

FINANCIAL SUMMARY

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
Net income:	
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.
Other comprehensive income:	
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.

NET INCOME

IFC reported income before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA of \$928 million in FY13, as compared to \$1,877 million in FY12.

The decrease in income before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA in FY13 when compared to FY12 was principally as a result of the following (US\$ millions):

	Increase (decrease) FY13 vs FY12
Realized capital gains on equity investments	\$(1,079)
Provisions for losses on loans, guarantees and other receivables	(126)
Foreign currency transaction gains and losses on non-trading activities	(110)
Advisory services expenses, net	(91)
Expenses from pension and other postretirement benefit plans	(77)
Unrealized gains on equity investments	154
Income from liquid asset trading activities	187
Other-than-temporary impairments on equity investments	251
Other, net	(58)
Overall change	\$(949)

Net gains on other non-trading financial instruments accounted for at fair value totaled \$422 million in FY13, \$641 million higher than net losses of \$219 million in FY12. Accordingly, IFC has reported income before grants to IDA of \$1,350 million, \$308 million lower than income before grants to IDA of \$1,658 million in FY12.

Grants to IDA totaled \$340 million in FY13, as compared to \$330 million in FY12. Net loss attributable to noncontrolling interest totaled \$8 million in FY13 as compared to \$0 in FY12. Accordingly, net income attributable to IFC totaled \$1,018 million in FY13, as compared with a net income of \$1,328 million in FY12.

IFC's net income (loss) for each of the past five fiscal years ended June 30, 2013 is presented below (US\$ millions):

NET INCOME (LOSS)

For fiscal years ended June 30 (US\$ millions)

2013	\$1,018
2012	\$1,328
2011	\$1,579
2010	\$1,746
2009	\$(151)

The table below presents selected financial data for the last five fiscal years (in millions of US dollars, except where otherwise stated):

Selected Financial Data	2013	2012	2011	2010	2009
as of and for the years ended June 30					
NET INCOME HIGHLIGHTS:					
Income from loans and guarantees	\$1,059	\$ 938	\$ 877	\$ 801	\$ 871
(Provision) release of provision for losses on loans & guarantees	(243)	(117)	40	(155)	(438)
Income (loss) from equity investments	752	1,457	1,464	1,638	(42)
Of which:					
Realized gains on equity investments	921	2,000	737	1,290	990
Gains on non-monetary exchanges	6	3	217	28	14
Unrealized gains (losses) on equity investments	26	(128)	454	240	(299)
Dividends and profit participations	248	274	280	285	311
Other-than-temporary impairments	(441)	(692)	(218)	(203)	(1,058)
Fees and other	(8)	-	(6)	(2)	-
Income from debt securities	5	81	46	108	71
Income from liquid asset trading activities	500	313	529	815	474
Charges on borrowings	(220)	(181)	(140)	(163)	(488)
Other income					
Service fees	101	60	88	70	39
Advisory services income	239	269	-	-	-
Other	101	119	134	106	114
Other expenses					
Administrative expenses	(845)	(798)	(700)	(664)	(582)
Advisory services expenses	(351)	(290)	(153)	(108)	(134)
Expense from pension and other postretirement benefit plans	(173)	(96)	(109)	(69)	(34)
Other	(32)	(23)	(19)	(12)	(14)
Foreign currency transaction gains (losses) on non-trading activities	35	145	(33)	(82)	10
Income (loss) before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA	928	1,877	2,024	2,285	(153)
Net gains (losses) on other non-trading financial instruments	422	(219)	155	(339)	452
Of which:					
Realized gains	35	11	63	5	-
Gains on non-monetary exchanges	2	10	22	6	45
Unrealized gains (losses)	385	(240)	70	(350)	407
Income before grants to IDA	1,350	1,658	2,179	1,946	299
Grants to IDA	(340)	(330)	(600)	(200)	(450)
Net income (loss)	1,010	1,328	1,579	1,746	(151)
Less: Net loss attributable to noncontrolling interests	8	-	-	-	-
Net income (loss) attributable to IFC	\$ 1,018	\$ 1,328	\$ 1,579	\$ 1,746	\$ (151)

	2013	2012	2011	2010	2009
as of and for the years ended June 30					
CONSOLIDATED BALANCE SHEET HIGHLIGHTS:					
Total assets	\$ 77,525	\$ 75,761	\$ 68,490	\$ 61,075	\$ 51,483
Liquid assets, net of associated derivatives	31,237	29,721	24,517	21,001	17,864
Investments	34,677	31,438	29,934	25,944	22,214
Borrowings outstanding, including fair value adjustments	44,869	44,665	38,211	31,106	25,711
Total capital	\$ 22,275	\$ 20,580	\$ 20,279	\$ 18,359	\$ 16,122
Of which:					
Undesignated retained earnings	\$ 18,435	\$ 17,373	\$ 16,032	\$ 14,307	\$ 12,251
Designated retained earnings	278	322	335	481	791
Capital stock	2,403	2,372	2,369	2,369	2,369
Accumulated other comprehensive income (AOCI)	1,121	513	1,543	1,202	711
Noncontrolling interests	38	-	-	-	-
FINANCIAL RATIOS:¹					
Return on average assets (GAAP basis) ²	1.3%	1.8%	2.4%	3.1%	(0.3%)
Return on average assets (non-GAAP basis) ³	0.9%	2.8%	1.8%	3.8%	(1.1%)
Return on average capital (GAAP basis) ⁴	4.8%	6.5%	8.2%	10.1%	(0.9%)
Return on average capital (non-GAAP basis) ⁵	3.1%	9.9%	6.0%	11.8%	(3.0%)
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	77%	77%	83%	71%	75%
External funding liquidity level ⁶	309%	327%	266%	190%	163%
Debt to equity ratio ⁷	2.6:1	2.7:1	2.6:1	2.2:1	2.1:1
Total reserves against losses on loans to total disbursed portfolio ⁸	7.2%	6.6%	6.6%	7.4%	7.4%
Capital measures:					
Capital to risk-weighted assets ratio ⁹	n/a	n/a	n/a	n/a	44%
Total Resources Required (\$ billions) ¹⁰	16.8	15.5	14.4	12.8	10.9
Total Resources Available (\$ billions) ¹¹	20.5	19.2	17.9	16.8	14.8
Strategic Capital ¹²	3.8	3.7	3.6	4.0	3.9
Deployable Strategic Capital ¹³	1.7	1.8	1.8	2.3	2.3
Deployable Strategic Capital as a percentage of Total Resources Available	8%	9%	10%	14%	16%

1. 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).

2. 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.

3. Net income excluding unrealized gains and losses on certain investments accounted for at fair value, income from consolidated VIEs, and net gains and losses on non-trading financial instruments accounted for at fair value, as a percentage of total disbursed loan and equity investments (net of reserves) at cost, liquid assets net of repos, and other assets averaged for the current period and previous fiscal year.

4. 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.

5. Net income excluding unrealized gains and losses on certain investments accounted for at fair value, income from consolidated VIEs, and net gains and losses on non-trading financial instruments accounted for at fair value, as a percentage of paid-in share capital and retained earnings (before certain unrealized gains and losses and excluding cumulative designations not yet expensed) averaged for the current period and previous fiscal year.

6. IFC's objective is to maintain a minimum level of liquidity, consisting of proceeds from external funding to cover at least 65% of the sum of (i) 100% of committed but undisbursed straight senior loans; (ii) 30% of committed guarantees; and (iii) 30% of committed client risk management products. As of FY13 Q3, IFC's management decided to modify the External Funding Policy by eliminating the cap on the operational range of 65% to 85%.

7. 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).

8. 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 loan portfolio at the end of the fiscal year.

9. The ratio of capital (including paid-in capital, retained earnings, and portfolio (general) loan loss reserves) to risk-weighted assets, both on- and off-balance sheet. The ratio does not include designated retained earnings reported in total capital on IFC's consolidated balance sheet. IFC's Board of Directors has approved the use of a risk-based economic capital framework beginning in the year ended June 30, 2008 (FY08). Parallel use of the capital to risk-weighted assets ratio has now been discontinued.

10. 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.

11. 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.

12. Total resources available less total resources required.

13. 90% of total resources available less total resources required.

COMMITMENTS

In FY13, total commitments were \$24,853 million, compared with \$20,358 million in FY12, an increase of 22%, of which IFC commitments totaled \$18,349 million (\$15,462 million – FY12) and Core Mobilization totaled \$6,504 million (\$4,896 million – FY12).

FY13 and FY12 commitments and Core Mobilization comprised the following (US\$ millions):

	FY13	FY12
Total commitments¹	\$24,853	\$20,358
IFC commitments		
Loans	\$ 8,520	\$ 6,668
Equity investments	2,732	2,282
Guarantees:		
Global Trade Finance Program	6,477	6,004
Other	482	398
Client risk management	138	110
Total IFC commitments	\$18,349	\$ 15,462
Core Mobilization		
Loan participations, parallel loans, and other mobilization		
Loan participations	\$ 1,829	\$ 1,764
Parallel loans	1,269	927
Other mobilization	480	814
Total loan participations, parallel loans and other mobilization	\$ 3,578	\$ 3,505
AMC		
Equity Capitalization Fund	\$ 214	\$ 24
Sub-debt Capitalization Fund	209	215
ALAC Fund	210	190
Africa Capitalization Fund	92	8
Russian Bank Cap Fund	43	–
Total AMC	\$ 768	\$ 437
Other initiatives		
Global Trade Liquidity Program and Critical Commodities Finance Program	\$ 1,096	\$ 850
Public Private Partnership (PPP)	942	41
Infrastructure Crisis Facility	110	63
Debt & Asset Recovery Program	10	–
Total other initiatives	\$ 2,158	\$ 954
Total Core Mobilization	\$ 6,504	\$ 4,896
Core Mobilization Ratio	0.35	0.32

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

CORE MOBILIZATION RATIO

The Core Mobilization ratio is defined as:

Loan participations + parallel loans + sales of loans and other mobilization + non-IFC investment part of structured finance which meets core mobilization criteria + non-IFC commitments in Initiatives + non-IFC investments committed in funds managed by AMC + PPP Mobilization

Commitments (IFC investments + IFC portion of structured finance + IFC commitments in new Initiatives + IFC investments committed in funds managed by AMC)

For each dollar that IFC committed, IFC mobilized (in the form of loan participations, parallel loans, other mobilization, the non-IFC portion of structured finance and the non-IFC commitments in Initiatives, and the non-IFC investments committed in funds managed by AMC) \$0.35 in FY13 (\$0.32 in FY12).

AMC

The activities of the funds managed by AMC at June 30, 2013 and June 30, 2012 can be summarized as follows (US\$ millions unless otherwise indicated):

	Equity Capitalization Fund	Sub-Debt Capitalization Fund	ALAC Fund	Africa Capitalization Fund	Russian Bank Cap Fund	Catalyst Funds	Global Infrastructure Fund	Total
Assets under management as of June 30, 2013	\$ 1,275	\$ 1,725	\$ 1,000	\$ 182	\$ 550	\$ 282	\$ 500	\$ 5,514
From IFC	775	225	200	-	250	75	100	1,625
From other investors	500	1,500	800	182	300	207	400	3,889
For the year ended June 30, 2013								
Fund Commitments to Investees:								
From IFC	332	31	52	-	35	-	-	450
From other investors	214	209	210	92	43	-	-	768
Disbursements from investors to Fund:								
From IFC	336	33	63	-	38	1	1	472
From other investors	217	223	252	94	46	2	3	837
Disbursements made by Fund	546	249	297	91	78	-	-	1,261
Disbursements made by Fund (number)	7	5	12	4	2	-	-	30

	Equity Capitalization Fund	Sub-Debt Capitalization Fund	ALAC Fund	Africa Capitalization Fund	Russian Bank Cap Fund	Catalyst Funds	Global Infrastructure Fund	Total
Assets under management as of June 30, 2012	\$ 1,275	\$ 1,725	\$ 1,000	\$ 182	\$ 275	\$ -	\$ -	\$ 4,457
From IFC	775	225	200	-	125	-	-	1,325
From other investors	500	1,500	800	182	150	-	-	3,132
For the year ended June 30, 2013								
Fund Commitments to Investees:								
From IFC	36	32	48	-	-	-	-	116
From other investors	24	215	190	8	-	-	-	437
Disbursements from investors to Fund:								
From IFC	62	28	52	-	-	-	-	142
From other investors	40	186	208	14	-	-	-	448
Disbursements made by Fund	97	208	174	11	-	-	-	490
Disbursements made by Fund (number)	6	2	8	3	-	-	-	19