,872 | 2,524 | 1,420 |
| | | | | | | | | |
| Net Gains (Losses) on other Non-Trading Financial Instruments | 155 | -339 | 452 | 109 | -99 | -145 | 62 | 11 |
| | | | | | | | | |
| Net Income | 1,579 | 1,746 | -151 | 1,547 | 2,490 | 1,264 | 2,015 | 993 |

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

**International Finance Corporation**

| Financial Ratios | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|
| **ASSET QUALITY** | | | | | | | | |
| Total Loans on Non-Accrual (US$ Mil.) | 943 | 877 | 457 | 369 | 378 | 447 | 634 | 1,121 |
| Non-Accruals as % Gross Loans Out. | 4.8 | 4.9 | 2.8 | 2.4 | 3.0 | 4.2 | 6.4 | 11.5 |
| Non-Accruals as % Loan Loss Res. | 72.1 | 65.0 | 36.9 | 43.5 | 45.5 | 49.7 | 64.1 | 82.0 |
| Non-Accruals as % Loan Loss Res. + Accumulated Earnings | 5.3 | 5.4 | 3.2 | 2.6 | 3.1 | 4.7 | 7.5 | 16.5 |
| | | | | | | | | |
| Gross Write-offs (Loan & Equity) as % Gross Loans and Equity Investments | 1.0 | 0.9 | 5.1 | 0.9 | 0.5 | 1.4 | 4.8 | 3.9 |
| Net Write-offs (Loan & Equity) as % Gross Loans & Equity Investments | 0.9 | 0.9 | 5.0 | 0.8 | 0.5 | 1.2 | 4.7 | 3.9 |
| Loss Reserve to Net Write-offs (Loan & Equity) (X) | 4.8 | 6.1 | 1.1 | 4.5 | 10.6 | 5.6 | 1.7 | 3.0 |
| | | | | | | | | |
| Loss Reserve plus Accum. Earn. as % Gross Loan and Equity Investments | 60.8 | 63.3 | 65.2 | 62.3 | 75.8 | 71.6 | 67.5 | 58.3 |
| **LIQUIDITY (%)** | | | | | | | | |
| Liquid Assets as % Undisbursed Loans + Equity Investments | 268.0 | 205.3 | 189.0 | 165.6 | 194.9 | 170.6 | 230.8 | 308.8 |
| Liquid Assets as % Total Borrow. Out. | 68.0 | 69.2 | 72.6 | 74.7 | 93.9 | 78.8 | 87.6 | 86.6 |
| Liquid Assets as % Total Market Borrow. | 68.1 | 69.3 | 72.7 | 74.9 | 94.3 | 79.2 | 88.0 | 87.1 |
| **PERFORMANCE STATISTICS USING NET INCOME(%)** | | | | | | | | |
| Return on Avg Assets (Incl. Loss Res.) | 2.8 | 3.7 | -0.3 | 4.0 | 7.7 | 4.3 | 6.9 | 3.5 |
| Return on Avg Equity (Incl. Loss Res.) | 7.6 | 9.4 | -0.8 | 9.1 | 18.6 | 11.1 | 20.2 | 11.3 |
| Return on Earnings Assets | 2.8 | 3.6 | -0.4 | 3.9 | 7.9 | 5.0 | 7.8 | 3.9 |
| **PERFORMANCE STATISTICS USING OPERATING INCOME(%)** | | | | | | | | |
| Return on Avg Assets (Incl. Loss Res.) | 2.6 | 4.4 | -1.4 | 3.7 | 8.0 | 4.8 | 6.7 | 3.5 |
| Return on Avg Equity (Incl. Loss Res.) | 6.9 | 11.2 | -3.3 | 8.5 | 19.3 | 12.4 | 19.6 | 11.1 |
| Return on Earnings Assets | 2.5 | 4.3 | -1.4 | 3.7 | 8.2 | 5.6 | 7.5 | 3.8 |
| **EQUITY RATIOS** | | | | | | | | |
| PIC + Accum. Earn. + Loss Res. as % Gross Assets [1] | 36.1 | 38.4 | 39.3 | 44.8 | 42.1 | 40.7 | 36.3 | 32.3 |
| PIC + Accum. Earn. + Loss Res. as % Gross Loans + Equity Investments [1] | 74.2 | 77.4 | 79.2 | 84.8 | 93.4 | 89.2 | 86.4 | 78.6 |
| Borrowings Out. + Guarantees % Subscr. Cap. + Accum. Earn. (X) [1] | 2.2 | 1.9 | 1.8 | 1.4 | 1.2 | 1.4 | 1.6 | 2.1 |
| Equity Investments net of Loss Reserves as % PIC + Accum. Earnings [1] | 45.8 | 40.6 | 33.1 | 40.0 | 23.0 | 24.2 | 25.6 | 24.3 |

[1] PIC equals Paid-in Capital

### Country Exposure of IFC [1]

| (US$ Million; Fiscal Yr 2011) | Loan | Equity | Guarantees | Risk Management | Total | % [2] |
|---|---|---|---|---|---|---|
| India | 2,291.1 | 723.5 | 0.6 | 9.1 | 3,024.2 | 9.5 |
| Brazil | 1,553.9 | 255.2 | 432.5 | 0.7 | 2,242.2 | 7.1 |
| Russian Federation | 1,147.4 | 581.9 | 278.0 | 4.6 | 2,012.0 | 6.3 |
| China | 945.6 | 793.4 | 92.4 | 0.0 | 1,831.4 | 5.8 |
| Turkey | 1,762.8 | 302.9 | 57.3 | 0.0 | 2,123.0 | 6.7 |
| Argentina | 746.8 | 74.9 | 62.1 | 7.5 | 891.3 | 2.8 |
| Philippines | 804.2 | 126.5 | 6.2 | 0.0 | 936.9 | 2.9 |
| Colombia | 596.7 | 256.7 | 7.3 | 0.0 | 860.7 | 2.7 |
| Vietnam | 266.6 | 441.4 | 414.6 | 0.0 | 1,122.7 | 3.5 |
| Mexico | 433.3 | 312.6 | 30.0 | 14.6 | 790.6 | 2.5 |
| Ten Largest Borrowers | 10,548.5 | 3,869.0 | 1,380.9 | 36.5 | 15,834.9 | 49.8 |
| Total | 21,539.2 | 7,143.5 | 2,931.8 | 144.6 | 31,759.1 | 100.0 |

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

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

### IFC Ownership Distribution by Ten Largest Shareholders (as of June 30, 2011)

| | Capital | | Voting Power |
|---|---|---|---|
| | Amount (Us$ 000) | % Of Total | % Of Total |
| United States | 569,379 | 24.03 | 23.59 |
| Japan | 141,174 | 5.96 | 5.86 |
| Germany | 128,908 | 5.44 | 5.35 |
| United Kingdom | 121,015 | 5.11 | 5.02 |
| France | 121,015 | 5.11 | 5.02 |
| Canada | 81,342 | 3.43 | 3.38 |
| Italy | 81,342 | 3.43 | 3.38 |
| India | 81,342 | 3.43 | 3.38 |
| Russian Federation | 81,342 | 3.43 | 3.38 |
| Netherlands | 56,131 | 2.37 | 2.33 |
| **Ten Largest Shareholders** | **1,462,990** | **61.7** | **60.7** |
| **Total** | **2,369,396** | | |

## Moody's Related Research

Analyses:

- IBRD (World Bank), February 2011 (113644)
- Inter-American Development Bank, March 2011 (123653)
- Inter-American Investment Corporation, March 2011 (123795)
- Asian Development Bank, April 2011 (121052)
- European Bank for Reconstruction and Development, August 2011 (100965)
- African Development Bank, September 2011 (136167)
- Eurasian Development Bank, September 2011 (135347)
- Fondo Latinoamericano de Reservas, July 2011 (134372)
- Shelter-Afrique Bank, February 2011 (130988)

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.

### Website

For additional information, please see the company's website: www.ifc.org.

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Authors
Steven Hess
Annette Swahla

Production Specialist
Wing Chan

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