

Financial Performance Summary

The financial performance of IFC has been significantly influenced by the volatile emerging equity markets, and reflects the year-over-year movements in equity valuation. IFC's net income was \$4,209 million in FY21, as compared to a net loss of \$1,672 million in FY20, mainly driven by the rebound in equity valuations post the immediate effect of COVID-19.

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
Net income:	
Yield on interest earning assets (principally loans)	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, in particular the portion of the liquid assets portfolio funded by net worth, 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 markets and company-specific performance for equity investments. Overall performance of the equity portfolio.
Provision for losses on loans, guarantees, and available-for-sale debt securities	Risk assessment of borrowers, probability of default, loss given default and loss emergence period.
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 and actual administrative expenses and other budget resources.
Gains and losses on other non-trading financial instruments accounted for at fair value	Principally, differences between changes in fair values of borrowings, excluding IFC's credit spread (beginning in FY19, changes attributable to IFC's credit spread are reported in other comprehensive income, prior to FY19, such changes were reported in net income) and associated derivative instruments and unrealized gains or losses 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 may be 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.

Other comprehensive income:

Unrealized gains and losses on debt securities accounted for as available-for-sale

Global climate for emerging markets, fluctuations in currency and commodity markets and company-specific performance and consideration of the extent to which unrealized losses are considered a credit loss. Debt securities may be valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.

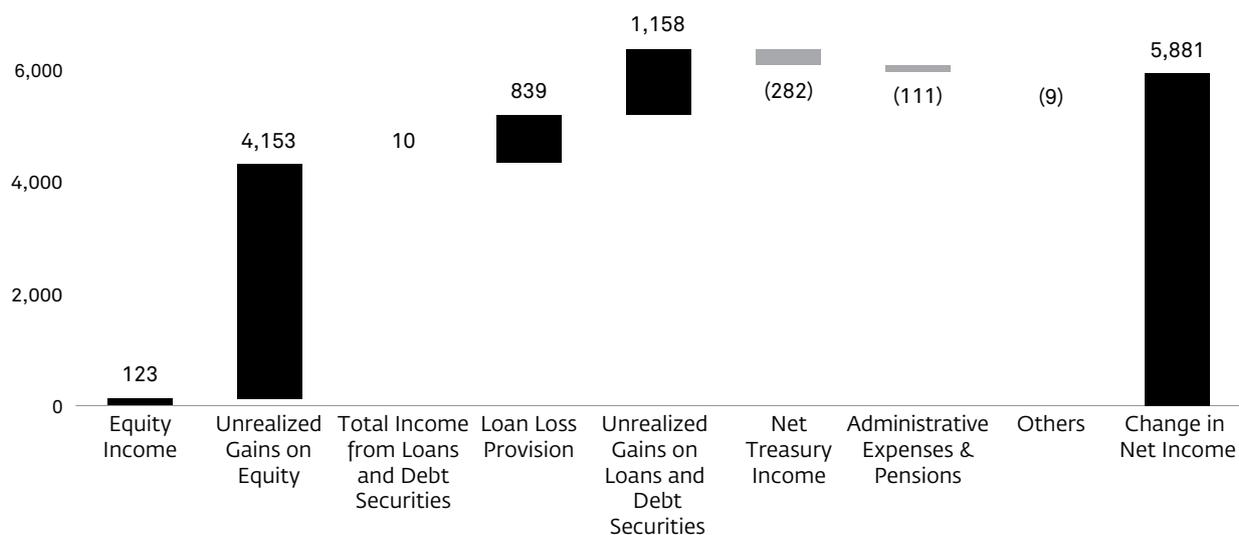
Unrealized gains and losses attributable to instrument-specific credit risk on borrowings at fair value under the Fair Value Option

Fluctuations in IFC's own credit spread measured against U.S. dollar LIBOR, resulting from changes over time in market pricing of credit risk. As credit spreads widen, unrealized gains are recorded and when credit spreads narrow, unrealized losses are recorded.

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.

IFC reported income of \$4,209 million in FY21, as compared to a loss of \$1,672 million in FY20, mainly driven by the rebound in equity valuations post the immediate effect of COVID-19. The \$5,881 million increase was principally a result of the following:

Change in Net Income (Loss) FY21 vs FY20 (US\$ millions)

IFC's equity investment portfolio returned \$3,201 million in FY21 as compared to a loss of \$1,067 million in FY20. A major component for FY21 was unrealized gains of \$2,550 million, which mainly reflected the market recovery that began in FY20 Q4 and has continued throughout FY21, notably observed in the Disruptive Technologies and Funds portfolio.

IFC recorded a loan loss provision release of \$201 million in FY21 as compared to a loan loss provision charge of \$638 million in FY20, reflecting an overall improvement in credit quality.

Unrealized gains from loans and debt securities were \$735 million in FY21, as compared to unrealized losses of \$423 million in FY20, primarily due to narrowing credit risk spreads and the impact of increased interest rates on the fair value of swaps that are used

to hedge loans at amortized cost and available-for-sale debt securities.

IFC's liquid asset income, net of allocated charges on borrowings, was \$224 million in FY21, compared to \$506 million in FY20. FY20 Treasury Income benefited significantly from the rally in U.S. Treasuries.

Administrative and pension expenses increased by \$111 million from \$1,299 million in FY20 to \$1,410 million in FY21, mainly driven by a \$67 million increase in pension expenses due to the increased amortization of the actuarial loss from the lower discount rate at the end of FY20 and lower expected returns on plan assets, and increase in administrative expenses by \$44 million mainly due to higher staff costs resulting from a sharp increase in staff count.

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

IFC's Net Income (Loss), Fiscal Years 2017–2021¹

Fiscal year ended June 30 (US\$ millions)

2017		1,418
2018		1,280
2019		93
2020		(1,672)
2021		4,209

Prior to the year ended June 30, 2020 (FY20), management used Income Available for Designations (a non-U.S. GAAP measure) as a basis for designations of retained earnings. Income Available for Designations generally comprised net income excluding: net unrealized gains and losses on equity investments, net unrealized gains and losses on non-trading financial instruments accounted for at fair value, income from consolidated entities other than AMC², and expenses reported in net income related to prior year designations.

IFC reviewed the calculation of Income Available for Designations in FY20 due to the adoption of ASU 2016-01 in FY19, which resulted in all unrealized gains and losses on equity investments being reported in Net Income. Beginning in FY20, IFC uses "income excluding unrealized gains and losses on investments and borrowings and grants to IDA" as the metric for Income Available for Designations.

1. IFC's Net Income (Loss) are not directly comparable due to the adoption of ASU 2016-01 in FY19.

2. Effective January 31, 2020, IFC Asset Management Company, LLC (AMC) was merged into IFC. IFC, as the successor to AMC, has assumed all the assets, rights, liabilities, and obligations of AMC. The AMC business is now operated as a division within IFC. This change did not have a significant impact on IFC's financial position, results of operations, or cash flows.

Reconciliation of Reported Net Income or Loss to Income Available for Designations (US\$ millions)

	FY21	FY20	FY19
Net income (loss)	\$ 4,209	\$ (1,672)	\$ 93
Adjustments to reconcile Net Income (Loss) to Income Available for Designations			
Unrealized (gains) losses on investments	(3,285)	2,026	1,121
Unrealized (gains) losses on borrowings	(71)	218	15
Grants to IDA	213	–	–
Advisory Services expenses from prior year designations	–	–	54
Adjustments to conform to approach to designations approved by IFC's Board in FY17	–	–	(377)
Other	–	–	3
Income available for designations	\$ 1,066	\$ 572	\$ 909

Selected Financial Data as of and for the Last Five Fiscal Years (US\$ millions)

AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30	2021	2020	2019	2018	2017
Consolidated income highlights:					
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	\$ 1,116	\$ 1,510	\$ 1,774	\$ 1,377	\$ 1,298
Release of provision (provision) for losses on loans, off-balance sheet credit exposures and other receivables	201	(638)	(87)	(90)	(86)
Income (loss) from equity investments and associated derivatives	3,201	(1,067)	(253)	853	707
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	340	231	126	363	282
Provision for losses on available-for-sale debt securities	(3)	–	–	–	–
Income from liquid asset trading activities	327	1,039	1,291	771	917
Charges on borrowings	(326)	(1,181)	(1,575)	(1,041)	(712)
Other income	595	559	622	578	528
Other expenses	(1,687)	(1,628)	(1,746)	(1,662)	(1,617)
Foreign currency transaction (losses) gains on non-trading activities	(148)	144	159	123	(188)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	3,616	(1,031)	311	1,272	1,129
Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	806	(641)	(218)	88	394
Income (loss) before grants to IDA	4,422	(1,672)	93	1,360	1,523
Grants to IDA	(213)	–	–	(80)	(101)
Net income (loss)	4,209	(1,672)	93	1,280	1,422
Less: Net gains attributable to non-controlling interests	–	–	–	–	(4)
Net income (loss) attributable to IFC	\$ 4,209	\$(1,672)	\$ 93	\$ 1,280	\$ 1,418

Consolidated balance sheet highlights:

Total assets	\$105,264	\$95,800	\$99,257	\$94,272	\$92,254
Liquid assets	41,696	40,791	39,713	38,936	39,192
Investments	44,991	41,138	43,462	42,264	40,519
Borrowings outstanding, including fair value adjustments	55,699	55,486	54,132	53,095	54,103
Total capital	\$ 31,244	\$25,182	\$27,606	\$26,136	\$25,053
of which					
Undesignated retained earnings	\$ 11,395	\$ 7,166	\$25,905	\$23,116	\$21,901
Designated retained earnings	207	433	366	190	125
Paid-in capital	20,760	19,567	2,567	2,566	2,566
Accumulated other comprehensive (loss) income (AOCI)	(1,118)	(1,984)	(1,232)	264	458
Non-controlling interests	–	–	–	–	3

Key Financial Ratios

	2021	2020	2019	2018	2017
Financial ratios^b:					
Return on average assets (U.S. GAAP basis) ^{a, c}	4.2%	(1.7)%	0.1%	1.4%	1.6%
Return on average assets (non-U.S. GAAP basis) ^d	0.9%	0.6%	1.4%	1.4%	1.3%
Return on average capital (U.S. GAAP basis) ^{a, e}	14.9%	(6.3)%	0.3%	5.0%	5.9%
Return on average capital (non-U.S. GAAP basis) ^f	3.0%	2.1%	4.9%	5.1%	4.9%
Overall liquidity ratio ^g	114%	96%	104%	100%	82%
Debt to equity ratio ^h	2.1	2.2	2.2	2.5	2.7
Total reserve against losses on loans to total disbursed portfolio ⁱ	4.9%	6.3%	4.7%	5.1%	6.1%
Capital measures:					
Total Resources Available (US\$ billions) ^j	30.7	28.2	27.8	24.7	23.6
Total Resources Required (US\$ billions) ^k	20.5	20.3	21.8	20.1	19.4
Strategic Capital ^l	10.3	7.9	6.0	4.6	4.2
Deployable Strategic Capital (DSC) ^m	7.2	5.0	3.2	2.2	1.8
Deployable Strategic Capital Ratio (Deployable Strategic Capital expressed as a percentage of Total Resources Available)	23.4%	17.9%	11.6%	8.7%	7.8%

a. This ratio is not directly comparable due to the adoption of ASU 2016-01.

b. 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).

c. Net income for the fiscal year as a percentage of the average total assets during the fiscal year.

d. Return on average assets is defined as 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 reserve), liquid assets net of repos, and other assets averaged during the fiscal year.

e. Net income for the fiscal year as a percentage of the average of total capital during the fiscal year (excluding payments on account of pending subscriptions).

f. Return on average capital is defined as 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) and calculated as a percentage of the average total assets during the fiscal year.

g. Overall Liquidity Policy states that IFC would at all times maintain a minimum level of liquidity, plus undrawn borrowing commitments from the IBRD, such that it would cover at least 45% of the next three years' estimated net cash requirements.

h. Debt to equity (leverage) ratio is defined as the number of times outstanding borrowings plus committed guarantees cover paid-in capital and accumulated earnings (net of retained earnings designations and certain unrealized gains/losses).

i. Total reserve against losses on loans to total disbursed loan portfolio is defined as reserve against losses on loans as a percentage of the total disbursed loan portfolio.

j. Total resources available (TRA) is the total capital of the Corporation, consisting of (i) paid-in capital; (ii) retained earnings net of designations and some unrealized gains and losses; and (iii) total loan loss reserve.

k. Total resources required (TRR) is the minimum capital required to cover the expected and unexpected loss on IFC's portfolio, calibrated to maintain IFC's triple-A rating. TRR is the sum of the economic capital requirements for IFC's different assets, and it is determined by the absolute size of the committed portfolio, the product mix (equity, loans, short-term finance, and liquid assets portfolio assets), and by operational and other risks.

l. Strategic Capital is defined as total resources available, less total resources required. May differ from the sum of individual figures due to rounding.

m. Deployable Strategic Capital is defined as 90% of total resources available, less total resources required.

COMMITMENTS

Long-Term Finance Commitments comprise Own Account and Core Mobilization and totaled \$23.3 billion in FY21, an increase of \$1.3 billion or 6 percent from FY20. IFC's FY21 Long-Term Finance Own Account Commitments were \$12.5 billion (\$11.1 billion in FY20) and Core Mobilization was \$10.8 billion (\$10.8 billion in FY20). Short-Term Finance Commitments were \$8.2 billion in FY21, as compared to \$6.5 billion at FY20. Total program delivery (LTF and STF) was \$31.5 billion in FY21 as compared to \$28.4 billion in FY20.

In direct response to the COVID pandemic, IFC committed \$10.8 billion in FY21 including \$2.3 billion under its Fast Track COVID-19 Facility in support of IFC's existing clients. Outside of the facility, IFC committed an additional \$8.5 billion in financing to support clients in response to the crisis.

CORE MOBILIZATION

Core Mobilization is financing from entities other than IFC that becomes available to clients due to IFC's direct involvement in raising resources.

FY21 vs FY20 Long-Term Finance Commitments (Own Account and Core Mobilization) and Short-Term Finance (US\$ millions)

	FY21	FY20
Long-Term Finance Commitments (Own Account and Core Mobilization) and Short-Term Finance	\$31,500	\$28,430
Long-Term Finance Own Account Commitments	12,474	11,135
Core Mobilization	10,831	10,826
Short-Term Finance Commitments	8,195	6,469

Asset Management Company (AMC)

Funds Managed by AMC FY21 vs FY20 (US\$ millions unless otherwise indicated)

	THROUGH JUNE 30, 2021					
	TOTAL FUNDS RAISED SINCE INCEPTION				FOR THE YEAR ENDED JUNE 30, 2021	
	TOTAL	FROM IFC	FROM OTHER INVESTORS	CUMULATIVE INVESTMENT COMMITMENTS ^b	INVESTMENT COMMITMENTS MADE BY FUND ^c	INVESTMENT DISBURSEMENTS MADE BY FUND
Investment Period						
IFC Financial Institutions Growth Fund, LP (FIG Fund)	\$ 505	\$ 150	\$ 355	\$ 259	\$ 81	\$ 45
IFC Middle East and North Africa Fund, LP (MENA Fund)	162	60	102	78	12	7
IFC Emerging Asia Fund, LP (Asia Fund)	693	150	543	374	203	127
Post Investment Period						
IFC Capitalization (Equity) Fund, LP (Equity Capitalization Fund)	1,275	775	500	1,214	–	–
IFC Capitalization (Subordinated Debt) Fund, LP (Sub-Debt Capitalization Fund)	1,725	225	1,500	1,614	–	–
IFC African, Latin American and Caribbean Fund, LP (ALAC Fund)	1,000	200	800	876	–	2
Africa Capitalization Fund, Ltd. (Africa Capitalization Fund)	182	–	182	130	–	–
IFC Catalyst Fund, LP, IFC Catalyst Fund (U.K.), LP and IFC Catalyst Fund (Japan), LP (collectively, Catalyst Funds)	418	75	343	363	–	24
IFC Global Infrastructure Fund, LP (Global Infrastructure Fund) ^a	1,430	200	1,230	929	–	–
IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds (Japan Parallel), LP (collectively, GEM Funds)	800	150	650	757	–	112
Women Entrepreneurs Debt Fund, LP (WED Fund)	115	30	85	110	–	–
China-Mexico Fund, LP (China-Mexico Fund)	1,200	–	1,200	350	30	17
IFC Russian Bank Capitalization Fund, LP (Russian Bank Cap Fund) ^d	550	250	300	82	–	–
Total	\$10,055	\$2,265	\$7,790	\$7,136	\$326	\$334

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

b. Net of commitment cancellations.

c. Excludes commitment cancellations from prior periods.

d. Fund closed and liquidated.

Asset Management Company (AMC)

Funds Managed by AMC FY21 vs FY20 (US\$ millions unless otherwise indicated)

	THROUGH JUNE 30, 2020					
	TOTAL FUNDS RAISED SINCE INCEPTION			CUMULATIVE INVESTMENT COMMITMENTS ^b	FOR THE YEAR ENDED JUNE 30, 2020	
	TOTAL	FROM IFC	FROM OTHER INVESTORS		INVESTMENT COMMITMENTS MADE BY FUND ^c	INVESTMENT DISBURSEMENTS MADE BY FUND
Investment Period						
IFC Financial Institutions Growth Fund, LP (FIG Fund)	\$ 505	\$ 150	\$ 355	\$ 178	\$20	\$ 7
IFC Middle East and North Africa Fund, LP (MENA Fund)	162	60	102	66	–	6
IFC Emerging Asia Fund, LP (Asia Fund)	693	150	543	171	26	13
Post Investment Period						
IFC Capitalization (Equity) Fund, LP (Equity Capitalization Fund)	1,275	775	500	1,226	–	–
IFC Capitalization (Subordinated Debt) Fund, LP (Sub-Debt Capitalization Fund)	1,725	225	1,500	1,614	–	–
IFC African, Latin American and Caribbean Fund, LP (ALAC Fund)	1,000	200	800	876	–	3
Africa Capitalization Fund, Ltd. (Africa Capitalization Fund)	182	–	182	130	–	–
IFC Catalyst Fund, LP, IFC Catalyst Fund (U.K.), LP and IFC Catalyst Fund (Japan), LP (collectively, Catalyst Funds)	418	75	343	365	–	30
IFC Global Infrastructure Fund, LP (Global Infrastructure Fund) ^a	1,430	200	1,230	929	–	–
IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds (Japan Parallel), LP (collectively, GEM Funds)	800	150	650	757	17	71
Women Entrepreneurs Debt Fund, LP (WED Fund)	115	30	85	110	–	–
China-Mexico Fund, LP (China-Mexico Fund)	1,200	–	1,200	320	–	35
IFC Russian Bank Capitalization Fund, LP (Russian Bank Cap Fund) ^d	550	250	300	82	–	–
Total	\$10,055	\$2,265	\$7,790	\$6,824	\$63	\$165

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

b. Net of commitment cancellations.

c. Excludes commitment cancellations from prior periods.

d. The Russian Bank Cap Fund was liquidated during FY18.