# 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 |
|---|---|
| **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 | 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. |
| **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 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. |

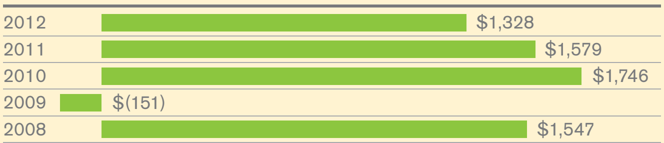
IFC has reported income before grants to IDA of $1,658 million in FY12, as compared to $2,179 million in the year ended June 30, 2011 (FY11) and $1,946 million in the year ended June 30, 2010 (FY10).

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



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<br>As of and for the years ended June 30 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Net income highlights:** | | | | | |
| 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) |
| **Net income (loss)** | **$ 1,328** | **$ 1,579** | **$ 1,746** | **$ (151)** | **$ 1,547** |
| **Consolidated balance sheet highlights:** | | | | | |
| 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 |
| **Total capital** | **$20,580** | $20,279 | $18,359 | $16,122 | $18,261 |
| 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 |
|---|---|---|---|---|---|
| **Financial ratios:**[1] | | | | | |
| Return on average assets (GAAP basis)[2] | **1.8%** | 2.4% | 3.1% | (0.3)% | 3.4% |
| Return on average assets (non-GAAP basis)[3] | **2.8%** | 1.8% | 3.8% | (1.1)% | 3.7% |
| Return on average capital (GAAP basis)[4] | **6.5%** | 8.2% | 10.1% | (0.9)% | 9.6% |
| Return on average capital (non-GAAP basis)[5] | **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[6] | **327%** | 266% | 190% | 163% | 96% |
| Debt to equity ratio[7] | **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[8] | **6.6%** | 6.6% | 7.4% | 7.4% | 5.5% |
| Capital measures: | | | | | |
| Capital to risk-weighted assets ratio[9] | **n/a** | n/a | n/a | 44% | 48% |
| Total Resources Required ($billions)[10] | **15.5** | 14.4 | 12.8 | 10.9 | 10.4 |
| Total Resources Available ($billions)[11] | **19.2** | 17.9 | 16.8 | 14.8 | 15.0 |
| Strategic Capital[12] | **3.7** | 3.6 | 4.0 | 3.9 | 4.6 |
| Deployable Strategic Capital[13] | **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 |
|---|---|---|
| **Total Commitments**[1] | **$20,358** | $18,660 |
| **IFC Commitments** | | |
| Loans | **$ 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 |
| **Total IFC Commitments** | **$15,462** | $12,186 |
| **Core Mobilization** | | |
| **Loan participations, parallel loans, and other mobilization** | | |
| Loan participations | **$ 1,764** | $ 3,457 |
| Parallel loans | **927** | 1,127 |
| Other mobilization | **814** | 134 |
| **Total loan participations, parallel loans, and other mobilization** | **$ 3,505** | $ 4,718 |
| **AMC** | | |
| Sub-Debt Capitalization Fund | **$ 215** | $ 252 |
| Equity Capitalization Fund | **24** | 113 |
| ALAC Fund | **190** | 85 |
| Africa Capitalization Fund | **8** | 4 |
| **Total AMC** | **$ 437** | $ 454 |
| **Other initiatives** | | |
| Global Trade Liquidity Program and Critical Commodities Finance Program | **$ 850** | $ 1,050 |
| Infrastructure Crisis Facility | **63** | 252 |
| Public Private Partnership (PPP) Mobilization | **41** | – |
| **Total other initiatives** | **$ 954** | $ 1,302 |
| **Total Core Mobilization** | **$ 4,896** | $ 6,474 |

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:

$$\frac{\text{Loan participations + parallel loans + other mobilization + non-IFC investment part of structured finance which meets core mobilization criteria + non-IFC commitments in Initiatives + non-IFC investments committed in funds managed by AMC + PPP Mobilization}}{\text{Commitments (IFC investments + IFC portion of structured finance + IFC commitments in Initiatives + IFC investments committed in funds managed by AMC)}}$$

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 |