

## Financial Summary

### Financial Performance Summary

From year to year, IFC's net income is affected by a number of factors that can result in volatile financial performance. 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
<b>Net income</b>	
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	Performance of the equity portfolio (principally realized capital gains, dividends, equity impairment write-downs, 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 Board of Governors-approved grants to IDA.
<b>Other comprehensive income</b>	
Unrealized gains and losses on listed equity investments and debt securities accounted for as available-for-sale	Global climate for emerging markets equities 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, past experience, and management's best estimate of future benefit cost changes and economic conditions.

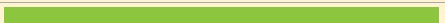
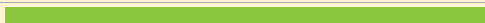

IFC has reported income before grants to IDA of \$1,658 million in FY12, as compared to \$2,179 million in the year ended June 30, 2011 (FY11) and \$1,946 million in the year ended June 30, 2010 (FY10).

The decrease in income before grants to IDA in FY12 when compared to FY11 was principally as a result of: (i) lower unrealized income from non-trading investments and other non-trading financial instruments accounted for at fair value; (ii) higher other-than-temporary impairment losses on equities and debt securities; (iii) lower income from liquid assets; (iv) higher provisions for losses on loans and guarantees; and (v) higher administrative expenses partially offset by: (i) higher realized gains on equity investments and gains on non-monetary exchanges; (ii) lower advisory services expenses, net of advisory services income; and (iii) higher foreign currency transaction gains and losses on non-trading activities.

Grants to IDA totaled \$330 million in FY12, as compared to \$600 million in FY11 and \$200 million in FY10. Accordingly, net income totaled \$1,328 million in FY12, as compared with \$1,579 million in FY11 and \$1,746 million in FY10.

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

**NET INCOME (LOSS) FOR EACH OF THE PAST FIVE FISCAL YEARS  
ENDED JUNE 30** US\$ millions

2012		\$1,328
2011		\$1,579
2010		\$1,746
2009		\$(151)
2008		\$1,547

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	2012	2011	2010	2009	2008
As of and for the years ended June 30					
<b>Net income highlights:</b>					
Income from loans and guarantees	\$ 938	\$ 877	\$ 801	\$ 871	\$ 1,065
(Provision) release of provision for losses on loans & guarantees	(117)	40	(155)	(438)	(38)
Income (loss) from equity investments	1,457	1,464	1,638	(42)	1,688
Of which:					
Realized gains on equity investments	2,000	737	1,290	990	1,219
Gains on non-monetary exchanges	3	217	28	14	177
Unrealized (losses) gains on equity investments accounted for at fair value	(128)	454	240	(299)	12
Dividends and profit participations	274	280	285	311	428
Other-than-temporary impairment losses	(692)	(218)	(203)	(1,058)	(140)
Fees and other	—	(6)	(2)	—	(8)
Income from debt securities	81	46	108	71	163
Income from liquid asset trading activities	313	529	815	474	473
Charges on borrowings	(181)	(140)	(163)	(488)	(782)
Other income					
Service fees	60	88	70	39	58
Advisory services income	269	—	—	—	—
Other	119	134	106	114	55
Other expenses					
Administrative expenses	(798)	(700)	(664)	(582)	(549)
Advisory services expenses	(290)	(153)	(108)	(134)	(150)
Expense from pension and other postretirement benefit plans	(96)	(109)	(69)	(34)	(3)
Other	(23)	(19)	(12)	(14)	(3)
Foreign currency transaction gains (losses) on non-trading activities	145	(33)	(82)	10	(39)
Income (loss) before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA	1,877	2,024	2,285	(153)	1,938
Net (losses) gains on other non-trading financial instruments	(219)	155	(339)	452	109
Of which:					
Realized gains	11	63	5	—	—
Gains on non-monetary exchanges	10	22	6	45	—
Unrealized (losses) gains	(240)	70	(350)	407	109
Income before grants to IDA	1,658	2,179	1,946	299	2,047
Grants to IDA	(330)	(600)	(200)	(450)	(500)
<b>Net income (loss)</b>	<b>\$ 1,328</b>	<b>\$ 1,579</b>	<b>\$ 1,746</b>	<b>\$ (151)</b>	<b>\$ 1,547</b>
<b>Consolidated balance sheet highlights:</b>					
Total assets	\$75,761	\$68,490	\$61,075	\$51,483	\$49,471
Liquid assets, net of associated derivatives	29,721	24,517	21,001	17,864	14,622
Investments	31,438	29,934	25,944	22,214	23,319
Borrowings drawn-down and outstanding, including fair value adjustments	44,665	38,211	31,106	25,711	20,261
<b>Total capital</b>	<b>\$20,580</b>	<b>\$20,279</b>	<b>\$18,359</b>	<b>\$16,122</b>	<b>\$18,261</b>
Of which:					
Undesignated retained earnings	\$17,373	\$16,032	\$14,307	\$12,251	\$12,366
Designated retained earnings	322	335	481	791	826
Capital stock	2,372	2,369	2,369	2,369	2,366
Accumulated other comprehensive income (AOCI)	513	1,543	1,202	711	2,703

As of and for the years ended June 30	2012	2011	2010	2009	2008
<b>Financial ratios:<sup>1</sup></b>					
Return on average assets (GAAP basis) <sup>2</sup>	1.8%	2.4%	3.1%	(0.3)%	3.4%
Return on average assets (non-GAAP basis) <sup>3</sup>	2.8%	1.8%	3.8%	(1.1)%	3.7%
Return on average capital (GAAP basis) <sup>4</sup>	6.5%	8.2%	10.1%	(0.9)%	9.6%
Return on average capital (non-GAAP basis) <sup>5</sup>	9.9%	6.0%	11.8%	(3.0)%	9.0%
Cash and liquid investments as a percentage of next three years' estimated net cash requirements	77%	83%	71%	75%	62%
External funding liquidity level <sup>6</sup>	327%	266%	190%	163%	96%
Debt to equity ratio <sup>7</sup>	2.7:1	2.6:1	2.2:1	2.1:1	1.6:1
Total reserves against losses on loans to total disbursed portfolio <sup>8</sup>	6.6%	6.6%	7.4%	7.4%	5.5%
<b>Capital measures:</b>					
Capital to risk-weighted assets ratio <sup>9</sup>	n/a	n/a	n/a	44%	48%
Total Resources Required (\$billions) <sup>10</sup>	15.5	14.4	12.8	10.9	10.4
Total Resources Available (\$billions) <sup>11</sup>	19.2	17.9	16.8	14.8	15.0
Strategic Capital <sup>12</sup>	3.7	3.6	4.0	3.9	4.6
Deployable Strategic Capital <sup>13</sup>	1.8	1.8	2.3	2.3	3.1
Deployable Strategic Capital as a percentage of Total Resources Available	9%	10%	14%	16%	21%

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.

7 The ratio of outstanding borrowings plus outstanding guarantees to subscribed capital plus undesignated retained earnings (less cumulative unrealized gains and losses on loans, equity investments, and other non-trading financial instruments accounted for at fair value in net income) at the end of the fiscal year.

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.

## INVESTMENT PROGRAM

### Commitments

In FY12, total commitments were \$20,358 million, compared with \$18,660 million in FY11, an increase of 9%, of which IFC commitments totaled \$15,462 million (\$12,186 million–FY11) and Core Mobilization totaled \$4,896 million (\$6,474 million–FY11).

FY12 and FY11 commitments and Core Mobilization comprised the following (US\$ millions):

	FY12	FY11
<b>Total Commitments<sup>1</sup></b>	<b>\$20,358</b>	<b>\$18,660</b>
<b>IFC Commitments</b>		
Loans	\$ 6,668	\$ 4,991
Equity investments	2,282	1,968
Guarantees:		
Global Trade Finance Program	6,004	4,638
Other	398	529
Client risk management	110	60
<b>Total IFC Commitments</b>	<b>\$15,462</b>	<b>\$12,186</b>
<b>Core Mobilization</b>		
<b>Loan participations, parallel loans, and other mobilization</b>		
Loan participations	\$ 1,764	\$ 3,457
Parallel loans	927	1,127
Other mobilization	814	134
<b>Total loan participations, parallel loans, and other mobilization</b>	<b>\$ 3,505</b>	<b>\$ 4,718</b>
<b>AMC</b>		
Sub-Debt Capitalization Fund	\$ 215	\$ 252
Equity Capitalization Fund	24	113
ALAC Fund	190	85
Africa Capitalization Fund	8	4
<b>Total AMC</b>	<b>\$ 437</b>	<b>\$ 454</b>
<b>Other initiatives</b>		
Global Trade Liquidity Program and Critical Commodities Finance Program	\$ 850	\$ 1,050
Infrastructure Crisis Facility	63	252
Public Private Partnership (PPP) Mobilization	41	–
<b>Total other initiatives</b>	<b>\$ 954</b>	<b>\$ 1,302</b>
<b>Total Core Mobilization</b>	<b>\$ 4,896</b>	<b>\$ 6,474</b>

<sup>1</sup> 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 + 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 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) \$0.32 in FY12 (\$0.53 in FY11).

## AMC

The activities of the funds managed by AMC at June 30, 2012 and June 30, 2011 can be summarized as follows (US\$ millions unless otherwise indicated):

	Equity Cap Fund	Sub-Debt Cap Fund	ALAC Fund	Africa Cap Fund	Russian Bank Cap Fund	Total
Assets under management at 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, 2012:						
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
	Equity Cap Fund	Sub-Debt Cap Fund	ALAC Fund	Africa Cap Fund	Russian Bank Cap Fund	Total
Assets under management at June 30, 2011:	\$1,275	\$1,725	\$1,000	\$55	\$—	\$4,055
From IFC	775	225	200	—	—	1,200
From other investors	500	1,500	800	55	—	2,855
For the year ended June 30, 2011:						
Fund commitments to investees:						
From IFC	168	38	21	—	—	227
From other investors	109	252	85	4	—	450
Disbursements from investors to Fund:						
From IFC	214	47	17	—	—	278
From other investors	138	316	64	1	—	519
Disbursements made by Fund	344	359	78	—	—	781
Disbursements made by Fund (number)	4	3	4	—	—	11

## ADVISORY SERVICES

The IFC Advisory Services Portfolio as of June 30, 2012 totaled \$894 million, as compared to \$822 million as of June 30, 2011.

The breakdown of the Advisory Services Portfolio at June 30, 2012 and June 30, 2011, by Business Line, is summarized as follows (US\$ millions):

	Access to Finance	Investment Climate	Public-Private Partnerships	Sustainable Business Advisory
Active portfolio as of June 30, 2012	\$296	\$226	\$106	\$266
Active portfolio as of June 30, 2011	\$293	\$204	\$91	\$234