S&P Global
Ratings

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International Finance Corp.

Primary Credit Analyst:
Alexis Smith-juvelis, New York + 1 (212) 438 0639; alexis.smith-juvelis@spglobal.com

Secondary Contacts:
Alexander Ekbom, Stockholm + 46 84 40 5911; alexander.ekbom@spglobal.com
Constanza M Perez Aquino, Buenos Aires + 54 11 4891 2167; constanza.perez.aquino@spglobal.com

Research Contributor:
Prajakta Rege, Mumbai; Prajakta.Rege@spglobal.com

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International Finance Corp.

Stand-alone credit profile	aaa	+	Extraordinary shareholder support	0	+	Holistic approach	0

Enterprise risk profile

Extremely strong	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak

Financial risk profile

Extremely strong	Very strong	Strong	Adequate	Moderate	Weak	Very weak

Issuer credit rating
AAA/Stable/A-1+

Outlook

Issuer Credit Rating
AAA/Stable/A-1+

The stable outlook reflects S&P Global Ratings' expectation that International Finance Corp. (IFC) will maintain an extremely strong financial risk profile, underpinned by high capital, strong liquidity, and expected continuity of its robust risk management policies. We further expect IFC will maintain a very strong enterprise risk profile while remaining relevant for its member countries through the COVID-19 pandemic and for the World Bank Group's (WBG) general strategy under the cascade approach.

We could lower the ratings if, in the next two years and contrary to our expectations, relationships with shareholders deteriorate or IFC's financial indicators slip from currently extremely strong.

Rationale

Established in 1956, IFC is one of the oldest multilateral lending institutions and a member of the WBG. IFC's strong record supports its very strong enterprise risk profile. In April 2018, shareholders endorsed a $5.5 billion paid-in capital increase, largely to support IFC's 3.0 strategy for a more deliberate approach to creating and opening new private-sector markets. These markets are particularly in International Development Association (IDA)-eligible and fragile and conflict-affected (FCS) countries as well as mobilizing new sources of funds to support private-sector solutions. We believe, to the extent that IFC meaningfully delivers on this strategy, its enterprise risk profile could strengthen. The institution has also played a key role in deploying financing to its members in the context of COVID-19, particularly through trade finance and on-lending to the small and medium-sized enterprise sector.

We assess IFC's financial risk profile as extremely strong based on a risk-adjusted capital (RAC) ratio of 34.6%, as of fiscal-year 2020 (ending June 30). While we expect the general capital increase to strengthen IFC's capital base, this will be counterbalanced, in our view, by the strategic increase in lending to IDA-eligible and FCS countries, possibly neutralizing the benefit of the RAC ratio.

IFC's funding is broadly diversified geographically and by type of investor, given the institution's frequent issuance in many markets and currencies. Our robust funding and liquidity ratios support IFC's financial risk.

Environmental, Social, And Governance

IFC is a key player in setting best practices and standards environmentally and socially. Its environmental and social performance standards and its corporate governance methodology are broadly used as market benchmarks for good international practice. IFC lends globally, reducing its vulnerability to local environmental risks. As a private-sector lender, IFC's mandate is to support market creation. We anticipate that its environmental and social risk exposures will rise as it increases its commitments to countries eligible for IDA loans or are classified by the World Bank as fragile and conflict-affected. To counterbalance this, all potential projects are first subject to a comprehensive impact measuring and monitoring analysis, to gauge developmental outcomes. IFC has also implemented accountability mechanisms to ensure environmental and social compliance on related projects; we view these as robust and transparent. Of IFC's commitments, 53% are for financial and insurance, and 18% for funds. Remarkably, given its private-sector focus, IFC's approach limits and reduces the indirect environmental exposure that could arise from its equity investments. Since 2008, the institution has not invested in direct coal financing. As of 2017, it no longer finances upstream oil and gas projects, except under exceptional circumstances. IFC's Climate Implementation Plan seeks to increase climate investments to 35% for 2021-2025. IFC is an important issuer in the green bond market, with more than $10 billion issued since 2010. It has also played an important role in establishing the social bond market. IFC's governance and management score support the rating and is based on its very diverse and balanced shareholder structure. It also benefits from conservative and effective financial and risk management.

Enterprise Risk Profile: Strong Shareholder Support For IFC's Private-Sector Focused Mandate

- Shareholders renewed their commitment to IFC with the 2018 approved $5.5 billion capital increase, underscoring the importance of private-sector-led development solutions.
- The reorganization of IFC's 3.0 long-term strategy could strengthen the policy importance in the medium term.
- IFC enjoys a diverse and balanced group of government shareholders and robust risk management practices.

Policy importance

Established in 1956, IFC is one of the oldest multilateral lending institutions and one of the largest by number of shareholders, and is a member of the WBG. IFC is a legal entity, separate and distinct from the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), Multilateral Investment Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment

Disputes, with its own articles of agreement, share capital, financial structure, management, and staff. IFC's policy importance is supported by its more than six decades of fulfilling its mandate.

We view its private-sector-focused mandate and significant sectoral focus on financial services as being partly fulfilled by other private-sector-focused institutions or domestic public institutions in IFC's operating countries. However, this could be counterbalanced following shareholders renewed commitment to private-sector-led development solutions and IFC's stronger focus on creating and opening new markets to support private-sector mobilization through its advisory services and risk mitigation and credit enhancement products (known as maximizing finance for development)--in line with the WBG's forward-looking vision introduced in 2016.

On April 21, 2018, the WBG's Development Committee of the Board of Governors endorsed a US$5.5 billion capital increase for IFC as part of a US$13 billion paid-in capital increase package for the IBRD and IFC. The additional capital is to strengthen IFC's ability to take on greater risks and bring innovative private-sector solutions at scale, particularly in FCS and IDA-eligible countries, given the WBG's increased focus in these areas. In return, IFC has agreed to increase its commitments to IDA and FCS countries.

We view the IFC business model as particularly suited to achieve these goals, particularly with the adoption of the IFC 3.0 long-term strategy representing a more deliberate and systematic operating model to support market creation and private-sector mobilization. This has included a new operations team and workforce planning to align staffing and strategy with more focus at the regional and country level, as well as introducing new tools and frameworks to improve operational delivery and integrate the WBG's development solutions.

IFC's ability to act as a countercyclical lender is evidenced by its response to the COVID-19 crisis as the institution is expected to provide about US$47 billion in financial support through June 2021. This is part of the WBG's COVID-19 response package of $160 billion. While the planned volumes are largely consistent with the pre-pandemic approval levels, IFC would reposition its pipeline to represent more short-term financing through financial institutions and its global trade finance program.

Given the focus on major organizational changes and the development of tools in fiscal year 2019, the core mobilization and disbursements made during the year were lower. However, during fiscal year 2020, IFC committed $22 billion in long-term finance, an almost 15% year-on-year increase, including $11.1 billion invested from its own account. Additionally, short-term financing commitments, including trade finance, totaled $6.5 billion, a 12% increase compared with the previous fiscal year.

We believe the successful implementation of this strategy--evidenced by an increase in exposure to FCS and IDA-eligible countries, growing use of IFC's advisory services, and co-lending platforms combined with increased risk mitigating and credit enhancement products--would lead to stronger enterprise risk profile over the medium term. The international community, including the multilateral sector, renewed its focus on the private-sector development model and mobilization to bridge the infrastructure financing gap to support the Sustainable Development Goals (SDGs) 2030 Agenda (see "It's Time For A Change: MLIs And Mobilization Of The Private Sector," Sept. 21, 2018).

In fiscal year 2020, IFC's total core mobilization was $10.8 billion. IFC primarily mobilizes private-sector capital through loan participations or parallel loans, where it can act as lead arranger or lender of record. IFC's Asset

Management Company (AMC) invests third-party capital along with IFC capital in its equity investments, having raised a total of $10.1 billion funds since inception, out of which $6.8 billion has been committed. Its Managed Co-Lending Portfolio Program (MCPP) is another mobilization platform where investors pledge capital upfront and then IFC identifies eligible loan investments. As of fiscal year 2020, 12 global investors have committed about $10 billion.

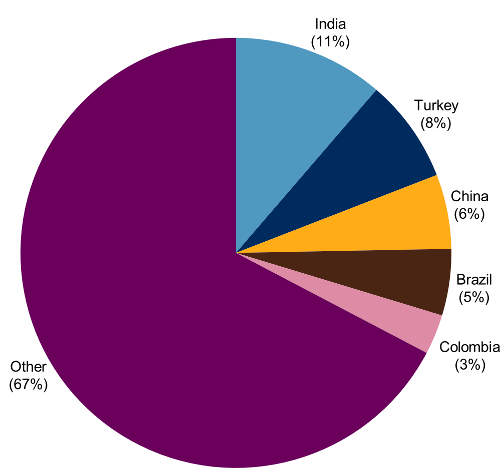
One of the challenges, however, is encouraging private-sector mobilization in IDA and FCS countries, which typically have lower mobilization rates. Part of IFC's strategy is to strengthen its upstream engagement in order to evaluate and implement country and sector reforms that support greater private-sector participation.

IFC created Global Upstream Units in 2019 and has worked to integrate its advisory services into its investment engagements. The Creating Markets Advisory Window (CMAW), focused on IDA and FCS markets, was created in fiscal year 2018 and received $70 million in approved funding. On Aug. 7, 2020, the Board of Directors approved a designation of $44 million of IFC's retained earnings for CMAW. The $2.5 billion IDA Private Sector Window partly administered by IFC is another de-risking tool to support market creation in high-risk sectors and countries. As of fiscal year 2020, $1,370 million of instruments had been approved under this window, of which $1,008 million relates to IFC. During 2020, IFC increased the number of staff dedicated to Upstream activities to 233, as of fiscal year 2020, from three in 2019.

As a fully specialized private-sector lender, IFC does not benefit from preferred creditor treatment (PCT)--which we only apply to sovereign exposures. Consequently, we do not incorporate PCT in our assessment of IFC's enterprise risk. However, IFC generally benefits from preferential treatment by the governments of countries it operates in, and we expect this will continue and incorporate this into our assessment of IFC's financial risk profile. IFC has been exempt from exchange controls, whereas some commercial debtors have not, such as in Ukraine.

Chart 1

IFC--Five Largest Countries Purpose-Related Exposures
As a percentage of gross purpose-related assets plus guarantees



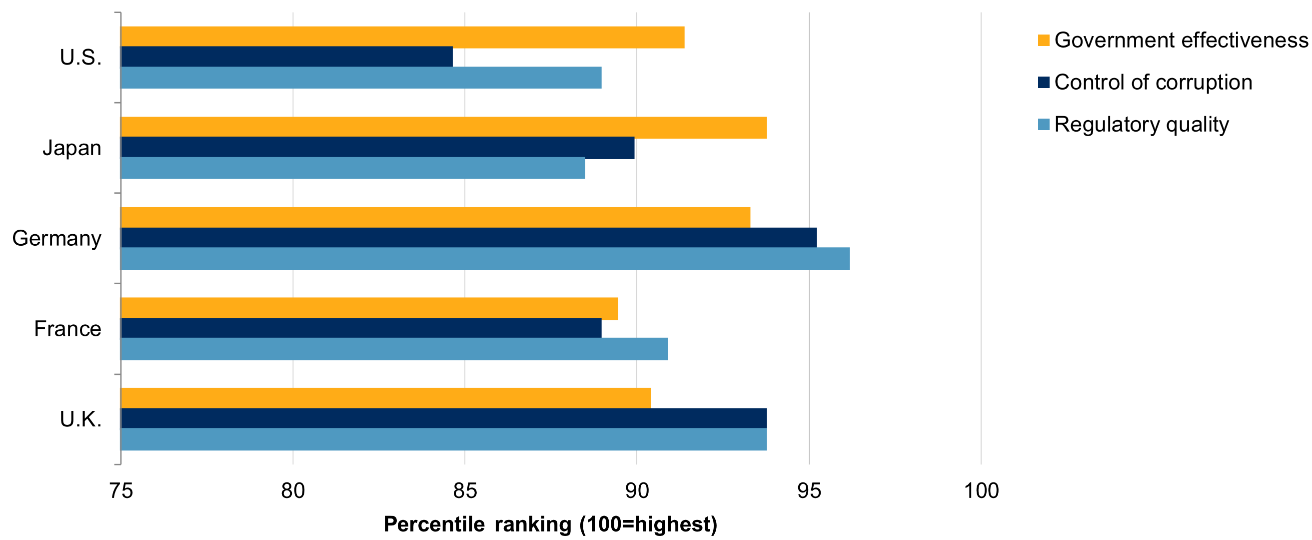
Source: S&P Global Ratings.

Governance and management expertise

IFC is owned by 185 member countries, the U.S. being the largest shareholder with 20.6% of the voting rights, followed by Japan (6%) and Germany (5.2%). No major shareholder has recently withdrawn from IFC, and none are expected to withdraw in the medium term. We view IFC's shareholder diversity with, on average, countries with high-ranking governance as supportive of its governance assessment based on the World Bank's Governance Indicators--further enhanced by its robust management expertise and its risk practices.

Chart 2

IFC--Five Largest Shareholders
Selected World Bank Governance Indicators



Source: S&P Global Ratings.

IFC has no private-sector shareholding, and shareholders allow MLI earnings to be retained, which further supports its assessment.

We view IFC's management as robust given its strategic implementation record, particularly as it aligns to its IFC 3.0 strategy. Beginning in 2017, the institution had important organizational changes, which extended to workforce planning, a reorganization in managers and directors, as well as changes to its processes, frameworks, and methodologies. In fiscal year 2019, IFC completed the restructuring of its operations leadership team, with 15 new directors appointed during the year.

IFC's financial and risk management policies, limits, and methodologies are robust and conservative. We believe the institution has a strong credit and equity culture, supported by its four regional chief risk officers, specialized equity risk officers, and the chief risk officer. We believe IFC is well-positioned to manage higher risks associated with its growing exposure to IDA-eligible and FCS countries.

Financial Risk Profile: Robust Capitalization Levels, And Very Strong Funding And Liquidity

- IFC has extremely strong capital adequacy, combined with its expected paid-in capital, which will support larger lending volumes.
- While its loss experience has improved, the shift to higher-risk IDA and FCS countries, combined with the impact from COVID-19, could generate an increase in nonperforming loans.
- A diversified funding base, along with a matched-funding policy, limits risk.

Capital adequacy

We consider IFC's financial profile as extremely strong thanks to its substantial capitalization. We position its RAC ratio at 34.6% as of fiscal-year 2020 (ending June), incorporating all the parameters as of Jan. 20, 2021. The ratio increased from 32% as of fiscal-year 2019, primarily owing to the impact on risk-weighted assets as a result of decreased exposures from its equity portfolio. This portfolio decreased to $14.8 billion in fiscal year 2020, from 15.9 billion in fiscal year 2019, as part of a larger strategy to find balance between development and risk.

The capital base decreased to US$25.2 billion on June 30, 2020, from US$27.6 billion on June 30, 2019, driven primarily by the decrease in capital base owing to the net losses of $1.7 billion driven by lower valuations on equity investments. As a part of capital raising, IFC converted $17 billion of retained earnings into paid-in capital, bringing the total paid-in capital as of end-June 2020, to $19.57 billion.

IFC's capital position was also supported in part by its change in methodology for calculating designations--which are allocations of retained earnings used for grants, its advisory services, and other funds--now linked to its capital adequacy framework. In fiscal year 2018, IFC introduced a limit to the maximum cumulative amount that can be transferred to IDA during the IDA18 replenishment of US$300 million with no more than US$100 million in any given year. In fiscal-year 2019 and 2020, no transfers to IDA were made, compared with US$80 million in fiscal-year 2018, US$101 million in fiscal-year 2017, and $330 million in fiscal-year 2016, when they exceeded net income. IFC transfers to IDA (after IDA18) have also been suspended as part of IFC's capital increase package.

We expect that the capital injection will accompany an increase in IFC's portfolio over time with a stronger focus on lower-rated IDA and FCS countries--possibly neutralizing the benefit on the RAC ratio. We expect that as IFC increasingly shifts more of its portfolio to higher-risk IDA and FCS countries, this could generate an increase in losses. However, we believe this will be largely mitigated by generally higher recovery prospects given that IFC tends to be a key stakeholder in these areas with strong ties at the government and project level, supporting working with countries that typically have difficult legal environments.

The disbursed investment portfolio increased to US$49 billion at the end of fiscal year 2020, from US$47.8 billion the prior year. This is in line with our expectations that the portfolio will increase over the coming years, supported by the organizational changes incorporated in the previous year, as well as the capital injection expected to be finalized by April 2025 (with the possibility of an additional one-year extension).

The portfolio, including loans, equities, and guarantees, remains well-diversified by country and sector; the 10 largest country exposures account for 46% of the disbursed portfolio, with the largest share of the disbursed portfolio (47%) going to the finance and insurance sector. India has been IFC's largest country of exposure since 2010, accounting for about 11% of its committed portfolio.

New long-term finance commitments indicate that no particular region will amount to more than 25% of the committed portfolio: 23.9% in Latin America and the Caribbean, 17.5% in Sub-Saharan Africa, 10% in South Asia, and 19.4% in East Asia and the Pacific. The largest change in the long-term finance commitments has been in Europe and Central Asia in the past two years (US$1,198 million in fiscal year 2020, US$568 million in fiscal year 2019, and US$2,179 million in fiscal year 2018).

IFC's non-accruing loans were 5.5% of average loans as of fiscal year 2020, up from 4.3% in 2019, in part because of the impact of the COVID-19 crisis. Total loss reserves were 6.3% of the portfolio at the end of fiscal-year 2020, up from 5.3% at the end of 2015. US$873 million of loans and loan-like debt securities were placed in nonperforming loan (NPL) status. The increase in NPLs was only partially offset by the write-offs, net recoveries, and other changes.

Table 1

IFC Risk-Adjusted Capital Framework (Data: June 2020)

(Mil. $)	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	20,976	1,853	9
Institutions	40,995	23,314	57
Corporate	17,919	26,498	148
Retail	0	0	0
Securitization	5,967	1,622	27
Other assets	4,413	7,723	175
Total credit risk	90,271	61,010	68
Credit valuation adjustment			
Total credit valuation adjustment			
Market risk			
Equity in the banking book	10,611	33,719	318
Trading book market risk		0	
Total market risk		33,719	
Operational risk			
Total operational risk		6,914	
Risk transfer mechanisms			
Risk transfer mechanisms RWA			
RWA before MLI Adjustments		101,643	100
MLI adjustments			
Single name (on corporate exposures)		618	2
Sector (on corporate portfolio)		(3,016)	(11)
Geographic		(18,355)	(20)

Table 1

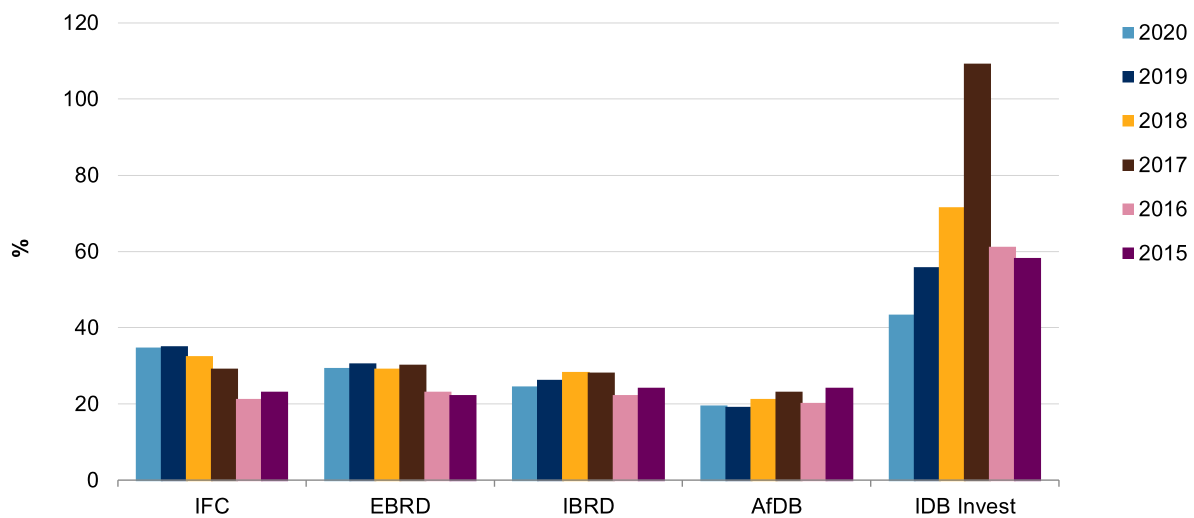
IFC Risk-Adjusted Capital Framework (Data: June 2020) (cont.)

Preferred creditor treatment (on sovereign exposures)	0	0
Preferential treatment (on FI and corporate exposures)	(6,201)	(12)
Single name (on sovereign exposures)	0	0
Total MLI adjustments	(26,954)	(27)
RWA after MLI adjustments	74,689	73
	Total adjusted capital	**S&P Global Ratings RAC Ratio (%)**
Capital ratio before adjustments	25,851	25.4
Capital ratio after adjustments	25,851	34.6

MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

Chart 3

IFC--Risk-Adjusted Capital Ratio Peer Comparison



Note: Fiscal year-end for IFC and IBRD is June. Source: S&P Global Ratings.

Funding and liquidity

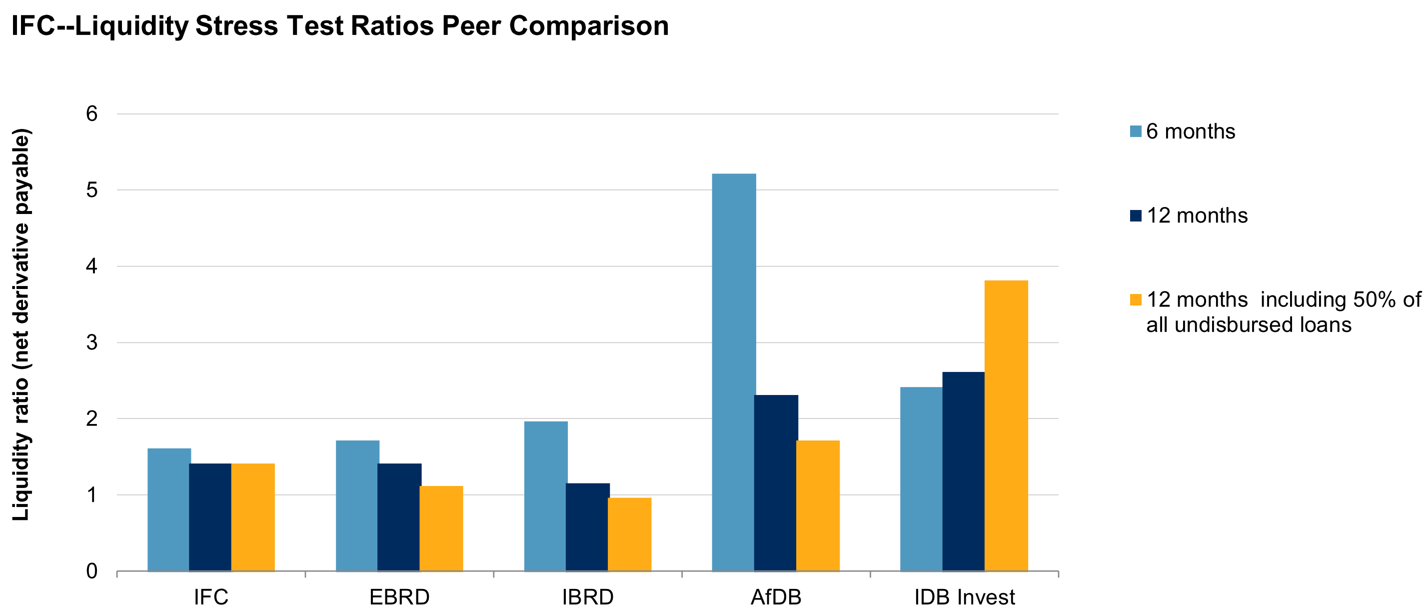
Funding. IFC's funding program is broadly diversified by geography and investor type, given the institution's frequent issuance in many markets and currencies. In fiscal-year 2020, IFC raised US$14.6 billion, including discount notes, across 29 currencies, although the U.S. dollar remains its primary funding currency. IFC's funding program authorization for fiscal year 2020 allows for up to US$16 billion equivalent in medium- and long-term funding, and up to US$5 billion of revolving short-term discount notes outstanding.

IFC follows a matched-funding policy under which loan assets are funded by liabilities with similar characteristics in interest rate basis, currency, and maturity, except for new products, approved by the Board of Directors, involving asset-liability mismatches. Use of derivatives allows borrowings and investments in various currencies and interest rate schemes.

Liquidity. IFC maintains a strong liquid asset cushion, accounting for 48.2% of total adjusted assets and 83.3% of gross debt as of June 30, 2020.

Our liquidity ratios--which support IFC's extremely strong financial risk profile--indicate it would be able to fulfill its mandate as planned for at least one year, even under stressed market conditions, without access to the capital markets. For fiscal-year 2020 data and incorporating our updated liquidity haircuts, our 12-month liquidity ratio considering the netted derivatives position was 1.4x, with scheduled loan disbursements, while the six-month ratio was 1.6x. We estimate that IFC would not need to slow down disbursements under a stress scenario, which considers 50% of all undisbursed loans, regardless of the planned disbursement date, as if they were coming due in the next 12 months.

Chart 4



Source: S&P Global Ratings.

Extraordinary Shareholder Support

IFC has no callable capital, so the long-term issuer credit rating reflects our assessment of IFC's stand-alone credit profile at 'AAA'.

Table 2

IFC--Selected Indicators	2020	2019	2018	2017	2016
ENTERPRISE PROFILE					
Policy importance					
Total purpose-related exposure (loans, equity, etc.) (mil. $)	46,686	47,552	47,653	45,530	42,609
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	0.0	0.0	0.0	0.0	0.0
Private-sector loans/purpose-related exposures (%)	100.0	100.0	100.0	100.0	100.0
Gross loan growth (%)	2.8	3.3	7.1	7.4	2.8
Preferred creditor treatment ratio (%)	0.0	0.0	0	0	0
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	76.9	76.9	76.9	76.9	76.9
Concentration of top two shareholders (%)	27.0	27.0	27.0	27.0	27.0
Eligible callable capital (mil. curr)	N.A.	N.A.	N.A.	N.A.	N.A.
FINANCIAL RISK PROFILE					
Capital and earnings					
RAC ratio (%)	34.6	32.1	32.3	29.0	21.0
Net interest income/average net loans (%)	4.1	4.0	4.3	5.0	5.3
Net income/average shareholders' equity (%)	(6)	0.3	5.0	5.9	-0.1
Impaired loans and advances/total loans (%)	5.4	3.9	4.1	5.9	6.6
Liquidity ratios					
Liquid assets/adjusted total assets (%)	48.2	49.5	48.1	49.6	51.1
Liquid assets/gross debt (%)	83.3	90.7	85.3	84.7	83.8
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivate payables) (x)	1.6	1.9	1.5	1.9	1.6
12 months (net derivate payables) (x)	1.4	1.4	1.3	1.4	1.4
12 months (net derivate payables) including 50% of all undisbursed loans (x)	1.4	1.4	1.1	1.1	N.A.
Funding ratios					
Gross debt/adjusted total assets (%)	57.9	54.5	56.3	58.6	61.0
Short-term debt (by remaining maturity)/gross debt (%)	25.2	20.5	23.5	25.7	26.4
Static funding gap (with planned disbursements)					
12 months (net derivate payables) (x)	1.3	1.2	1.5	1.4	1.2
SUMMARY BALANCE SHEET					
Total assets (mil. $)	95,800	99,257	94,272	92,254	90,434
Total liabilities (mil. $)	70,618	71,651	68,136	67,201	67,668
Shareholders' equity (mil. $)	25,182	27,606	26,136	25,053	22,766

Source: S&P Global Ratings.

Table 3

IFC--Peer Comparison

	International Finance Corp.	European Bank for Reconstruction and Development	International Bank for Reconstruction and Development	African Development Bank	IDB Invest
Issuer credit ratings	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AA/Positive/A-1+
Total purpose-related exposure (mil.$)	46,686	36,143	211,129	31,384	2,543
Preferred creditor treatment ratio (%)	N.M	N.M	0.3	1.7	N.M
Risk adjusted capital ratio (%)	34.6	29.1	24.3	19.3	43.2
Liquidity ratio 12 months (net derivative payables; %)	1.37	1.35	1.14	2.33	2.58
Funding gap 12 months (net derivative payables; %)	1.3	1.56	1.25	2.7	23.43

Note: Fiscal year-end for IFC and IBRD is June; RAC and F&L for EBRD, AfDB, and IDB invest are as of June 2020, whereas other data as of December 2019. Source: S&P Global Ratings.

Ratings Score Snapshot

Enterprise Risk Profile	Extremely strong	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak
Policy Importance	**Very strong**	Strong	Adequate	Moderate	Weak		
Governance and Management	**Strong**	Adequate	Weak				
Financial Risk Profile	**Extremely strong**	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Capital Adequacy	**Extremely strong**	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Funding and Liquidity	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak	

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Dec. 14, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Methodology For Rating Sukuk, Jan. 19, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Supranationals Special Edition 2020 Says Multilateral Lenders Are Addressing Challenges From COVID-19, Oct. 20, 2020
- Supranationals Edition 2020: Comparative Data For Multilateral Lending Institutions, Oct. 21, 2020
- Introduction To Supranationals Special Edition 2020, Oct. 20, 2020
- How Multilateral Lending Institutions Are Responding To The COVID-19 Pandemic, June 9, 2020
- Can Multilateral Lenders' Capital Bases Hold Up Against COVID-19?, June 9, 2020
- ESG Industry Report Card: Supranationals, Feb. 11, 2020

Ratings Detail (As Of February 26, 2021)*		
International Finance Corp.		
Issuer Credit Rating		AAA/Stable/A-1+
Senior Unsecured		A-1+
Senior Unsecured		AAA
Short-Term Debt		A-1+
Issuer Credit Ratings History		
09-Dec-1997	*Foreign Currency*	AAA/Stable/A-1+
05-Apr-1990		AAA/Stable/--
16-Jun-1989		AAA/--/--
27-Dec-2017	*Local Currency*	AAA/Stable/A-1+
09-Nov-1998		--/--/NR
09-Dec-1997		--/--/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.