

## CREDIT ANALYSIS

# International Finance Corporation

Supranational

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### Rating Rationale and Outlook

Moody's Aaa rating of the International Finance Corporation (IFC) is based on its adequate level of capitalization in relation to its risk profile, sound financial management, membership within the World Bank Group, and strong shareholder support. Unlike most other multilateral development banks (MDBs), the IFC lends to private sector companies in high-risk economies without the benefit of a sovereign guarantee. It also lacks the callable capital that is a critical factor supporting the Aaa ratings of other MDBs such as the International Bank for Reconstruction and Development (IBRD) or the Asian Development Bank. Moody's therefore views the IFC's high level of paid-in capital and retained earnings as essential to its rating.

The strong support that the IFC receives from its government owners affords a large measure of comfort to investors. In Moody's view, the IFC faces very little transfer risk in its portfolio because of the preferred creditor status it has historically been accorded by the member countries in which it lends. IFC loans have never been included in a sovereign debt rescheduling, nor have payments to the IFC ever been permanently interrupted by a general debt-servicing moratorium. This feature of the Corporation's status has been demonstrated in the past eight years in the case of Argentina, where a number of creditworthy borrowers continued to make payments despite a government-imposed moratorium on external debt repayments. Moreover, cumulative write-offs of loans and equity investments as a percentage of cumulative disbursements since the inception of the institution stood at only 6.4% at the end of FY2009, a ratio that reflects the IFC's success in restructuring loans. In Moody's view, given the shareholder support that the IFC enjoys, along with its relatively modest size, it is likely that one or a few member governments would provide additional capital well before any disruption in the organization's ability to maintain operations would occur. While the current global environment could weaken somewhat the availability of funds, over time the commitment of shareholders to the organization remains strong, enhancing the financial strength of the Corporation.

This Credit Analysis provides an in-depth discussion of the credit rating(s) for the International Finance Corporation and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

[Click here to link.](#)

As a result of the turmoil in global financial markets, the Corporation saw the favorable financial trends of the last five years end in FY2009 as large equity write-downs and loan loss provisions led to a net loss – the first ever in IFC history – of \$151 million. It is likely that FY2010 will see further deterioration in the Corporation's asset quality as a result of the global recession, which could continue to affect a significant number of its loans and investments. Nonetheless, Moody's believes that the IFC has the financial strength to withstand such a deterioration without affecting its Aaa rating.

Moreover, Moody's believes that the IFC is well-positioned to continue responding to the global financial crisis and serve as a stabilizer amid the volatility. During FY09 the Corporation launched a number of programs with a focus on restoring liquidity, recapitalizing businesses, managing troubled assets, and helping enterprises in emerging markets with debt rollover issues. This expansion of programs is supported by current capital levels and therefore should not place downward stress on the IFC's rating, especially in light of the Corporation's use of partnerships to mobilize external funds from governments, development financial institutions and sovereign wealth funds to support these programs. As a result, the \$5 billion in resources that the IFC has mobilized for crisis programs has not detrimentally impacted its capital adequacy or exposure positions and it expects to mobilize another \$3 billion. The IFC Asset Management Company, established during the last fiscal year, will play a role in this mobilization and will serve as a manager of third-party capital pooled under various initiatives.

## Organization Structure and Strategy

The IFC is a multilateral institution that furthers the economic development of its member countries through the promotion of private investment. The Corporation is a member of the World Bank Group, which also includes the IBRD, the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). The IFC makes loans to and equity investments in private companies, organizes syndications, underwrites securities, and offers advisory services. In addition to deploying its own resources, the Corporation has sought to catalyze additional investment flows to private companies in developing countries.

By year-end FY2009 (June 30), the 182 member countries had contributed \$2,369 million of paid-in capital to the IFC. Paid-in capital in turn represents 100% of subscribed capital as there were no membership subscriptions outstanding as of June 30, 2009. The largest single shareholder is the United States with 23.6% of voting power, followed by Japan with 5.9%, and the combined voting power of member countries rated Aaa/Aa by Moody's amounts to 67.0% of the total. Membership in the International Monetary Fund (IMF) and the IBRD are prerequisites for membership in the IFC. Provisions in the IFC's articles ensure that the IFC board of directors is identical to that of the World Bank, facilitating coordination of the two institutions' policies and operations. However, the distribution of voting power in the IFC board differs from that of the World Bank board because of the different patterns of ownership.

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### IDA Strategy Deepens

For several years the IFC has been following a "frontier" strategy pursuing opportunities in developing regions, such as Sub-Saharan Africa, that had been previously underserved. The IFC expects that it will be IDA countries (the world's poorest developing countries) that will drive the organization's future growth. Thus the IFC's business strategy focuses on aiding the growth of the financial markets and small- and medium-sized enterprises in IDA countries (in addition to its largest markets in middle income countries), as well as addressing constraints in the development of infrastructure and social

projects in these countries. During the five-year period between FY2005 and FY2009, the IFC's investment volumes in IDA countries quadrupled to \$4.4 billion. At fiscal year-end 2009, there were 225 projects in IDA countries, which represented more than half of all IFC projects during the year. 92 projects were in Sub-Saharan Africa, which accounts for 40% of the total IDA investment.

As a result of IDA15, the IFC has an indicative transfer of \$1.25 billion over FY2008-FY2010 for IDA, subject to IFC's profitability, growth, strategic priorities, and business and capital adequacy needs. In FY2009, the IFC did not meet the financial performance criteria for making the annual designation. However, the Corporation chose to stay on track with IDA15 and reallocated \$200 million of the unutilized balances of prior year designations to IDA. By reallocating funds, the corporation was able to stay on track with the designation while not affecting FY2010 capital adequacy, as the \$200 million was expensed from income in the respective prior years and therefore will not be expensed in FY2010. The IFC is further developing its client advisory services, which the Corporation sees as one of its comparative advantages stemming from its exceptional reputation and quality of advice. In the more challenging IDA countries, advisory services are often the first offering of any IFC product as they help improve the countries' investment climate. The main vehicle for advisory services is the Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS). As of FY2009, there were active programs in 104 countries. A percentage of IFC's operating income above \$150 million may be set aside as a designation of retained earnings to fund FMTAAS, with the percentage increasing at higher income levels. As the IFC's financial performance in FY2009 fell short of this designation formula there was no additional allocation to FMTAAS.

As an outgrowth of the IDA strategy, the IFC has been focusing on ways to meet clients' needs more effectively. Over the last several years it has decentralized its staff; at year-end 2009 50% of investment staff was located outside of Washington, DC and organized into regional departments that have a high degree of decision-making authority. This decentralization allows for closer relationships with clients which help keep non-performing loans at a very low level.

## Profitability

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### Global Financial Markets Turmoil Impacts Results

For the first time in its history, the IFC reported a loss in FY2009 with the operating loss amounting to \$443 million and a net loss of \$151 million. The Corporation's Interest Coverage Ratio (ICR) was 3.1, up from 2.9 last year. In previous years income was driven by high equity income from capital gains and dividends, which were 1.5 times greater than the amount earned from interest and fees on loans and debt securities in FY2008. However, in FY2009 high levels of equity write-downs resulting from the volatile financial markets were the main driver of the loss. Another contributing factor was the increased expenses related to loan loss provisioning in response to decreasing asset quality.

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### Income Volatility Inherent and Manageable

As IFC's business model resembles more that of a large venture capital firm and less that of a full service bank, nearly all components of revenue are subject to considerable fluctuation, which reflects the higher risk nature of its fundamental business. Further, the Corporation's policy toward write-offs (taking as few as possible and preferring to resolve problem situations) suggests that volatility is channeled through income statement revenue instead of the conventional asset quality indicators on the balance sheet. Finally, and appropriately, the Corporation appears less willing to use its equity

portfolio to smooth results and more concerned with getting the market timing right and meeting development objectives.

The Corporation continues to plan to transition the presentation of its financial statements from US GAAP to International Financial Reporting Standards (IFRS). They had previously aimed at completing the transition by the end of FY2010, but have delayed it and are developing a new schedule. Because all equity investments will be recorded at fair value, the income statement will become more volatile than under the existing US GAAP presentation because the Corporation's substantial unrealized equity gains (or possibly future losses) will go on to the balance sheet. The IFC is currently implementing a corporate VAR model, and by delaying IFRS implementation the model will give the Corporation more detailed data on the equity risk profile. Questions remain regarding how IFC's capital and retained earnings would be treated, as under existing IFRS they would be classified as liabilities because members could theoretically withdraw those funds, while the IFC maintains they should continue to be viewed as equity. In evaluating MDBs, Moody's focuses on the willingness and ability of member countries to step in and support the organization and the organization's own risk profile and does not rely solely on accounting measures. Moody's expects member support and sound risk management to continue, and as such the issue of what accounting regime the organization chooses to adopt is viewed by Moody's as a ratings neutral event.

## Asset/Liability Management and Liquidity

### Current Financial Policies

In FY2007, the financial policies and limits that had been in place since 1993 were updated in light of market developments, new risk management techniques and the needs of the organization. For asset/liability management, the IFC continues to match-fund its loans on the basis of interest rate tenor, currency and maturity, but there can be special cases where asset/liability mismatches are acceptable for new products as approved by the Board. In such cases the capital necessary is estimated using the CAPRI model (which will be discussed in more detail in the Capital Adequacy section of this report). As before, the Corporation uses swaps, forwards and other derivatives to manage currency and interest rate risk pursuant to its internal policy of curtailing risks, and all equity and quasi-equity investments are funded from net worth to avoid creating market liabilities where the offsetting assets have an unpredictable cash flow.

Under the liquidity policy, there is both an external funding component and a ratio component. The external funding policy stipulates that the minimum level of liquidity from external funding must cover at least 65% of the sum of: a) 100% of committed but undisbursed straight senior loans; b) 30% of committed guarantees; and c) 30% of committed client risk management products. The liquidity ratio policy calls for the Corporation to maintain a minimum level of liquidity (plus the undrawn borrowing commitment from IBRD) that would cover at least 45% of the next three years' net cash requirements.

Liquidity on the IFC's balance sheet is high, with FY2009 cash and liquid assets equal to 57% of total assets net of swaps and 75% of the next three years' cash needs. In addition, the actual external funding liquidity level is 163%, far above the minimum. To date, the Corporation has managed its liquidity with profitability as a secondary consideration to the preservation of its capital earnings. In FY2009, income from the liquid asset trading portfolio was flat at \$474 million compared to FY 2008, when it amounted to \$473 million. Structured securities in the portfolio experienced recoveries in the

second half of FY2009 and the Corporation does not plan to add new structured products to the portfolio.

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### Borrowing Authority Raised for FY2010

As a member of the World Bank Group, IFC can borrow from the IBRD as it has done in the past. However, IFC now raises funds entirely in the international debt markets. This has the benefit of reinforcing the private sector character of the IFC by exposing the Corporation to the financial discipline needed to raise money in the international markets at the lowest possible cost. At one time, there was some question as to whether the IFC could borrow at costs no higher than those it would pay on loans from the World Bank. In fact, because of its Aaa status, the IFC does this and will continue to do so in the foreseeable future.

Total borrowings (including pre-funding) were \$9.0 billion in FY2009, up from \$6.0 billion in FY2008 and \$2.8 billion in FY2007. The entire program was raised in the international capital markets with roughly \$3.5 billion raised through private placements and the remainder through public offerings. To take advantage of favorable market conditions and to prepare for a substantially larger program this year, the institution borrowed \$1.2 billion in FY2009 as pre-funding for the FY2010 program. For FY2010 the IFC's borrowing authorization is \$9.5 billion, up \$1.5 billion from FY2009 and its highest authorization level since FY1999. In addition, the IFC can borrow up to \$2.0 billion to pre-fund the FY2011 borrowing program for a total FY2010 program of \$11.5 billion.

Outstanding borrowings are denominated in 16 currencies, with all borrowings converted to US dollars on an after-swap basis except for a few isolated cases in which local currency borrowings are on-lent to clients on matching terms. Outstanding IFC loans are denominated in a variety of currencies, but overwhelmingly concentrated in two: the US dollar (73.5%) and the Euro (13.0%).

### Capital Adequacy

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#### CAPRI Model In Use

The IFC utilizes a Capital, Pricing and Risk (CAPRI) model, which it believes allows it to better differentiate and address the risks for current asset classes as well as for new products. The CAPRI framework mandates that the IFC maintain a minimum level of resources (including paid-in capital, total loss reserves and retained earnings after designations have been made) equal to total potential losses for all on- and off-balance sheet exposures at a level that allows the Corporation to maintain a Aaa rating. The potential loss estimates for the risk asset classes are a minimum of: a) 22% of loan and guarantee exposure gross of reserves; b) 70% of equity exposure; c) 1.5% of treasury assets (including liquid assets and counterparty derivatives); d) 1.5% for other receivable assets; e) 1.5% for property assets; and f) 11% for eligible trade finance transactions. To cover operational risk, 1% of exposure (net of specific reserves) is added for each asset class mentioned. Under the CAPRI framework, the minimum capital adequacy requirement is \$10.8 billion; at fiscal year-end 2009 capital stood at \$14.7 billion, excluding the effects of designation of \$550 million from FY2009 income made subsequent to the close of financial statements for FY2009 as well as the \$200 million designation to IDA.

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## Leverage Policy Unchanged

The IFC's leverage policy remains the same; its maximum leveraging exposure (defined as the ratio of drawn debt to the sum of total subscribed capital plus accumulated earnings) is 400%. At the end of FY2009, the IFC's actual leverage was 210%, very comfortable within its policy limit.

Net worth was \$16.1 billion at the end of FY2009, down from \$18.3 billion in FY2008. This was equal to 50.7% of disbursed assets and approved but undisbursed commitments—an unweighted measure of broad economic exposure. It was also equal to 79.1% of disbursed loans and equity investments (net of loss provisions)—a narrower measure of cash exposure.

## Asset Quality

Loans represent the majority of the IFC's investment portfolio, comprising 75.6% of the total. Equity investments represent 18.3% of the portfolio, with risk management products and guarantees rounding out the portfolio. At fiscal year-end 2009, IFC's disbursed investments including guarantees and client risk management products gross of reserves stood at \$23.8 billion, up \$1.5 billion from the previous fiscal year. At the end of the year the IFC's held portfolio included loans and equity investments in 129 countries and 1,579 companies. In recent years portfolio growth has been slower than the growth in commitments and disbursements. Prepayments were the driver of this trend, as client companies improved their internal cash generation and also benefited from greater access to international capital markets. The liquidity and credit crises that affected both advanced and emerging economies during the last two fiscal years has slowed this trend, and prepayments in FY2009 dropped to \$0.5 billion from \$1.1 billion the previous year. There will likely be a larger decline in the current fiscal year.

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## Portfolio Quality Impacted by Global Recession

As anticipated in light of the global recession, asset quality deteriorated in FY2009, with the stock of non-performing loans (i.e. loans in non-accrual status—defined as those with arrears in excess of 60 days unless collection is anticipated in the near future) rising for the first time since 2003. Loans on non-accrual more than doubled from \$633 million in FY1998 to \$1,543 million in FY2003; they were reduced to \$369 million by FY2008 but saw a 24% increase to \$457 million in FY2009. The recovery of loans in Argentina has been notable, as non-accruals accounted for only 6.0% of disbursed loans in Argentina in FY2009, compared to 66.5% in FY2003. Resulting from this improvement, Argentina is no longer the country with the highest percentage of non-accruing loans. China has the highest with 6.8% of the disbursed loans in non-accrual status, followed by Argentina, Brazil (3.9%), Turkey (3.8%) and Mexico (2.0%). These FY2009 numbers are slightly worse than last year's numbers when non-accrual figures for the top five countries were 6.3% for Argentina, 3.7% for India, 3.1% for China and the Philippines, and 2.8% for Brazil.

The ratio of IFC's loans in non-accrual as a percentage of the total disbursed loan portfolio increased to 2.5% in FY2009 from 2.2% of total loans the previous year. This ratio is very likely to increase in the coming year, given global economic and financial conditions. It can be noted that the ratio peaked at 16.7% in FY2003, but the IFC's financial performance, while affected, continued to record positive net income. The IFC's interest collection rate<sup>1</sup> increased during the last fiscal year to 97.1% against 94.5% in FY2008 and 93.7% in FY2007.

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<sup>1</sup> Defined as interest income due and recognized as income in the fiscal year as a percent of total interest income due in the fiscal year.

The IFC's Department of Special Operations (CSO) is specifically designed to handle financial and economic crises that have the potential to materially impact the Corporation's asset quality. Even before the 2007-2009 global credit crisis, the CSO prepared for a downturn in the global economy by creating scenarios based on historical crises and developing a preparedness plan. When the crisis materialized the IFC reacted by increasing the size of the CSO, enabling the team to quickly identify and closely monitor projects that showed signs of trouble. The team has increased training for investment officers in the field to help them identify early warning signals and understand the consequences of project structuring decisions. As a result of the proactive and reactive efforts of the CSO, of the \$1.2 billion in gross write-offs (both loan and equity) in FY2009, the IFC expects that they can recover almost \$1.0 billion.

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### Balanced Portfolio Structure

By sector and individual obligor, the IFC has a high degree of concentration in the financial sector, which accounts for about 41.5% of its disbursed portfolio. The other largest exposures are to utilities and oil, gas, and mining. Together, these three sectors account for 58.1% of the disbursed portfolio. IFC's commitment volume fell to \$10.5 billion in FY2009, a 7.5% decrease from the previous year and the first one in 6 years. While no significant changes in the composition of the portfolio are currently anticipated, the IFC expects that growth will increasingly come from projects located in IDA countries and sectors—that is, in countries and sectors in which the IFC's activity has been limited to date. However, in terms of volume, investments will naturally be greater in larger countries with sufficient absorptive capacity and investment opportunity.

There is some degree of risk concentration by recipient country—similar to the situation at the IBRD but less than the regional multilateral banks. The country concentration guideline differs from country to country and is based on a percentage of net worth plus general reserves. For example, the ceiling for the highest exposure country is 20% of net worth plus general reserves. On this basis, the disbursed exposure (net of specific reserves) for Brazil and India accounted for 14.0% and 13.8% of net worth plus general reserves, respectively, at end FY2009. The IFC's next largest disbursed country exposures, in descending order, are Russia (12.5%), China (9.8%) and Turkey (8.8%). Looking at the disbursed portfolio, the largest ten country exposures (gross of reserves) account for 52.1% of the IFC's portfolio, down from 56.9% last year, and include all five of the countries mentioned previously. Concentration by borrowing company is not as significant and, after spiking in FY2008, has dropped back down to FY2005 levels. The company with the largest exposure holds 1.6% of the disbursed investment portfolio with the remaining top 10 holding 1.1% or lower.

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### Sufficient Reserves Against Loan Losses

Loan loss reserves consist of specific and general reserves, and additions to these reserves are charged to income. Specific reserves are determined after a case-by-case quarterly review of the entire loan portfolio. The level of specific reserves against losses on loans reflects a judgment by IFC management that the loan is suffering significant and relatively permanent value impairment. This judgment is based on the Corporation's experience with the specific borrower, its expected future performance, its security, and the position of other project sponsors. The general reserve against losses on loans is intended to provide for risk in the loan portfolio as a whole that cannot be specifically identified. Management estimates the general reserve against losses on loans. As a result of the adoption of EITF 03-1 in FY2005, an equity investment is written down to its impaired value when an impairment is identified and is deemed to be other than temporary. Thus, the IFC now has general reserves for the loan portfolio only.

At the end of FY2009 total reserves against loan losses (\$1,238 million) grew to the equivalent of 6.9% of the outstanding loan portfolio, up from 5.3% the previous year.

## Rating History

### International Finance Corporation

	ISSUER RATING		SENIOR UNSECURED	OUTLOOK	DATE
	LONG-TERM	SHORT-TERM			
Outlook Assigned	--	--	--	Stable	March-97
Rating Assigned	--	P-1	--	--	January-97
Rating Assigned	Aaa	--	--	--	December-94
Rating Assigned	--	--	Aaa	--	November-91

## Annual Statistics

## International Finance Corporation

BALANCE SHEET SUMMARY <sup>[1]</sup> (US\$ MILLIONS)	2009	2008	2007	2006	2005	2004	2003	2002
<b>ASSETS</b>								
Total Assets	42,900	41,823	34,475	28,487	28,723	26,940	26,756	24,727
Loans and Equity Investments	22,214	23,319	15,796	12,731	11,489	10,279	9,377	7,963
Net Loans	16,566	15,229	12,650	10,727	9,973	9,753	9,242	8,033
Equity Investments	5,344	7,318	3,245	2,696	2,505	1,893	1,819	1,688
Less Reserve against Loan Losses	-1,238	-848	-832	-898	-989	-1,367	-1,684	-1,758
Net cash, deposits and securities	18,656	15,125	14,915	11,789	13,460	14,068	13,951	14,989
Other	2,030	3,379	3,764	3,967	3,774	2,593	3,428	1,775

## LIABILITIES AND EQUITY

Total Liabilities	26,778	23,562	20,458	17,411	18,925	19,158	19,967	18,423
Borrowings Outstanding	25,711	20,261	15,879	14,967	15,359	16,254	17,315	16,581
From World Bank	51	54	62	80	55	97	134	169
From other sources	25,660	20,207	15,817	14,887	15,304	16,157	17,181	16,412
Other Liabilities	1,067	3,301	4,579	2,444	3,566	2,904	2,652	1,842
Total Equity	16,122	18,261	14,017	11,076	9,798	7,782	6,789	6,304
Subscribed Capital	2,369	2,366	2,366	2,365	2,365	2,362	2,362	2,362
Less Portion not yet paid	0	0	-1	-1	-1	-1	-2	-2
Plus Pmt. on acct. of pending subscription	0	0	0	0	0	1	0	0
Equals Paid-in Capital (PIC)	2,369	2,366	2,365	2,364	2,364	2,362	2,360	2,360
Accumulated Other Comprehensive Income	711	2,703	442	1	1	2	4	6
Retained Earnings	13,042	13,192	11,210	8,711	7,433	5,418	4,425	3,938
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>42,900</b>	<b>41,823</b>	<b>34,475</b>	<b>28,487</b>	<b>28,723</b>	<b>26,940</b>	<b>26,756</b>	<b>24,727</b>

## BALANCE SHEET COMPOSITION

As % of Average Assets (Excluding Loss Reserve)

Gross Loans	36.6	35.8	36.1	35.0	34.0	33.5	31.5	31.6
Gross Equity Investments	14.6	13.5	9.2	8.8	7.6	6.5	6.4	7.0
Cash	0.8	0.9	0.8	0.5	0.4	0.3	0.3	0.5
Earning Liquid Assets	38.1	37.6	40.4	42.2	47.1	49.1	52.3	54.1
Other	6.2	9.2	12.0	13.1	11.0	10.6	9.5	6.9
Debt to World Bank	0.1	0.1	0.2	0.2	0.3	0.4	0.6	0.7
Debt to Market Sources	52.8	46.2	47.5	51.1	54.2	58.7	61.2	61.8
Other Liabilities	5.0	10.1	10.9	10.2	11.2	9.8	8.2	7.2
Total Liabilities	58.0	56.5	58.5	61.5	65.6	68.9	69.9	69.7
Total Equity (incl. Loss Reserve)	42.0	43.5	41.5	38.5	34.4	31.1	30.1	30.3

[1] All Data pertains to fiscal years ending June 30.

## International Finance Corporation

INCOME STATEMENT SUMMARY <sup>[1]</sup> (US\$ MILLIONS)	2009	2008	2007	2006	2005	2004	2003	2002
Total Income	1,537	3,463	4,093	2,594	2,462	1,432	1,190	1,612
Income, Loans & Equity Investments	827	2,760	3,365	2,046	2,039	1,180	626	975
From Loans and Guarantees	871	1,065	1,062	804	660	518	477	547
Dividends & Profit Participations	311	428	385	323	258	207	147	140
Amortization of UJVs conditional asset retirement	-2	-1	-2	-8	--	--	--	--
Unrealized Income From LLPs and Certain LLCs	--	--	19	56	191	--	--	--
Changes in Carrying Value of Equity Investments	-299	12	--	--	269	74	-50	--
Equity Investment Impairment Write-Downs	-1,058	-140	-40	-57	-62	--	--	--
Capital Gains on Equity Sales	1,004	1,396	1,941	928	723	381	52	288
Income from Debt Securities	71	163	27	7	--	--	--	--
Financial Service Fees	39	58	53	52	41	41	51	40
Income from Liquid Asset Trading Activities	474	473	618	444	--	--	--	--
Income, Deposits and Securities	--	--	--	--	533	278	318	493
Income from Pension and Post-Retirement Benefit Plans	--	--	--	--	--	--	--	31
Net gains and losses on trading activities	--	--	--	--	-175	-104	157	31
Other	126	9	30	45	24	37	38	42
Total Expenses	1,555	1,375	1,258	1,095	471	450	662	1,451
Charges on Borrowings	488	782	801	603	309	141	226	438
Administrative Expenses	582	549	482	436	403	360	332	327
Provision for Losses	438	38	-43	15	-261	-103	48	657
Contribution to Special Programs	0	0	0	0	0	29	28	22
Pension and Other Post-Retirement Benefit Plans	34	3	15	28	14	19	24	--
Other	13	3	3	13	6	4	4	7
Expenditures for Technical Assistance and Advisory	129	123	96	55	38	--	--	--
Expenditures for Performance-Based Grants	456	527	150	35	--	--	--	--
Income before Unrealized Gains (Losses) on Financial	-603	1,438	2,589	1,409	1,953	982	528	161
Net Interest Income	375	2,413	3,225	1,872	2,524	1,420	670	373
Other Unrealized Gains (Losses) on Financial Instruments	452	109	-99	-145	62	11	-41	54
Net Income	-151	1,547	2,490	1,264	2,015	993	487	215

[1] All data pertains to fiscal years ending June 30.

## International Finance Corporation

FINANCIAL RATIOS	2009	2008	2007	2006	2005	2004	2003	2002
<b>ASSET QUALITY</b>								
Total Loans on Non-Accrual (US\$ Mil.)	457	369	378	447	634	1,121	1,543	1,217
Non-Accruals as % Gross Loans Out.	2.8	2.4	3.0	4.2	6.4	11.5	16.7	15.2
Non-Accruals as % Loan Loss Res.	36.9	43.5	45.5	49.7	64.1	82.0	91.6	69.2
Non-Accruals as % Loan Loss Res. + Accumulated Earnings	3.2	2.6	3.1	4.7	7.5	16.5	25.3	21.4
Gross Write-offs (Loan & Equity) as % Gross Loans and Equity Investments	5.1	0.9	0.5	1.4	4.8	3.9	2.6	1.8
Net Write-offs (Loan & Equity) as % Gross Loans & Equity Investments	5.0	0.8	0.5	1.2	4.7	3.9	2.5	1.6
Loss Reserve to Net Write-offs (Loan & Equity) (X)	1.1	4.5	10.6	5.6	1.7	3.0	6.2	11.4
Loss Reserve plus Accum. Earn. as % Gross Loan and Equity Investments	65.2	62.3	75.8	71.6	67.5	58.3	55.2	58.6
<b>LIQUIDITY (%)</b>								
Liquid Assets as % Undisbursed Loans + Equity Investments	189.0	165.6	194.9	170.6	230.8	308.8	403.8	445.8
Liquid Assets as % Total Borrow. Out.	72.6	74.7	93.9	78.8	87.6	86.6	80.6	90.4
Liquid Assets as % Total Market Borrow.	72.7	74.9	94.3	79.2	88.0	87.1	81.2	91.3
<b>PERFORMANCE STATISTICS USING NET INCOME(%)</b>								
Return on Avg Assets (Incl. Loss Res.)	-0.3	4.0	7.7	4.3	6.9	3.5	1.8	0.8
Return on Avg Equity (Incl. Loss Res.)	-0.8	9.1	18.6	11.1	20.2	11.3	5.9	2.8
Return on Earnings Assets	-0.4	3.9	7.9	5.0	7.8	3.9	1.9	0.9
<b>PERFORMANCE STATISTICS USING OPERATING INCOME(%)</b>								
Return on Avg Assets (Incl. Loss Res.)	-1.4	3.7	8.0	4.8	6.7	3.5	1.9	0.6
Return on Avg Equity (Incl. Loss Res.)	-3.3	8.5	19.3	12.4	19.6	11.1	6.4	2.1
Return on Earnings Assets	-1.4	3.7	8.2	5.6	7.5	3.8	2.1	0.7
<b>EQUITY RATIOS</b>								
PIC + Accum. Earn. + Loss Res. as % Gross Assets [1]	39.3	44.8	42.1	40.7	36.3	32.3	29.8	30.4
PIC + Accum. Earn. + Loss Res. as % Gross Loans + Equity Investments <sup>[1]</sup>	79.2	84.8	93.4	89.2	86.4	78.6	76.6	82.9
Borrowings Out. + Guarantees % Subscr. Cap. + Accum. Earn. (X) <sup>[1]</sup>	1.8	1.4	1.2	1.4	1.6	2.1	2.6	2.7
Equity Investments net of Loss Reserves as % PIC + Accum. Earnings [1]	33.1	40.0	23.0	24.2	25.6	24.3	26.8	26.8

[1] PIC equals Paid-in Capital

**Country Exposure of IFC <sup>[1]</sup>**

(US\$ MILLION; FISCAL YR 2009)	LOAN	EQUITY	GUARANTEES	MANAGEMENT	RISK	TOTAL	% [2]
Brazil	1716.0	204.3	262.6		1.5	2184.4	9.2
India	1521.7	468.6	0.0		0.7	1991.0	8.4
Russian Federation	1344.9	428.3	66.5		0.0	1839.7	7.7
China	914.3	526.7	2.9		0.0	1443.8	6.1
Turkey	1061.8	228.5	14.4		0.0	1304.6	5.5
Philippines	770.2	87.6	0.0		0.0	857.8	3.6
Argentina	772.8	58.4	9.8		9.3	850.2	3.6
Colombia	419.0	249.2	18.2		0.0	686.4	2.9
Mexico	466.9	120.4	21.2		2.2	610.6	2.6
Indonesia	566.7	35.8	0.0		0.0	602.5	2.5
Ten Largest Borrowers	9,554.2	2,407.7	395.6		13.7	12,371.2	52.1
Total	18,028.4	4,351.7	1,364.6		92.0	23,836.7	100.0

[1] Ten largest country exposures in the disbursed portfolio.

[2] Figures shown as percentage of gross investment outstanding.

**IFC Ownership Distribution by Ten Largest Shareholders (as of June 30, 2009)**

	CAPITAL		VOTING POWER
	AMOUNT (US\$ 000)	% OF TOTAL	% OF TOTAL
United States	569,379	24.03	23.63
Japan	141,174	5.96	5.87
Germany	128,908	5.44	5.36
United Kingdom	121,015	5.11	5.03
France	121,015	5.11	5.03
Canada	81,342	3.43	3.39
Italy	81,342	3.43	3.39
India	81,342	3.43	3.39
Russian Federation	81,342	3.43	3.39
Netherlands	56,131	2.37	2.34
Ten Largest Shareholders	1,462,990	61.7	60.8
Total	2,369,396		

## Moody's Related Research

### Analyses:

- » [International Finance Corporation, December 2008 \(113672\)](#)
- » [IBRD \(World Bank\), December 2008 \(113644\)](#)
- » [Inter-American Development Bank, March 2010 \(123653\)](#)
- » [Inter-American Investment Corporation, March 2010 \(123795\)](#)
- » [European Investment Bank, October 2009 \(120016\)](#)
- » [European Investment Fund, August 2009 \(118838\)](#)
- » [Asian Development Bank, November 2009 \(121052\)](#)
- » [European Bank for Reconstruction and Development, October 2009 \(100965\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

## Related Websites

- » International Finance Corporation (<http://www.ifc.org/>)
- » World Bank (<http://www.worldbank.org/>)

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