MANAGING RISK IN EMERGING MARKETS
OUR CORE BUSINESS

Fiscal Year 2014
PROVEN TRACK RECORD

58
Years of profitable investments in emerging markets

$67b
Diversified portfolio
$51.7b
IFC's own account
$15.3b
On behalf of other investors

$22.4b
Committed in over 100 developing countries in FY14
$17.3b
IFC's own account
$5.1b
On behalf of other investors

$1.5b
Net income in FY14

3800+
Staff; about 60% of whom are based in emerging markets
AAA CREDIT RATING BY S&P’S AND MOODY’S

- Strong Financial Risk Profile
- Conservative Statutory & Management Policies
- Geographic & Sector Diversification of Portfolio
- World Bank Group Membership
- Preferred Creditor Status

AAA Credit Rating
## STRONG BALANCE SHEET

<table>
<thead>
<tr>
<th>TOTAL ASSETS: $84.1b</th>
<th>TOTAL LIABILITIES: $60.1b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid assets: $33.7b</td>
<td>Borrowings: $49.5b</td>
</tr>
<tr>
<td></td>
<td>Loans, equity investments and debt securities: $38.2b</td>
</tr>
<tr>
<td></td>
<td>Other: $10.6b</td>
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<tr>
<td></td>
<td>Other: $12.2b</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL CAPITAL: $24b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings: $20.2b</td>
</tr>
<tr>
<td>Capital stock: $2.5b</td>
</tr>
<tr>
<td>Other: $1.3b</td>
</tr>
</tbody>
</table>

FY14-end
CONSERVATIVE POLICIES, GOOD FINANCIAL RESULTS

2.7:1
4:1

Debt-to-equity ratio at FY14-end
Limit set by IFC policy

$21.6b
$18b

Capital available at FY14-end
Required by IFC policy
GROWING PORTFOLIO

COMMITTED PORTFOLIO ($ BILLIONS)

FY08  FY09  FY10  FY11  FY12  FY13  FY14

7.5    8.3   9.3   12.4  11.2  13.6  15.3

32.4   34.5  38.9  42.8  45.3  49.6  51.7

$22.4b committed in FY14, including $5.1b on behalf of other investors

* Includes A-loans, B-loans, parallel loans and unfunded risk participation
DIVERSIFIED PORTFOLIO BY INDUSTRY

- Trade Finance: 41%
- Financial Markets: 20%
- Infrastructure: 14%
- Consumer & Social Services: 5%
- Manufacturing: 6%
- Agribusiness & Forestry: 6%
- Funds: 3%
- Telecommunications & Information Technology: 3%
- Oil, Gas & Mining: 2%

FY14-end
DIVERSIFIED PORTFOLIO BY REGION

- Latin America and the Caribbean: 23%
- Sub-Saharan Africa: 21%
- Europe and Central Asia: 21%
- East Asia and the Pacific: 20%
- Middle East and North Africa: 16%
- South Asia: 10%
- Global: 9%

FY14-end
STRONG TRACK RECORD OF MANAGING THROUGH CRISES

ANNUAL INCOME ($ BILLIONS)

Asia & Russia | Argentina & Turkey | Emerging Markets Growth | Extended Global…

Grants to IDA
RISK MANAGEMENT FRAMEWORK
BUSINESS DEVELOPMENT

PROJECT DUE DILIGENCE

- Market and credit risk
- Social and environmental standards
- Integrity due diligence
- Corporate governance
- Financial structuring
- Insurance review

GLOBAL EXPERTISE LOCAL PRESENCE

- Global industry specialists in financial markets, manufacturing, agribusiness, services, infrastructure and natural resources
- Local investment teams close to clients
PROVEN TRACK RECORD

MANAGEMENT REVIEWS
Management reviews the entire portfolio on a quarterly basis to assess health of portfolio and emerging issues.

SUPERVISION
IFC monitors compliance with investment agreements, visits operation sites and identifies solutions to address emerging issues. IFC tracks financial performance, development outcomes, and environmental and social performance of operations.

STRESS TESTING
Dedicated team conducts portfolio stress testing analysis of potential scenarios and works with operational teams to prevent and mitigate risks.

RECOVERY
For projects in financial distress, the Special Operations Department determines and negotiates remedial actions.

INVESTOR RELATIONS
Partner investors are regularly consulted and kept informed.
ENTREPRISE RISK MANAGEMENT FRAMEWORK

Credit Risk
Obligor, sector, country, product, counterparty

Market Risk
Interest rates, FX, equities, commodities, credit spreads

Liquidity Risk
Market liquidity, funding liquidity

Operational Risk
People, processes, systems, external events

Business Risk
Environmental & social, corporate governance, integrity, conflict of interest, fiduciary

Integrated Approach
CREDIT RISK MANAGEMENT

DIVERSIFICATION & CONSERVATIVE POLICIES

Conservative credit policies and diversification guidelines; economic capital methodology captures the different risks IFC faces:
- By company – limits on economic capital and committed exposure are set for clients and client groups, depending on credit-risk rating
- By sector – portfolio in a single risk sector may not exceed 12% of net worth plus general reserve
- By country – economic capital exposure in a country may not exceed 7% (8.5% with special approval) of total resources available

CREDIT DUE DILIGENCE

- Collaboration between investment officers and independent credit review team
- Credit risk rating and risk based pricing systems
MARKET RISK MANAGEMENT

CONSERVATIVE POLICIES
IFC has conservative asset liability policies for managing treasury and investment assets

INDEPENDENT MONITORING
Independent function monitors currency and interest-rate risks, ensuring adequate hedging of financial assets

SYSTEMATIC MARKET OUTLOOK
Risk specialists, economists and portfolio teams systematically monitor market trends
LIQUIDITY RISK MANAGEMENT

CONSERVATIVE CAPITAL ADEQUACY

- IFC policies set higher standards than those demanded to maintain a AAA credit rating
- IFC policies require overall liquidity to be 65-95% of next three years’ cash needs
OPERATIONAL RISK MANAGEMENT

RISK CONTROL ASSESSMENTS

Risk control self-assessments conducted by all IFC business units on an annual basis

FOLLOW-UP ACTIONS

Follow-up actions to address identified risks at corporate and departmental levels

RISK MANAGEMENT EMBEDDED IN OPERATIONS

Central operational risk management team and network of operational risk management liaisons across industries and regions
OPERATIONAL RISK MANAGEMENT

- US financial services industry standards
- Systems management centralized in headquarters, little local exposure
- In-house teams dedicated to information security and integrity
- Business continuity team
- Rigorous compliance function for vendors
- Internal independent verification and validation unit
- Annual external audit, consistently favorable remarks with no qualifications
Sustainability Policy: Defines IFC’s social and environmental responsibilities in supporting clients

Access to Information Policy: Ensures transparency in operations

Performance Standards: Define clients’ responsibilities in managing environmental and social risks

Environmental & Social Review Procedures: Assess social and environmental risks in potential transactions and define action plans when needed

IFC Advice & Good Practice Materials: Help clients comply with IFC Performance Standards
ENVIRONMENTAL & SOCIAL RISK MANAGEMENT
IFC Performance Standards

1. Assessment and management of environmental and social risks and impacts
2. Labor and working conditions
3. Resource efficiency and pollution prevention
4. Community, health, safety and security
5. Land acquisition and involuntary resettlement
6. Biodiversity conservation and sustainable management of living natural resources
7. Indigenous peoples
8. Cultural heritage
INTEGRITY RISK MANAGEMENT

DUE DILIGENCE ON EVERY PARTNER

Rigorous due diligence to assess integrity of potential partners

- Anticorruption
- Tax transparency
- Corporate governance
- Conflict of interest
GOVERNANCE AND ACCOUNTABILITY
INDEPENDENT AND INTERNAL OVERSIGHT
ALL IFC RISK FUNCTIONS IN ONE VICE PRESIDENCY

- Independent oversight
- World Bank Group
- IFC

Audit Committee → WBG Board of Directors → Independent Evaluation Group

Internal Audit

Compliance Advisor & Ombudsman

Institutional Integrity

WBG President

IFC Executive Vice President & CEO

IFC Corp. Risk & Sustainability Vice Presidency

WBG Chief Financial Officer

WBG Chief Risk Officer

Corporate & Portfolio Risk Management

Transactional Risk Solutions

Legal

Special Operations
SYNDICATIONS PROGRAM

- **57** Years of successful track record of managing syndications
- **$15.2b** Loan portfolio as of FY14-end
- **$3.1b** Loans in FY14
- **80+** Investors in FY14
SYNDICATIONS PROGRAM

B LOANS
- International commercial banks
- Regional commercial banks
- Specialized lenders

PARALLEL LOANS
- Development finance institutions
- International finance institutions
- Local commercial banks
- Participants benefit from IFC due diligence processes, information sharing and other efficiencies
- Specimen common terms agreement to support parallel lender structure
$6.4b
$3b
$1.2b
$1b
$550m
$418m
$182m

Assets under management as of FY14-end

IFC Capitalization Fund
IFC Global Infrastructure Fund
IFC African, Latin American and Caribbean Fund
IFC Russian Bank Capitalization Fund
IFC Catalyst Fund
Africa Capitalization Fund
AMC mobilizes funds on behalf of institutional investors, including sovereign funds, pension funds and development finance institutions.

As a wholly owned subsidiary of IFC, AMC invests alongside IFC.

Investors benefit from IFC’s experience investing in emerging markets, strong investment pipeline, operational capacity and risk management approach.

Investments are broadly diversified across regions, countries and sectors.