

CREATING OPPORTUNITY

HIGHLIGHTS FROM IFC ANNUAL REPORT 2007

Financial year 2007 was a remarkable one for IFC. We delivered strong, measurable development impact and continued to show how the private sector creates opportunities in emerging markets—especially for the poor people who most need help. We also achieved the strongest financial position in our history.

IFC's market is evolving. Today, nearly two-thirds of our client firms are based in emerging markets, and there is wide acknowledgment that the private sector plays a critical role in addressing the needs of people in these countries. Many firms we invest in are expanding into other emerging markets: we finance more than 20 such "South-South" transactions each year.

We are also transforming IFC's operations. Today just over half our workforce is based in field offices, close to local clients. Beyond financing, we continue to increase our advisory services, more and more of which lead to IFC investments or are delivered alongside financing. This work allows us to provide comprehensive solutions to our clients' business needs.

The challenges in emerging markets drive IFC's strategy. Millions of people in smaller, less developed markets and conflict-affected countries have not yet shared in the benefits of growth. Poor infrastructure impairs such basic services as water, electricity, and health care. Smaller businesses, often the major source of employment, struggle to obtain financing and face burdensome regulations. Throughout the developing world, the environment, corporate governance, and social issues pose challenges to a private sector seeking to become competitive and meet international standards.

In FY07, IFC invested over \$8 billion for its own account and mobilized nearly \$4 billion more. In Sub-Saharan Africa our investments reached \$1.4 billion, double the previous year's commitments. Investments also topped \$1 billion for the first time in the Middle East and North Africa. About a third of our investments and over half of advisory services spending went to frontier and IDA countries.

IFC is able to play a bigger role because we have made a strategic decision to take a larger number of well-managed risks. We are increasing our equity and quasi-equity investments, especially in markets where others are unable or reluctant to bear the risk. We are using innovative products, such as local currency financing that lets companies concentrate on building a business rather than worrying about exchange rate volatility.

IFC's Board of Directors reaffirmed our **five strategic pillars** this year:

- ▶ Assisting frontier markets, including IDA countries
- ▶ Building long-term relationships with local companies
- ▶ Ensuring environmental and social sustainability
- ▶ Helping the private sector strengthen infrastructure, from ports and roads to schools and hospitals
- ▶ Developing local financial markets

We also stepped up our support of agribusiness, an industry that touches most of the world's poor people.

Our priority markets are what IFC calls the "frontier": countries eligible for interest-free, public sector loans from the World Bank's International Development Association as well as countries that have high risk ratings for private sector investment. The frontier also includes low-income or high-risk regions in middle-income countries, such as northeast Brazil and western China.

Measuring results is critical to understanding how well our strategy is working. Our new tracking system gives insights into the number of people we are reaching. In 2006, for example, 4 million people received hospital treatment, 9.5 million customers received electricity, 5 million loans helped smaller businesses, and 40,000 entrepreneurs received training and advice through engagements supported by IFC. We are committed to achieving broader development impact as we implement our strategy.

IFC can leverage the expertise of the larger World Bank Group to ensure that the foundations for private sector development are in place, with World Bank assistance to governments on policy frameworks preceding advice and investments from IFC. The joint *Doing Business* report, for example, helps streamline business regulations worldwide.

IFC has made progress, and opportunities to do more are tremendous. We have the strategy, mandate, and resources to deliver greater impact. We also bring a commitment to measuring results. With ongoing support and cooperation from stakeholders, partners, and Bank Group colleagues, IFC will continue to create opportunities for millions of people to escape poverty and improve their lives.

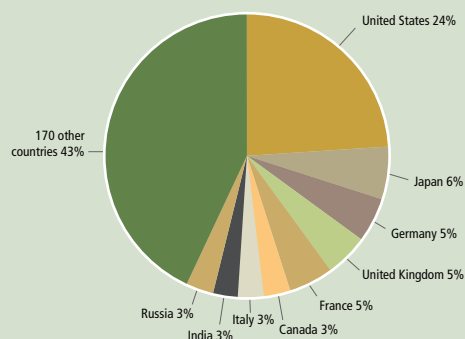


Lars H. Thunell, Executive Vice President and CEO

IFC AT A GLANCE

OUR MEMBER COUNTRIES

STRONG SHAREHOLDER SUPPORT

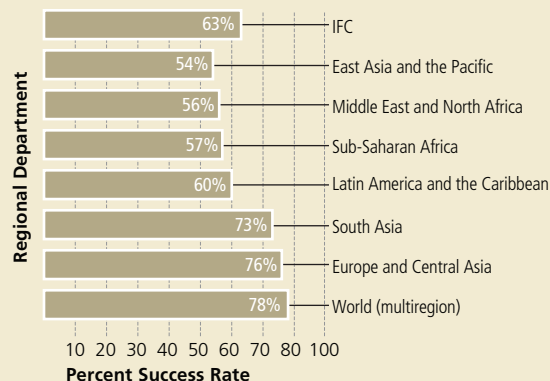


LARGEST COUNTRY EXPOSURES (JUNE 30, 2007)

Global rank	Country name	Portfolio (\$ millions)	Percent
1	Russian Federation	2,238	9%
2	India	2,117	8%
3	China	1,680	7%
4	Brazil	1,618	6%
5	Turkey	1,342	5%
6	Mexico	1,228	5%
7	Argentina	768	3%
8	Colombia	756	3%
9	Indonesia	743	3%
10	Nigeria	684	3%

OUR DEVELOPMENT IMPACT

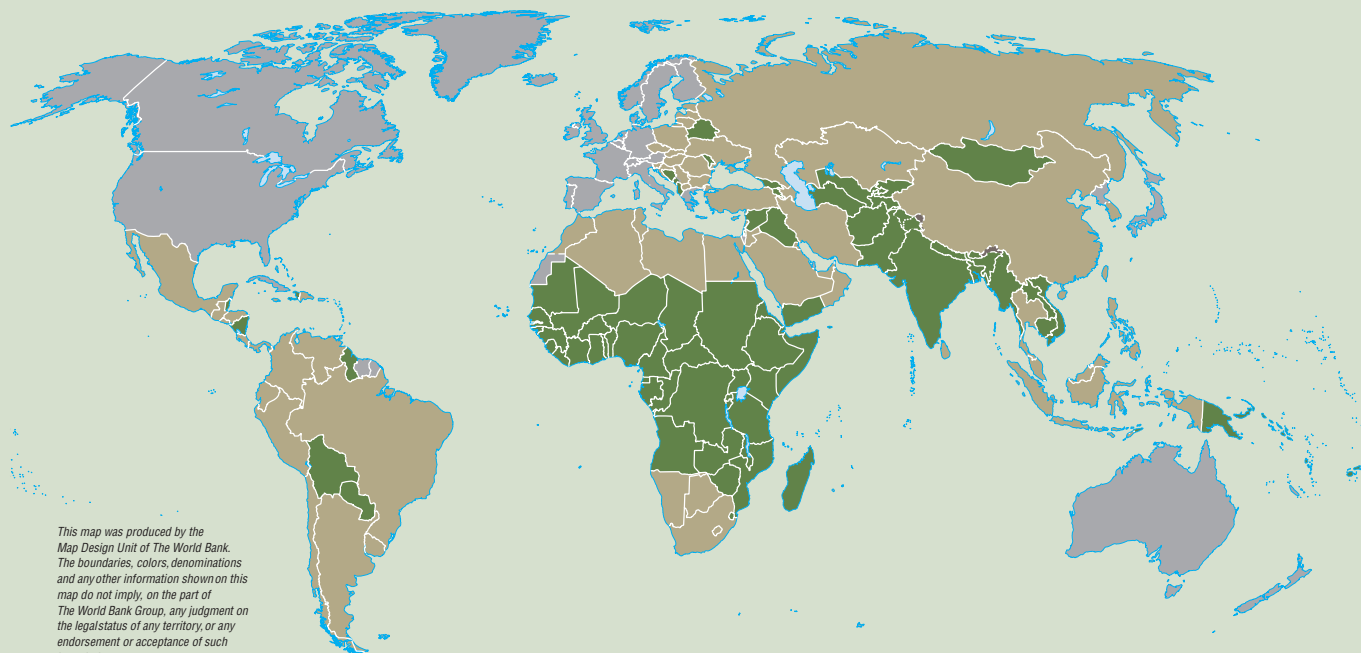
DEVELOPMENT RESULTS BY REGION



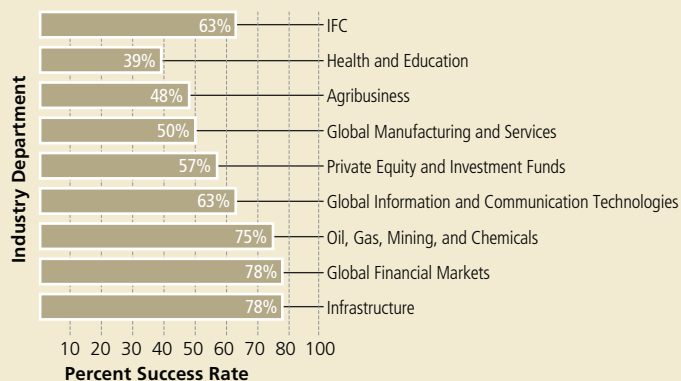
DOTS data as of June 30, 2007, for projects approved in calendar 1998-2003

IFC fosters sustainable private sector growth in developing countries.

- IFC Frontier Countries
- Other Active Client Countries

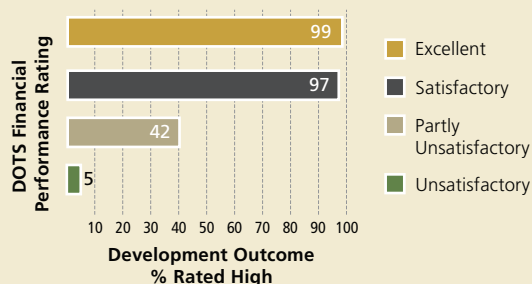


DEVELOPMENT RESULTS BY INDUSTRY



DOTS data as of June 30, 2007, for projects approved in calendar 1998-2003

FINANCIAL PERFORMANCE AND DEVELOPMENT OUTCOME



DOTS data as of June 30, 2007, for projects approved in calendar 1998-2003

SUSTAINABILITY

CUMULATIVE COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

Category*	Commitments (\$ billions)	Number of investments
A	4.7	132
B	27.9	1,677
C	8.1	792
FI	14.1	796
N**	7.5	1,196
U**	2.0	299

*See category descriptions on p. 20.

**N and U refer to projects committed before IFC began implementing environmental policies and guidelines in 1993.

FY07 COMMITMENTS BY ENVIRONMENTAL AND SOCIAL CATEGORY

Category*	Commitments (\$ millions)	Number of investments
A	593.2	8
B	3,522.6	112
C	1,462.9	94
FI	2,640.9	85

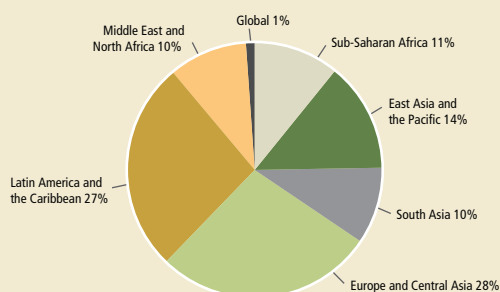
FY07 Investments in Renewable Energy and Energy Efficiency: **\$450 million**

Visit IFC's Annual Report on the Web—www.ifc.org/annualreport—for more information on sustainability, including a Global Reporting Initiative index.

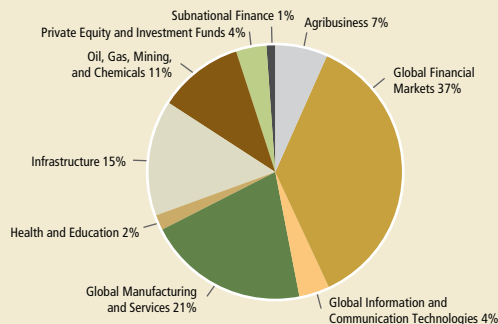
INVESTMENT PORTFOLIO

For IFC's own account as of June 30, 2007: \$25.4 billion

COMMITTED PORTFOLIO BY REGION



COMMITTED PORTFOLIO BY INDUSTRY

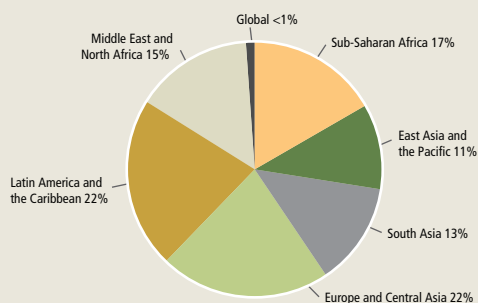


IFC AT A GLANCE

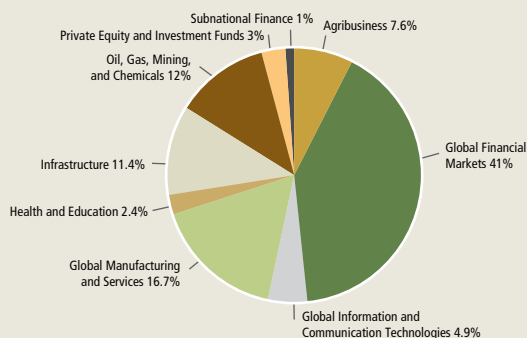
FY07 INVESTMENTS

For IFC's own account as of June 30, 2007: \$8.2 billion

BY REGION

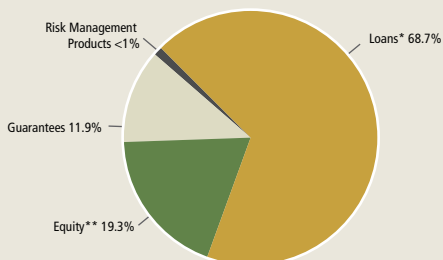


BY INDUSTRY



*Some amounts include regional shares of investments that are officially classified as global projects. See regional sections for details.

BY PRODUCT

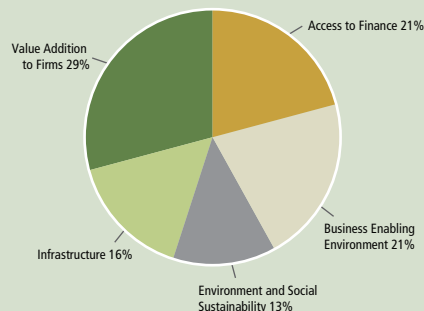


* Includes loan-type, quasi-equity products.
** Includes equity-type, quasi-equity products.

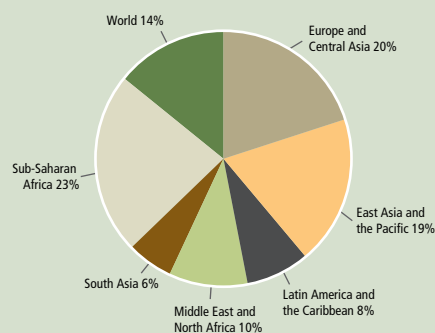
IFC also mobilized \$3.9 billion in FY07 through structured finance, loan participations, and parallel loans.

FY07 ADVISORY SERVICES

EXPENDITURES BY BUSINESS LINE



EXPENDITURES BY REGION



IFC'S REACH

Reach indicators give an indication of the people touched by IFC's activities.

INVESTMENTS, 2006

Hospital patients treated: 4 million
Students educated: 350,000
Electricity customers served: 9.5 million
Water customers served: 15.3 million
MSME loans: 5 million
New phone connections: 53 million
Local purchases by IFC clients: \$31 billion
Community development spending by clients: \$250 million

ADVISORY SERVICES, 2002-2006

Assisted 1,768 banks
Assisted 40,000 entrepreneurs



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