



**IFC**

International  
Finance Corporation  
WORLD BANK GROUP

# ACCELERATING IMPACT

## MOBILIZING INVESTMENT AT SCALE

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IFC 2024 ANNUAL REPORT FINANCIALS

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) discusses the financial results of the International Finance Corporation (IFC or the Corporation) for the fiscal year ended June 30, 2024 (FY24). The MD&A contains forward-looking statements which may be identified by such terms as "anticipates", "believes", "expects", "intends", "plans", "aims" or words of similar meaning. Such statements involve a number of assumptions and estimates that are based on current expectations, which are subject to risks and uncertainties beyond IFC's control. Consequently, actual future results could differ materially from those currently anticipated. IFC undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform with the current year's presentation.

## Table 1: Selected Financial Data

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024 (FY24)	2023 (FY23)	2022 (FY22)
<b>Investments Highlights (Section III)</b>			
Own Account Commitments (Long-Term Finance (LTF) and Short-Term Finance (STF) Commitments)	\$ 31,654	\$ 27,704	\$ 22,228
Core Mobilization (LTF and STF Commitments) <sup>a</sup>	24,433	16,025	11,363
Disbursements	19,147	18,689	13,198
<b>Statement of Operations</b>			
Net income (loss) (Section VIII)	\$ 1,485	\$ 672	\$ (464)
Income available for designation <sup>b</sup> (Section II)	1,558	681	382

AS OF THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023
<b>Balance Sheet</b>		
Total assets	\$108,187	\$ 110,547
Liquid assets <sup>c</sup> (Section IV)	37,734	40,120
Investments (Section III)	58,747	51,502
Borrowings outstanding, including fair value adjustments (Section V)	55,755	52,443
Total capital (Section V)	37,472	35,038

a. Starting FY23, short-term finance core mobilization commitments were included in commitments reporting. Previous year's information was updated to conform with the current year's presentation.

b. Starting FY24, the Post-retirement Contribution Reserve Fund (PCRF) income was excluded from Income Available for Designations. Please refer to Section II: Basis of preparation of IFC's consolidated financial statements for more details.

c. Net of securities sold under repurchase agreements, payable for cash collateral received and associated derivatives.

AS OF THE YEAR ENDED JUNE 30	2024	2023
<b>Capital Utilization Ratio</b>		
Capital Utilization Ratio (CUR)	60.5%	60.7%

# SECTION I.

## EXECUTIVE SUMMARY

This executive summary highlights selected information and may not contain all of the information that is important to readers of this document. For a complete description of IFC's FY24 performance, as well as the risks and critical accounting estimates affecting IFC, this MD&A should be read in its entirety.

IFC is the largest global development institution focused on the private sector in developing countries. Established in 1956, IFC is owned by 186 member countries, a group that collectively determines its policies. IFC is a member of the World Bank Group (WBG)<sup>1</sup> but is a legal entity separate and distinct from IBRD, IDA, MIGA, and ICSID, with its own Articles of Agreement, share capital, financial structure, management, and staff. Membership in IFC is open only to member countries of IBRD. IFC is not liable for the obligations of the other institutions.

IFC's mission — as one of the WBG entities — is to end extreme poverty and boost shared prosperity on a livable planet. As the private sector arm of the WBG, IFC provides financing and advisory services to support private sector development in developing economies as a key engine of growth in line with good environmental, social and governance standards. To further support these efforts, the Board and Management have been working on evolving the WBG to better address the scale of development challenges. As part of this evolution, in October 2023, the Board of Governors endorsed the new vision and mission, as well as initiatives to increase impact, modernize the approach to delivery, and increase financing capacity. Since then, the WBG has started the implementation and operationalization of the evolution process to address countries' most pressing development challenges. IFC is at the forefront of these reforms in view of its private sector mandate to close the financing gap beyond what governments can provide alone to address global challenges. This includes piloting an originate to distribute approach, further identifying and addressing bottlenecks to private sector activities, while leveraging partnerships with other development financial institutions (DFIs) and multilateral development banks (MDBs) to scale impact — among others. Recently, IFC also supported the initiative to grant public access to the Global Emerging Markets (GEMs) default and recovery rates to enhance transparency, and help private sector investors boost confidence in emerging markets and make informed decisions.

In April 2018 IFC's Board of Governors approved a capital increase package comprising a three-step capital raising process: conversion of a portion of retained earnings into paid-in capital, a Selective Capital Increase (SCI), and General Capital Increase (GCI) that would together provide up to \$5.5 billion in additional paid-in capital. In April 2024, the subscription deadline for the GCI was extended to April 16, 2025, resulting in the full alignment of the GCI

and SCI subscription and payment deadlines. As of June 30, 2024, 135 countries have subscribed a total of \$4.5 billion, and payments of \$3.7 billion have been received from 109 countries.

Aligned with the capital increase, IFC continued to grow its footprint in the poorest countries and fragile areas. New and ongoing challenges continue to influence the global outlook. The Board endorsed the following global challenges: climate change adaptation and mitigation; fragility and conflict; pandemic prevention and preparedness; energy access; food and nutrition security; water security and access; enabling digitalization; and protecting biodiversity and nature. In response, IFC has been working with partners at global and country levels to support its clients in enhancing resilience and laying the groundwork for rebuilding better through various platforms. For example, in August 2023, IFC announced a \$400 million increase and one-year extension of the Base of the Pyramid (BOP) platform, bringing IFC's total investment to \$1 billion. First launched in 2021, the platform aims to help financial services providers deliver critical funding to small and informal businesses, and low-income households. In September 2023, IFC signed a \$3.5 billion credit insurance policy with 13 global insurance companies under its Managed Co-Lending Portfolio Program (MCPP). The initiative, MCPP Financial Institutions Group III, will increase access to finance for micro, small and medium enterprises, including women-owned businesses, as well as firms addressing climate change. On July 1, 2024, the WBG guarantee platform, housed at MIGA, was launched to bring together products and experts from the World Bank, IFC, and MIGA and aims to boost WBG annual guarantee issuances for all entities.

## FINANCIAL PERFORMANCE SUMMARY

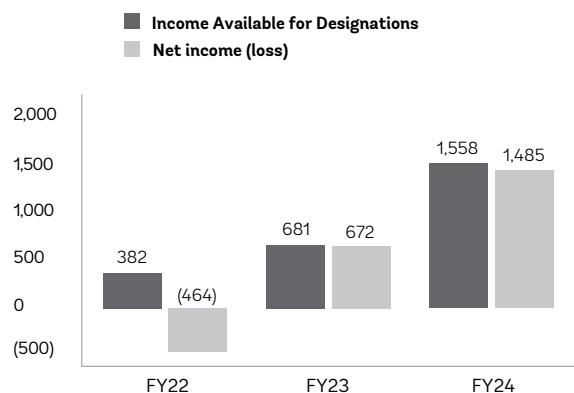
IFC's financial performance has been influenced by the changes in interest rates in FY24.

### NET INCOME AND INCOME AVAILABLE FOR DESIGNATIONS

IFC's net income was \$1.5 billion in FY24, as compared to net income of \$672 million in FY23. Income Available for Designations totaled \$1.6 billion in FY24, as compared to an income of \$681 million in FY23. Starting in FY24, the Post-retirement Contribution Reserve Fund (PCRF) income is excluded from Income Available for Designations. See Section II: Basis of preparation of IFC's consolidated financial statements for more details. The increase in Net Income and Income Available for Designations was mainly driven by higher treasury income and strong net interest income on loans and debt securities in FY24.

1. The other institutions of the WBG are the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

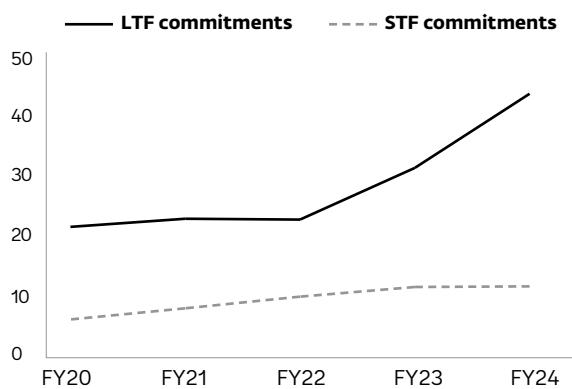
## Figure 1: Income Measures (US\$ in millions)



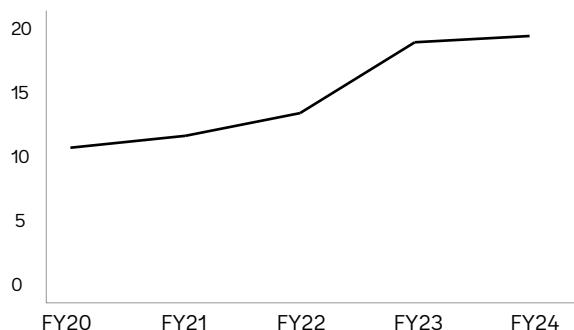
## INVESTMENT OPERATIONS

In FY24, IFC delivered a combined total of \$56.1 billion in long-term and short-term financing, representing an increase of 28 percent compared to FY23. IFC committed \$31.7 billion from its own account (\$27.7 billion in FY23) and disbursed \$19.1 billion in FY24 (\$18.7 billion in FY23) excluding guarantees. See more details in Section III: Client Services.

## Figure 2: LTF and STF Commitments (US\$ in billions)



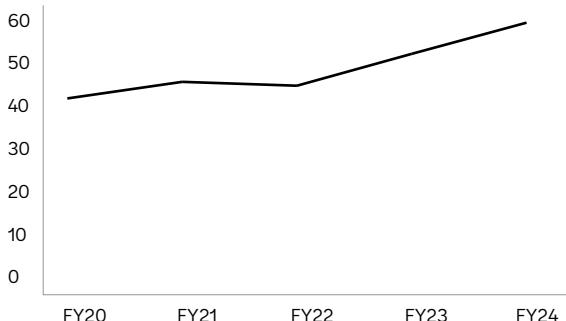
## Figure 3: Disbursements (US\$ in billions)



## INVESTMENT PORTFOLIO

The carrying value<sup>2</sup> of IFC's outstanding investment portfolio was \$58.7 billion as of June 30, 2024, an increase of \$7.2 billion compared to June 30, 2023. The portfolio's growth primarily resulted from the \$7.7 billion of net disbursements (disbursements net of repayments, pre-payments, and divestments), during FY24.

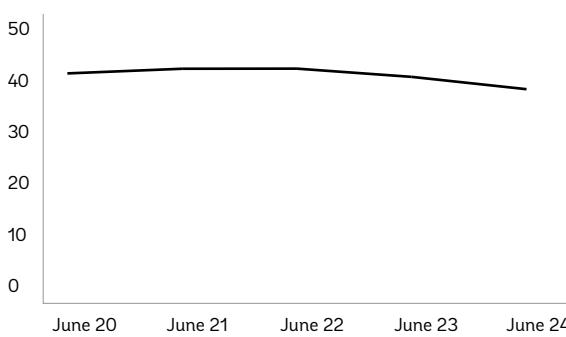
## Figure 4: Investments (US\$ in billions)



## LIQUID ASSETS

The Net Asset Value (NAV) of the liquid asset portfolio decreased by \$2.4 billion to \$37.7 billion at June 30, 2024 from June 30, 2023. The decrease was primarily driven by the \$2.3 billion decrease in the market funded liquidity portfolio, since outflows from net loan disbursements exceeded inflows from net borrowings. The net worth funded liquidity portfolio decreased slightly by \$76 million in FY24.

## Figure 5: Liquid Assets (US\$ in billions)



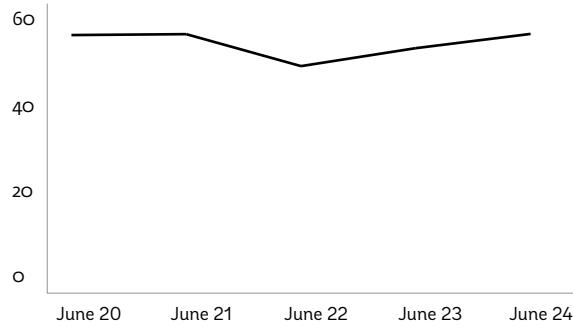
2. Please refer to Section III: Client Services Disbursed Investment Portfolio section for the definition of carrying value.

## BORROWINGS

Borrowings outstanding (including fair value adjustments) increased by \$3.4 billion from \$52.4 billion as of June 30, 2023 to \$55.8 billion as of June 30, 2024, mainly due to net new issuances of \$3.7 billion.

New borrowings under the medium- and long-term borrowing program (on a funding authorization basis) in FY24 were \$13.1 billion as compared to \$13.7 billion in FY23.

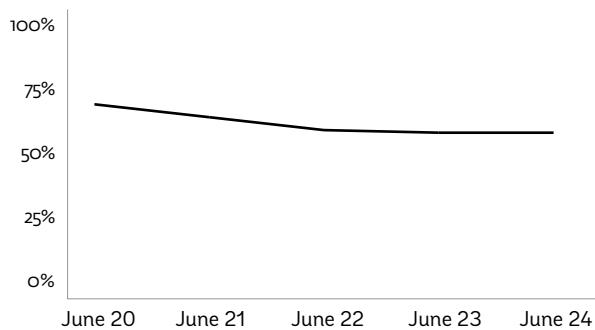
**Figure 6: Borrowings**  
(US\$ in billions)



## ECONOMIC CAPITAL FRAMEWORK

IFC's Capital Adequacy, as measured by CUR stood at 60.5 percent as of June 30, 2024, slightly lower than the 60.7 percent as of June 30, 2023. The reduction (lower capital utilization) in CUR was largely attributed to an increase in Capital Available, resulting from increases in undesignated retained earnings, paid-in capital, and other comprehensive income. There was also an increase in Capital Required, primarily due to the need for additional capital to support the Loan and Equity portfolios. During FY24, IFC updated its capital adequacy framework. Effective from Q3, IFC increased the granularity in economic capital calculations for trade finance, and also brought IFC's definition of Capital Available more closely into alignment with Basel Framework and S&P rating methodology by deducting the pension surplus of each pension plan. Effective from Q4, IFC excluded the PCRF assets from Capital Available, aligning with its intended use for post-retirement contributions.

**Figure 7: Capital Utilization Ratio**



## SECTION II. OVERVIEW

IFC is the largest global development institution focused on the private sector in developing countries. Established in 1956, IFC is owned by 186 member countries, a group that collectively determines its policies. IFC is a member of the WBG but is a legal entity separate and distinct from IBRD, IDA, MIGA, and ICSID, with its own Articles of Agreement, share capital, financial structure, management, and staff. Membership in IFC is open only to member countries of IBRD. IFC is not liable for the obligations of the other WBG institutions.

## FINANCIAL BUSINESS MODEL

IFC helps developing countries achieve sustainable growth by financing private sector investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. IFC's principal investment products are loans, equity investments, debt securities and guarantees. IFC also plays an active and direct role in mobilizing additional funding from other investors and lenders through a variety of means (Core Mobilization). Unlike most other development institutions, IFC does not accept host government guarantees of repayment. IFC raises virtually all of the funds for its lending activities through the issuance of debt obligations in the international capital markets, while maintaining a small borrowing window with IBRD. Equity investments are funded from capital (net worth). Proceeds of borrowings from market sources or net worth not immediately disbursed for investments are managed internally by IFC in its liquid asset portfolio.

IFC's capital base and its assets and liabilities, other than its equity investments, are primarily denominated in U.S.

dollars (\$ or US\$) or swapped into U.S. dollars. Overall, IFC seeks to minimize foreign exchange and interest rate risks arising from its loans, debt securities and liquid assets by closely matching the currency and rate basis of its assets in various currencies with liabilities having the same characteristics. IFC generally manages non-equity investment related and certain lending related residual currency and interest rate risks by utilizing currency and interest rate swaps and other derivative instruments.

## BASIS OF PREPARATION OF IFC'S CONSOLIDATED FINANCIAL STATEMENTS

The accounting and reporting policies of IFC conform with accounting principles generally accepted in the United States of America (U.S. GAAP). IFC's accounting policies are discussed in more detail in Section VII: Critical Accounting Policies, and in Note A to IFC's consolidated financial statements as of and for the year ended June 30, 2024 (FY24 consolidated financial statements). Certain reclassifications of prior years' information have been made to conform with the current year's presentation.

IFC uses Income Available for Designations (a non-U.S. GAAP measure) as a basis for designations of retained earnings. Prior to FY24, Income Available for Designations comprise net income excluding unrealized gains and losses on investments and borrowings<sup>3</sup> as well as grants to IDA, which were suspended in FY20 following the conclusion of the IDA Eighteen Replenishment of Resources (IDA18). In FY24, IFC updated the calculation of Income Available for Designations to exclude income from Post-retirement Contribution Reserve Fund (PCRF), aligning it with its intended use for post-retirement contributions. This change, approved by the Board in June 2024, is effective from FY24 and is reflected in the table below.

**Table 2: Reconciliation of Net Income or Loss to Income Available for Designations**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)		2024	2023	2022
<b>Net income (loss)</b>		\$ 1,485	\$ 672	\$ (464)
Adjustments to reconcile Net income (loss) to Income Available for Designations				
Unrealized losses (gains) on investments		49	(41)	740
Unrealized losses on borrowings		54	50	106
PCRF Income		(30)	–	–
<b>Income Available for Designations</b>		\$ 1,558	\$ 681	\$ 382

3. Unrealized gains and losses on investments and borrowings presented in the table includes unrealized gains and losses from associated derivatives.

### Table 3: Summary of Financial Results

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	2022
<b>Consolidated statement of operations highlights:</b>			
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	\$ 3,204	\$ 2,290	\$ 1,156
Provision for losses on loans, off-balance sheet credit exposures and other receivables	(9)	(22)	(126)
Income from equity investments and associated derivatives	142	191	208
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	811	518	414
Provision for losses on available-for-sale debt securities	(12)	(7)	(14)
Income (loss) from liquid asset trading activities	2,391	1,464	(413)
Charges on borrowings	(3,815)	(2,598)	(302)
Other income	587	518	419
Other expenses	(1,827)	(1,721)	(1,653)
Foreign currency transaction (losses) gains on non-trading activities	(115)	(86)	76
<b>Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA</b>	\$ 1,357	\$ 547	\$ (235)
Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	128	125	(229)
<b>Net income (loss)</b>	<b>\$ 1,485</b>	<b>\$ 672</b>	<b>\$ (464)</b>
 <b>AS OF THE YEAR ENDED JUNE 30</b> (US\$ in millions)			
2024	2023		
<b>Consolidated balance sheet highlights:</b>			
Total assets	\$108,187	\$110,547	
Liquid assets <sup>a</sup>	37,734	40,120	
Investments	58,747	51,502	
Borrowings outstanding, including fair value adjustments	55,755	52,443	
<b>Total capital</b>	<b>\$ 37,472</b>	<b>\$ 35,038</b>	
of which			
Undesignated retained earnings	\$ 13,133	\$ 11,589	
Designated retained earnings	162	221	
Accumulated other comprehensive income (AOCI)	957	632	
Paid-in capital	23,220	22,596	

a. Net of securities sold under repurchase agreements, payable for cash collateral received and associated derivatives.

### Table 4: Key Financial Ratios

AS OF THE YEAR ENDED JUNE 30 (US\$ in billions, except ratios)	2024	2023
Overall liquidity ratio <sup>a</sup>	81.0%	103.8%
Debt-to-equity ratio <sup>b</sup>	1.7	1.6
Total reserve against losses on loans to total disbursed portfolio <sup>c</sup>	2.9%	3.7%
Capital measures:		
Capital Available <sup>d</sup>	\$ 36.6	\$ 34.8
Capital Required <sup>e</sup>	22.2	21.1
Capital Utilization Ratio <sup>f</sup>	60.5%	60.7%

a. Overall Liquidity Policy states that IFC would at all times maintain a minimum level of liquidity, plus undrawn borrowing commitments from the IBRD, such that it would cover at least 45% of the next three years' estimated net cash requirements. IFC's overall liquidity as a percentage of the next three years' estimated net cash needs stood at 81% as of June 30, 2024, above the minimum requirement of the Board of 45%.

b. Debt-to-equity (leverage) ratio is defined as outstanding borrowings plus committed guarantees divided by total capital and comprises paid-in capital, retained earnings and Accumulated other comprehensive income (loss). IFC's debt-to-equity ratio as of June 30, 2024 was well within the maximum of 4 required by the policy approved by IFC's Board of Directors.

c. Total reserve 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.

d. Capital Available: Resources available to absorb potential losses, calculated as: IFC's balance sheets capital minus designated retained earnings minus Pension surplus of each pension plan minus PCRF assets.

e. Capital Required: Aggregate minimum Economic Capital required to maintain IFC's AAA rating.

f. CUR is defined as Capital Required divided by Capital Available.

## SECTION III. CLIENT SERVICES

### BUSINESS OVERVIEW

For all new investments, IFC articulates the expected impact on sustainable development and, as projects mature, assesses the quality of the development benefits realized. IFC's strategic focus areas are aligned to advance the WBG's global priorities.

### INVESTMENT SERVICES

IFC's investments are normally made in its developing member countries. IFC's Articles of Agreement mandate that IFC shall invest in productive private enterprises. The requirement for private ownership does not disqualify enterprises that are partly owned by the public sector if such enterprises are organized under local commercial and corporate law, operate free of host government control in a market context and according to profitability criteria, and/or are in the process of being completely or partially privatized.

IFC's investment project cycle generally includes the following stages:

IFC supervises its investments by closely monitoring project performance and ensuring compliance with contractual obligations and IFC's internal policies and procedures.

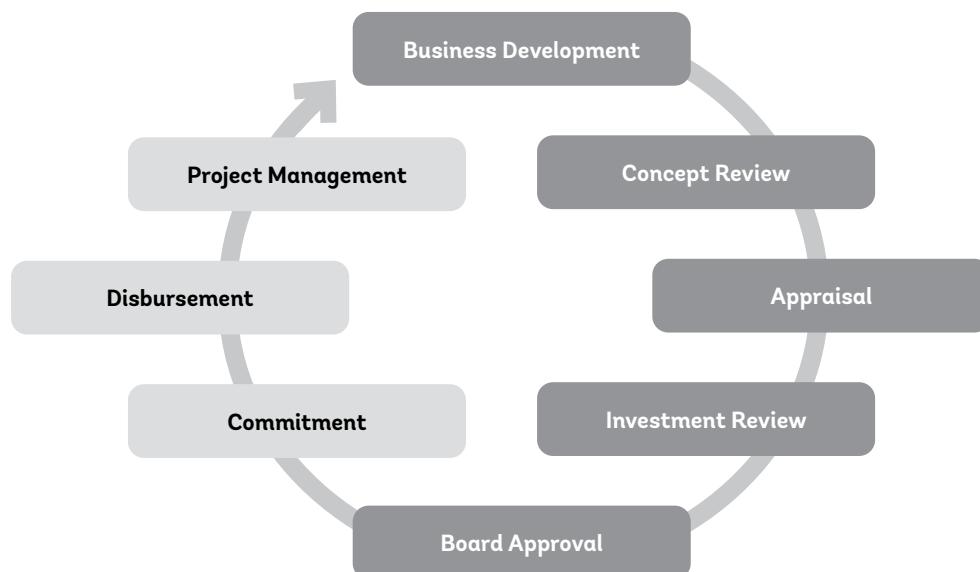
IFC's investment products and services are designed to meet the needs of clients in different industries—principally infrastructure, manufacturing, agribusiness, disruptive technologies and funds, services, and financial markets. Investment services product lines include: loans, equity investments, debt securities, trade and commodity finance, guarantees and partial credit guarantees, securitizations, client risk management services, blended finance, and mobilization products discussed below.

### INVESTMENT PRODUCTS

**Loans**—IFC finances projects and companies through loans from its own account, typically for seven to twelve years. IFC also makes loans to intermediary banks, leasing companies, and other financial institutions for on-lending. While IFC's loans have traditionally been denominated in the major currencies, IFC has made it a priority to structure local currency products. IFC has provided funding in 74 local currencies. Pricing of IFC loans reflects market conditions and country and project risks, and loans are typically variable rate (or swapped into variable rate).

**Equity Investments**—Equity investments provide developmental support and long-term growth capital that private enterprises need. IFC invests directly in companies' equity, and also through private-equity funds. IFC generally invests between 5 and 20 percent of a company's equity. IFC's equity investments are typically in the form of common or preferred stock which is not

**Figure 8: IFC's Investment Project Cycle**



mandatorily redeemable by the issuer or puttable to the issuer by IFC. Equity investments are usually denominated in the currency of the country in which the investment is made. IFC also uses put and call options, profit participation features, conversion features, warrants and other types of instruments in managing its equity investments.

**Debt Securities**— Investments typically in the form of bonds and notes, securitized debt obligations (e.g., asset-backed securities (ABS), mortgage-backed securities (MBS), and other collateralized debt obligations) and preferred shares that are mandatorily redeemable by the issuer or puttable to the issuer by IFC.

**Trade and Commodity Finance**— IFC’s Trade and Commodity Finance programs offer guarantees, risk-sharing facilities, loans and other structured products to support trade in emerging markets. IFC’s Global Trade Finance Program (GTFP) guarantees trade-related payment obligations of approved financial institutions. Separately, the Global Trade Liquidity Program (GTLPI) and Critical Commodities Finance Program (CCFP) provide liquidity, through risk sharing, for trade in developing countries. IFC also has a number of other Trade and Supply Chain Finance-related programs, including Global Trade Supplier Finance (GTSF), Global Warehouse Finance Program (GWFP), Working Capital Solutions (WCS) and Global Structured Trade Finance Program (GTST).

**Guarantees and Partial Credit Guarantees**— IFC’s guarantee is available for debt instruments, including portfolio risk-sharing facilities, and trade obligations of clients and covers commercial as well as noncommercial risks. IFC will provide local currency guarantees, but when a guarantee is called, the client will generally be obligated to reimburse IFC in U.S. dollar terms. A partial credit guarantee represents a promise of full and timely debt service payment up to a predetermined amount. Typically, the sum that IFC pays out under the guarantee covers creditors irrespective of the cause of default.

**Securitizations**— IFC invests in domestic or cross-border securitizations and provides credit enhancement to transactions through funded or unfunded participations, mainly at the mezzanine level.

**Client Risk Management Services**— IFC extends long-maturity risk management products to clients in developing countries to allow them to hedge their interest rate, currency, or commodity-price exposures.

**Blended Finance**— In addition to providing commercial financing for IFC’s own account, IFC uses a number of complementary tools to crowd in private sector financing that would otherwise not be available to projects with high development impact. IFC blends concessional funds, typically from development partners, alongside IFC’s own commercial funding.

**Mobilization Products** — IFC promotes development by mobilizing financing for the private sector in its developing member countries. Mobilization at IFC is governed by IFC’s Core Mobilization Procedure (the Procedure). The Procedure interprets how the harmonized MDB/DFI mobilization definitions of mobilization apply to IFC’s private-sector development activities. IFC estimates Core Mobilization at the time of commitment based on the project financing plan. Mobilization activities are included in Core Mobilization if they meet five criteria:

- i. Sourced from a third party that is neither IFC nor the client itself;
- ii. Include financing or credit-risk transfer;
- iii. Arranged on commercial terms;
- iv. Due to the active and direct involvement of IFC; and
- v. Benefit an IFC client.

The Procedure provides product-specific frameworks for interventions to qualify as Core Mobilization. These include:

- **Syndications**— Syndications are debt investments which are a direct result of IFC activities to mobilize debt financing from co-investors for a firm in which IFC is also investing. IFC programs for debt syndications include B Loans, parallel loans (agented and non-agented), loans under the Managed Co-Lending Portfolio Program, credit insurance, debt securities syndications, B Bonds, and A-Loan Participations. For syndications, Core Mobilization is the amount of financing provided by co-investors to IFC investee firms.

- **Advisory and upstream**— IFC may play a mandated advisory role to directly design a transaction and facilitate a successful investment in the same transaction. IFC programs for transaction-related advisory and upstream include Public-Private Partnership (PPP) Mobilization, Asset Monetization, Mergers & Acquisitions and Pre-Initial Public Offering Advisory Mobilization, and Upstream Collaboration and Co-Developments Mobilization. For advisory and upstream, Core Mobilization is the amount of financing provided by investors.

- **Anchor investments**— Anchor investment entails IFC’s upfront commitment as an investor in a firm’s planned issuance of securities. IFC’s anchor investment is evidenced by legal documentation and included in transaction marketing materials. IFC supplements its anchor investment by performing a range of activities, including initiating the concept, advising clients on the selection of an arranger, and referring inquiries from potential investors to the licensed arranger.<sup>4</sup> For anchor investments, Core Mobilization is the amount of financing provided by co-investors to IFC investee firms.

4. An IFC investment role is necessary but not sufficient to recognize Core Mobilization in an anchor investment.

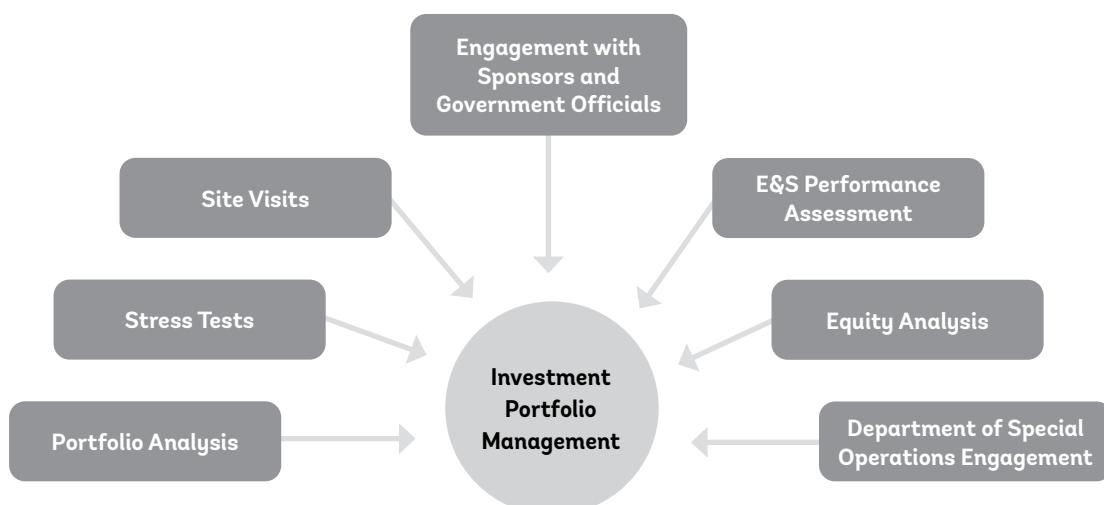
- **Third-party-managed funds**—Third-party-managed funds entail IFC's upfront commitment as an anchor investor in funds, including growth equity, venture capital, mezzanine, and senior debt funds targeting Emerging Market and Developing Economies borrowers. IFC's anchor investment is evidenced by legal documentation and included in transaction marketing materials. IFC supplements its anchor investment by performing a range of activities, including standard setting and legal structuring of terms. For third-party-managed funds, Core Mobilization is the amount of financing provided by co-investors excluding arrangers, underwriters, and any co-investors receiving more favorable terms than IFC.
- **Trade finance**—Trade finance mobilization reflects the non-IFC portion of investments under the GTLP, CCFP, GWFP, GTST, and the Global Supply Chain Finance Program (GSCP) made available to a private firm due to IFC's active and direct involvement in raising resources. For trade finance, Core Mobilization is the amount of financing mobilized less the amount of IFC's financing or guarantee, which is recognized as an own-account commitment.
- **IFC-managed funds**—IFC created IFC's Equity Mobilization Department (formally IFC Asset Management Company, or AMC) as its core equity mobilization platform to attract third-party capital to invest alongside IFC via IFC-managed funds and direct co-investments. For fund management, Core Mobilization is the total of the amount of investment made by an IFC-managed fund excluding the IFC portion and any amount of direct co-investment made by an IFC-managed fund investor.
- **Guarantees**—IFC guarantees on debt instruments to private firms can credit-enhance the credit rating of a securities issuance or support firms in managing exposure/capital limits and manage risk aversion. Guarantees can either be on a single-asset or portfolio basis. For guarantees, Core Mobilization is the amount of financing the guarantee mobilizes less the amount of IFC's guarantee, which is recognized as an own-account commitment.

## INVESTMENT PORTFOLIO MANAGEMENT

At the core of IFC's approach to portfolio management is the objective to build and proactively manage a portfolio that produces strong financial results and development impact. IFC achieves this through a combination of strong presence on the ground and deep sector expertise, that enables IFC to stay close to its clients and markets, monitor trends and anticipate impacts of external factors.

Active portfolio management depends on timely and accurate information to drive business decisions. Regional investment teams regularly review the regional industry portfolio with Senior Management and Risk to ensure continued oversight and assess broad trends as well as performance of select projects. Additionally, quarterly reviews of IFC's portfolio results are presented to the Board, along with an in-depth analysis at the end of each fiscal year. IFC's investment and portfolio teams, largely based in field offices, complement global reviews with asset-by-asset quarterly assessments for investments.

**Figure 9: IFC's Investment Portfolio Management**



At the corporate level, IFC combines **portfolio analysis** with sector and local expertise along with project knowledge and projections of global macroeconomic and market trends to inform decisions about program and strategy. IFC also regularly conducts **stress tests** to assess the performance of the portfolio against possible macroeconomic developments, and to identify and address risks.

At the project level, IFC's multidisciplinary teams, including investment and sector specialists with deep industry expertise, closely monitor investment performance and compliance with investment agreements. IFC does this through **site visits** to evaluate project implementation, and through active **engagement with sponsors and government officials**, where relevant, to identify potential problems early on and formulate appropriate solutions. IFC also monitors clients' **environmental and social (E&S) performance** in a risk-based manner and measures financial performance and development results.

IFC closely **assesses its equity portfolio** on an ongoing basis including proactively identifying assets ready for divestments where IFC's development role has been completed. This rebalancing of the equity portfolio is the result of an analysis that takes into account market conditions, opportunities, expected returns, and risks, and is adjusted periodically as required. To improve its governance structure, IFC has appointed Global Equity Heads, who focus on strategic business development, central oversight and management of IFC's larger and more complex equity positions throughout the investment lifecycle.

For projects in financial distress, IFC's **Department of Special Operations (CSO)** determines the appropriate remedial actions to optimize the Corporation's overall return on a net present value basis while minimizing reputational risk and, where possible, maximizing

developmental impact. It seeks to keep the project operational to achieve the intended development impact and negotiates agreements with creditors and shareholders to share the burden of restructuring. Investors and other partners participating in IFC's operations are kept regularly informed, and IFC consults or seeks their consent as appropriate.

IFC continues to invest in information-technology systems to better support the management of its portfolio, and continuously enhance its governance, through the Portfolio Management Department, which works closely together with stakeholders both in the global industry and regional departments.

## INVESTMENT PROGRAM

### COMMITMENTS

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Investment Commitments include Long-Term Finance and Short-Term Finance Commitments, from both IFC's Own Account and Core Mobilization. Investments made by IFC from its own account utilize its own borrowings or capital. Core Mobilization refers to non-IFC financing or risk sharing arranged on commercial terms due to the active and direct involvement of IFC for the benefit of a client. IFC mobilizes such finance from other private and public entities through a number of means. Own Account investments supported 365 LTF projects in FY24 (325 in FY23).

Table 5 outlines a comparative breakdown of IFC's Long-Term and Short-Term Finance Commitments, including Own Account and Core Mobilization in FY24 and FY23:

**Table 5: Long-Term Finance and Short-Term Finance Commitments (Own Account and Core Mobilization)**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
<b>Long-Term Finance Own Account Commitments</b>			
Loans	\$ 17,822	\$ 14,135	\$ 3,687
Equity investments	1,722	1,761	(39)
Guarantees	1,857	704	1,153
Client risk management	57	77	(20)
<b>Total Long-Term Finance Own Account Commitments</b>	<b>\$21,458</b>	<b>\$ 16,677</b>	<b>\$ 4,781</b>
<b>Long-Term Finance Core Mobilization</b>			
Syndication	\$ 8,079	\$ 6,165	\$ 1,914
Advisory and upstream	4,708	3,687	1,021
Anchor investment	4,202	1,580	2,622
Trade finance	1,824	2,163	(339)
Third-party-managed funds	2,720	1,142	1,578
IFC-managed funds	16	15	1
Guarantee	600	—	600
Other	355	277	78
<b>Total Long-Term Finance Core Mobilization<sup>a</sup></b>	<b>\$22,504</b>	<b>\$15,029</b>	<b>\$ 7,475</b>
<b>Total Long-Term Finance Commitments</b>	<b>\$43,962</b>	<b>\$31,706</b>	<b>\$12,256</b>
<b>Short-Term Finance Commitments</b>			
Short-Term Finance Own Account	\$ 10,196	\$ 11,027	\$ (831)
Short-Term Finance Core Mobilization	1,929	996	933
<b>Total Short-Term Finance Commitments</b>	<b>\$ 12,125</b>	<b>\$ 12,023</b>	<b>\$ 102</b>
<b>Total Commitments<sup>b</sup> (Own Account and Core Mobilization)</b>	<b>\$ 56,087</b>	<b>\$ 43,729</b>	<b>\$12,358</b>

a. In FY24, IFC updated its core mobilization definitions and criteria. Previous year's information was updated to conform with the current year's presentation.

b. Debt security commitments are included in loans or equity investments based on their predominant characteristics.

## INVESTMENT DISBURSEMENTS

During FY24, IFC disbursed \$19.1 billion for its own account (\$18.7 billion in FY23) as presented in the table below:

**Table 6: Disbursements of IFC's Investment Portfolio**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Loans	\$ 14,482	\$ 13,838	\$ 644
Equity investments	1,535	1,033	502
Debt securities	3,130	3,818	(688)
<b>Total Investment Disbursements</b>	<b>\$ 19,147</b>	<b>\$18,689</b>	<b>\$ 458</b>

## INVESTMENT PORTFOLIO

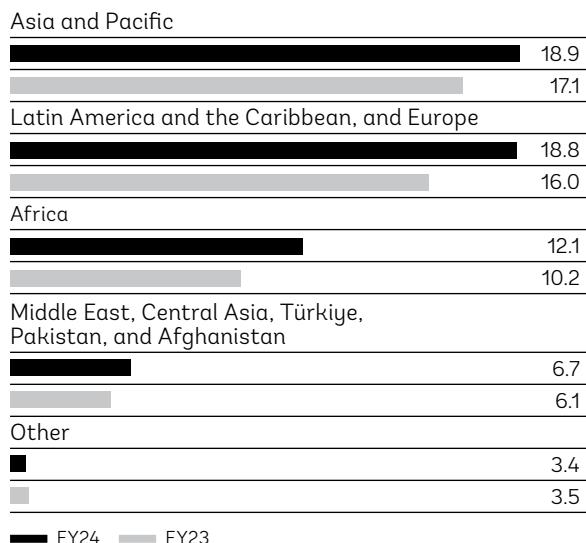
IFC's total disbursed investment portfolio (a non-U.S. GAAP performance measure) was \$59.9 billion as of June 30, 2024 (\$52.8 billion — June 30, 2023), as presented in the table below:

**Table 7: Disbursed Investment Portfolio**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	DISBURSED INVESTMENTS		AS A % OF TOTAL	
	2024	2023	2024	2023
Loans	\$ 37,726	\$32,886	63%	62%
Equity investments	10,910	10,371	18%	20%
Debt securities	11,221	9,556	19%	18%
<b>Total Investment Disbursements</b>	<b>\$59,857</b>	<b>\$52,813</b>	<b>100%</b>	<b>100%</b>

IFC's disbursed investment portfolio is diversified by region. The distribution of the portfolio by geographical region as of June 30, 2024 and June 30, 2023 is shown below:

**Figure 10: Disbursed Investment Portfolio Distribution by Region**  
(US\$ in billions)



IFC's disbursed investment portfolio is also diversified by industry sector. The distribution of the portfolio by industry sector as of June 30, 2024 and June 30, 2023 is shown below:

**Table 8: Disbursed Investment Portfolio Distribution by Industry Sector**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	DISBURSED INVESTMENTS		AS A % OF TOTAL	
	2024	2023	2024	2023
Finance & Insurance	\$26,503	\$23,445	44%	44%
Collective Investment Vehicles	5,216	4,745	9%	9%
Electric Power	4,719	4,141	8%	8%
Chemicals	2,683	2,527	5%	5%
Construction and Real Estate	2,383	1,978	4%	4%
Transportation and Warehousing	2,332	2,076	4%	4%
Industrial & Consumer Products	2,199	1,578	4%	3%
Agriculture and Forestry	1,699	1,622	3%	3%
Information	1,615	1,236	3%	2%
Wholesale and Retail Trade	1,546	1,697	3%	3%
Others	8,962	7,768	15%	15%
<b>Total</b>	<b>\$59,857</b>	<b>\$52,813</b>	<b>100%</b>	<b>100%</b>

The breakdown of committed investment portfolio (sum of (i) committed but undisbursed balance; and (ii) disbursed and outstanding balance) as of June 30, 2024 and June 30, 2023 is presented in the table below:

**Table 9: Committed Investment Portfolio**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Debt (including loan and loan-like instruments <sup>a</sup> )	\$58,534	\$ 49,713	\$ 8,821
Equity (including equity and equity-like instruments <sup>a</sup> )	14,646	14,190	456
Guarantee and Credit Risk Management	6,689	5,596	1,093
<b>Total Committed Investment Portfolio</b>	<b>\$79,869</b>	<b>\$69,499</b>	<b>\$10,370</b>

a. Loan-like and equity-like instruments are reported as debt securities on IFC's consolidated financial statements.

The carrying value of IFC's investment portfolio comprises: (i) the disbursed investment portfolio; (ii) less reserve against losses on loans and debt securities; (iii) unamortized deferred loan origination fees; (iv) less disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets; (v) unrealized gains and losses on equity investments held by consolidated variable interest entities; and (vi) unrealized gains and losses on investments. The breakdown of IFC's investment portfolio as of June 30, 2024 and June 30, 2023 is presented in the table below:

**Table 10: The Carrying Value of IFC's Investment Portfolio**

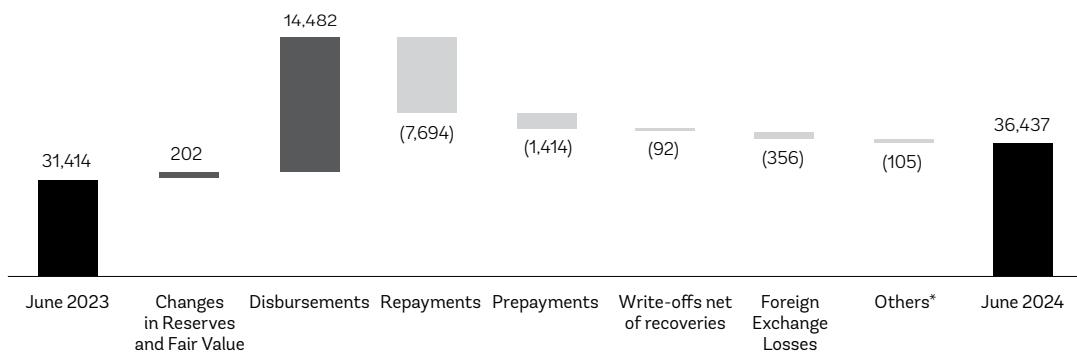
FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Loans	\$ 36,437	\$ 31,414	\$ 5,023
Equity investments	11,121	10,778	343
Debt securities	11,189	9,310	1,879
<b>Total Investments</b>	<b>\$58,747</b>	<b>\$51,502</b>	<b>\$ 7,245</b>

## LOANS

The carrying value of IFC's loan portfolio (comprising the disbursed loan portfolio, together with adjustments as detailed in Note D to IFC's FY24 consolidated financial statements), increased by \$5.0 billion (16 percent) to

\$36.4 billion as of June 30, 2024. The increase was primarily driven by net disbursements (disbursements net of repayments and prepayments) during the period. See breakdown of this movement in Figure 11 below.

**Figure 11: Carrying Value of Loan Portfolio  
(US\$ in millions)**



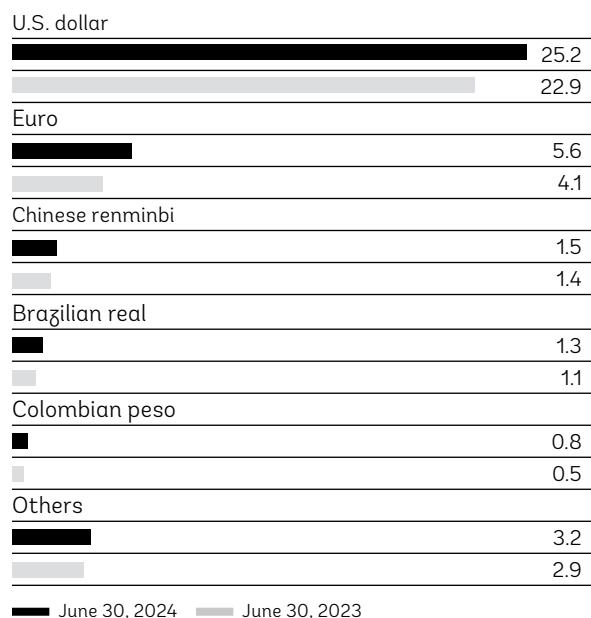
\* Mainly represents loan sales, transfers, and conversions to equity investments.

The weighted average contractual interest rate on fixed and variable rate loans was 7.8 percent as of June 30, 2024 and June 30, 2023.

IFC offers local currency products. To manage its risk exposure, IFC typically hedges local currency loan cash flows back into U.S. dollars using swaps, or funds local currency loans with local currency bond issuance. The outstanding local currency denominated loans were \$6.9 billion as June 30, 2024, a \$973 million increase from June 30, 2023. IFC has also made loans in a number of frontier market currencies such as Vietnamese dong, Tanzanian shilling, Kazakhstan tenge, Bangladeshi taka, Tunisian dinar, Pakistani rupee, and Sri Lankan rupee.

As of June 30, 2024, 67 percent of IFC's disbursed loan portfolio was U.S. dollar-denominated (70 percent as of June 30, 2023). After the effect of interest rate swaps and currency swaps, IFC's loans are principally denominated in variable rate U.S. dollars. The currency composition of the disbursed loan portfolio as of June 30, 2024 and June 30, 2023 is shown in Figure 12:

**Figure 12: Currency Composition of Disbursed Loan Portfolio  
(US\$ in billions)**

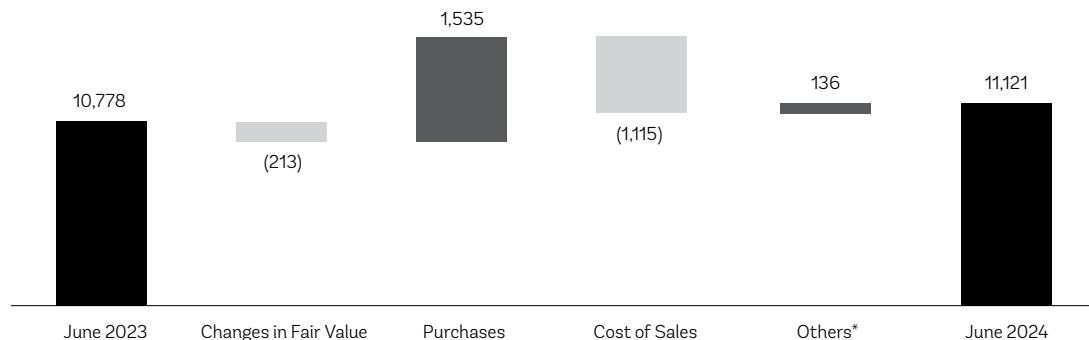


## EQUITY INVESTMENTS

The carrying value of IFC's equity investment portfolio (comprising the disbursed equity portfolio, together with adjustments as detailed in Note D to IFC's FY24 consolidated financial statements), increased by \$343 million

(3.2 percent) to \$11.1 billion as of June 30, 2024 (\$10.8 billion — June 30, 2023). The increase was mainly due to net purchases (purchases net of sales). See breakdown of this movement in Figure 13 below.

**Figure 13: Carrying Value of Equity Investment Portfolio  
(US\$ in millions)**



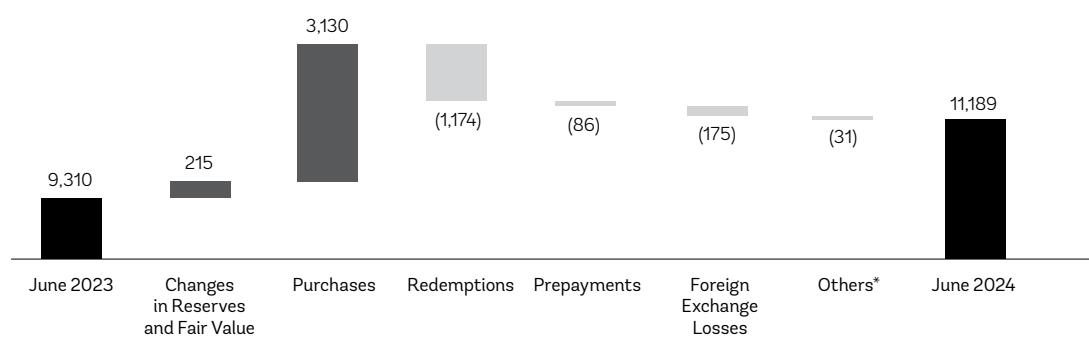
\* Mainly represents conversions and transfers from loans and debt securities to equity investments.

## DEBT SECURITIES

The carrying value of IFC's debt security portfolio (comprising the disbursed debt security portfolio, together with adjustments as detailed in Note D to IFC's FY24 consolidated financial statements), increased by \$1.9 billion (20.2 percent) to \$11.2 billion as of June 30, 2024

(\$9.3 billion — June 30, 2023). The increase was primarily driven by net purchases (purchases net of redemptions and prepayments) during the period. See breakdown of this movement in Figure 14 below:

**Figure 14: Carrying Value of Debt Security Portfolio  
(US\$ in millions)**



\* Mainly represents conversions and transfers from debt securities to equity investments.

Additional information on IFC's investment portfolio can be found in Notes D, E, F, G, H, P, R and T to IFC's FY24 consolidated financial statements.

## **GUARANTEES AND PARTIAL CREDIT GUARANTEES**

IFC's guarantee is available for debt instruments, including portfolio risk-sharing facilities, and trade obligations of clients and covers commercial as well as non-commercial risks. Guarantees of \$4.8 billion were outstanding (i.e., not called) as of June 30, 2024 (\$4.4 billion as of June 30, 2023).

### **M CPP**

M CPP creates diversified portfolios of emerging market private sector loans. M CPP builds a loan portfolio for an investor that mirrors the portfolio IFC is creating for its own account. Investors pledge capital upfront and then as IFC identifies eligible projects, investor exposure is allocated alongside IFC's own investment in accordance with the terms of the managed co-lending agreement.

As of June 30, 2024, seventeen global investors have pledged \$16.2 billion to the M CPP, a \$3.5 billion increase from the \$12.7 billion as of June 30, 2023, with certain programs investing across all sectors and others focused on infrastructure or financial institutions exclusively. Investors have also approved funding for 316 projects worth \$12.1 billion across 69 countries as of June 30, 2024, up from 263 projects worth \$10.0 billion across 63 countries as of June 30, 2023. Out of these, \$9.7 billion (\$8.3 billion as of June 30, 2023) has been committed. IFC will continue to deploy the remaining funds raised as IFC identifies projects that meet investors' criteria.

### **IDA-PSW**

The IDA Private Sector Window (PSW) was created under IDA's Eighteenth Replenishment of Resources (IDA18) to mobilize private sector investment in IDA only countries and IDA-eligible Fragile and Conflict-affected Situations (FCS). Under IDA's Twentieth Replenishment of Resources (IDA20), \$2.5 billion has been allocated to the PSW, bringing the cumulative total allocation to \$5.5 billion. The IDA-PSW is implemented through four facilities:

- **Risk Mitigation Facility:** Involves both MIGA and IFC, this facility is designed to provide project-based guarantees

#### **AMC Funds**

IFC Capitalization (Equity) Fund, LP <sup>a</sup>	61%
IFC Capitalization (Subordinated Debt) Fund, LP	13%
IFC African, Latin American and Caribbean Fund, LP	20%
IFC Catalyst Funds <sup>b</sup>	18%
IFC Global Infrastructure Fund, LP	17%
IFC Financial Institutions Growth Fund, LP	30%
IFC Global Emerging Markets Fund of Funds <sup>c</sup>	19%
IFC Middle East and North Africa Fund, LP	37%
Women Entrepreneurs Debt Fund, LP	26%
IFC Emerging Asia Fund, LP	22%

a. By virtue of certain rights granted to non-IFC limited partner interests, IFC does not control or consolidate this fund.

b. The ownership interest of 18% reflects IFC's ownership interest taking into consideration the overall commitments for the IFC Catalyst Funds, which comprises IFC Catalyst Fund, LP, IFC Catalyst Fund (UK), LP and IFC Catalyst Fund (Japan), LP (collectively, IFC Catalyst Funds). IFC does not have an ownership interest in either the IFC Catalyst Fund (UK), LP or the IFC Catalyst Fund (Japan), LP.

c. The ownership interest of 19% reflects IFC's ownership interest taking into consideration the current committed amounts for the IFC Global Emerging Markets Fund of Funds, which comprises IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds, (Japan Parallel) LP. IFC does not have an ownership interest in the IFC Global Emerging Markets Fund of Funds, (Japan Parallel) LP.

to encourage/mobilize private sector investment in infrastructure projects and public-private partnerships.

- **Local Currency Facility:** Administered by IFC, this facility is designed to provide local currency denominated loans, investments or hedges to private sector clients who operate in markets where there are limited currency hedging capabilities. In the absence of currency hedging instruments and creditworthy counterparties, IDA would enter into swaps or indemnity agreements with IFC.

- **Blended Finance Facility:** Administered by IFC, this facility blends PSW financing support with IFC investments to support SMEs, agribusiness and other pioneering investments.

- **MIGA Guarantee Facility:** Administered by MIGA, this facility is designed to expand the coverage of MIGA Political Risk Insurance (PRI) products through shared first-loss or risk participation similar to reinsurance.

As of June 30, 2024, a combined total of \$4.7 billion (\$3.8 billion – June 30, 2023) of instruments under the IDA18 through IDA20 replenishments had been approved, of which \$3.4 billion (\$2.8 billion – June 30, 2023) related to IFC. Refer to Note B to the FY24 consolidated financial statements for more details.

### **IFC-MANAGED FUNDS**

AMC invests third-party capital and IFC capital, enabling outside investors to invest alongside IFC in developing markets. Investors in funds managed by AMC have included sovereign wealth funds, national pension funds, multilateral and bilateral development institutions, national development agencies and international financial institutions (IFIs).

As of June 30, 2024, AMC managed multiple funds (collectively referred to as the AMC Funds), in its capacity as General Partner (GP)/Manager of these funds. However, none of these funds require consolidation by IFC, because the third-party limited partners of these funds have a substantive ability to remove IFC as GP/Manager. All AMC Funds are investment companies and are required to report their investment assets at fair value through net income. IFC's ownership interests in these AMC Funds are shown in the following table:

**IFC's ownership interest**

	<b>IFC's ownership interest</b>
IFC Capitalization (Equity) Fund, LP <sup>a</sup>	61%
IFC Capitalization (Subordinated Debt) Fund, LP	13%
IFC African, Latin American and Caribbean Fund, LP	20%
IFC Catalyst Funds <sup>b</sup>	18%
IFC Global Infrastructure Fund, LP	17%
IFC Financial Institutions Growth Fund, LP	30%
IFC Global Emerging Markets Fund of Funds <sup>c</sup>	19%
IFC Middle East and North Africa Fund, LP	37%
Women Entrepreneurs Debt Fund, LP	26%
IFC Emerging Asia Fund, LP	22%

AMC Funds and their activities as of and for the years ended June 30, 2024 and 2023 are summarized as follows. As of June 30, 2024, all AMC Funds are in the post-investment period.

## Table 11: AMC Funds

(US\$ in millions)	THROUGH JUNE 30, 2024					FOR THE YEAR ENDED JUNE 30			
	TOTAL FUNDS RAISED SINCE INCEPTION			CUMULATIVE INVESTMENT COMMITMENTS <sup>a</sup>	2024		2023		
	TOTAL	FROM IFC	FROM OTHER INVESTORS		COMMITTED AMOUNT <sup>b</sup>	DISBURSED AMOUNT	COMMITTED AMOUNT <sup>b</sup>	DISBURSED AMOUNT	
<b>Current Funds</b>									
IFC Capitalization (Equity) Fund, LP (Equity Capitalization Fund)	\$ 1,275	\$ 775	\$ 500	\$ 1,214	\$ -	\$ -	\$ -	\$ -	
IFC Capitalization (Subordinated Debt) Fund, LP (Sub-Debt Capitalization Fund)	1,725	225	1,500	1,614	-	-	-	-	
IFC African, Latin American and Caribbean Fund, LP (ALAC Fund)	1,000	200	800	863	-	-	-	-	
IFC Catalyst Fund, LP, IFC Catalyst Fund (UK), LP and IFC Catalyst Fund (Japan), LP (collectively, Catalyst Funds)	418	75	343	361	-	7	-	8	
IFC Global Infrastructure Fund, LP (Global Infrastructure Fund) <sup>c</sup>	1,430	200	1,230	902	-	-	-	-	
IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds (Japan Parallel), LP (collectively, GEM Funds)	800	150	650	757	-	48	-	86	
Women Entrepreneurs Debt Fund, LP (WED Fund)	115	30	85	110	-	-	-	-	
IFC Middle East and North Africa Fund, LP (MENA Fund)	162	60	102	86	-	-	4	8	
IFC Financial Institutions Growth Fund, LP (FIG Fund)	505	150	355	354	10	10	-	3	
IFC Emerging Asia Fund, LP (Asia Fund)	693	150	543	590	17	17	16	97	
<b>Current Funds Total</b>	<b>\$ 8,123</b>	<b>\$ 2,015</b>	<b>\$ 6,108</b>	<b>\$ 6,851</b>	<b>\$ 27</b>	<b>\$ 82</b>	<b>\$ 20</b>	<b>\$ 202</b>	
<b>Former Funds</b>									
Africa Capitalization Fund, Ltd. (Africa Capitalization Fund)	\$ 182	\$ -	\$ 182	\$ 130	\$ -	\$ -	\$ -	\$ -	
China-Mexico Fund, LP (China-Mexico Fund) <sup>d</sup>	1,200	-	1,200	362	-	-	-	10	
IFC Russian Bank Capitalization Fund, LP (Russian Bank Cap Fund)	550	250	300	82	-	-	-	-	
<b>Former Funds Total</b>	<b>\$ 1,932</b>	<b>\$ 250</b>	<b>\$ 1,682</b>	<b>\$ 574</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10</b>	
<b>Grand Total</b>	<b>\$10,055</b>	<b>\$2,265</b>	<b>\$7,790</b>	<b>\$ 7,425</b>	<b>\$ 27</b>	<b>\$ 82</b>	<b>\$ 20</b>	<b>\$ 212</b>	

a. Net of commitment cancellations.

b. Excludes commitment cancellations from prior periods.

c. Includes co-investment fund managed by AMC on behalf of Fund LPs.

d. AMC ceased to be the manager of the China-Mexico Fund on September 15, 2023..

## UPSTREAM AND ADVISORY SERVICES

Upstream and Advisory is central to delivering on IFC's corporate strategy and overall mission, particularly for IFC's role in IDA/FCS countries and in its climate and gender delivery. IFC's Articles of Agreement underline a lead role for the Corporation in private sector development "to stimulate, and to help create conditions conducive to, the flow of private capital, domestic and foreign, into productive investment in member countries." Upstream and Advisory services are cooperating to provide / transform IFC business development while being driven more effectively from the IFC Regions. It is also helping to align World Bank and IFC operations. In FY24, IFC has been working to scale up Upstream delivery. The transformative impact on IFC business development by creating a medium- to long-term pipeline of bankable deals returned meaningful dividends for the FY24 program.

Providing advice and engaging in early stage project development activities are critical enablers of IFC strategy to create markets and mobilize private capital. Through IFC's Upstream and Advisory programs, IFC works with clients — including companies, financial institutions, industries, and governments — to transform ideas into increased private sector investment, green growth, inclusive job creation, and bankable projects. IFC helps to establish the necessary conditions that will attract capital and sustainable investments and mobilize private capital through its public-private partnerships (PPP) transaction advisory work. IFC works with its investment clients to improve their operations and enhance their development impact on local supply chains and communities. IFC supports the creation of bankable investment projects in challenging markets and nascent sectors through early-stage project preparation and development, de-risking activities before their financial close.

IFC's Upstream and Advisory work is informed by the joint IFC and World Bank Country Private Sector Diagnostics; the WBG's multi-year Country Partnership Frameworks; and IFC's Country Strategies and Sector Deep Dives.

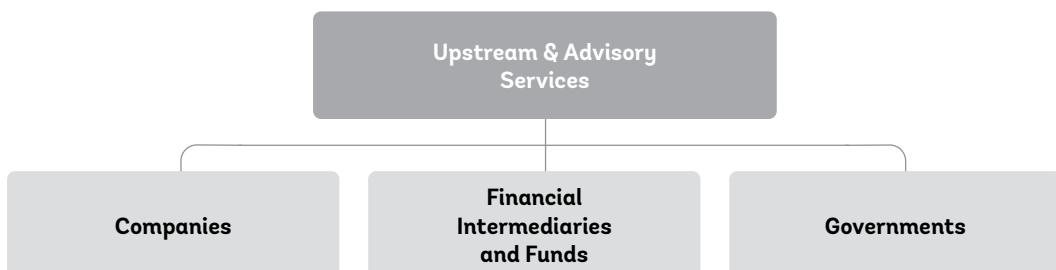
Through IFC's Upstream and Advisory Services:

- IFC helps companies attract and retain private investors and partners, enter new markets, and increase their impact. IFC provides tailored market insights as well as technical advice on how to improve companies' operational performance and sustainability.
- IFC helps industries adopt good practices and standards to increase competitiveness, productivity, and sustainability.
- IFC helps governments structure public-private partnerships to improve people's access to high-quality infrastructure and basic services. IFC also advises on improving the business environment through reforms that promote investment, spur growth, and create jobs — while providing support for the implementation of these reforms.
- IFC contributes to the costs and efforts necessary to determine the feasibility of a potential project and brings its expertise to specific project development activities, at times using its resources to fund capital and/or operational expenditures by the project with the aim of proving a business model in a specific country or region.
- IFC works in collaboration with the World Bank to provide policy advice and develop activities that help create markets and support future transactions in multiple industries, especially in IDA eligible countries and FCS.
- IFC works with global experts to generate ideas and analyses to address the most urgent challenges in private sector development. IFC fosters peer-to-peer learning at a global scale through its networks convening policymakers and influencers, which IFC effectively leveraged to help support its clients during the pandemic.

Particularly in the poorest and conflict-affected areas of the world, IFC works with clients to improve their environmental, social, and governance practices, including those related to gender. IFC helps developing economies realize the economic potential of clean energy and green building. IFC helps lagging private sectors transform into the digital age. IFC helps potential investment clients improve their operational performance and management practices to attract the financing they need.

IFC's Upstream and Advisory Services are provided to various clients including companies, financial intermediaries and funds, and governments.

**Figure 15: Key Stakeholders: Upstream and Advisory Services**



## HOW IFC WORKS WITH COMPANIES

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**Agribusiness:** IFC helps companies improve productivity and sustainability by focusing on operational efficiency, food safety and standards, adoption of technology to the agribusiness value chain, good soil and water management, and professionalizing smallholder farmer supply chains while applying climate-smart and gender-smart practices.

**Health:** IFC supports healthcare providers in improving the quality of healthcare outcomes through deploying the new IFC IQ-Healthcare assessment tool and accompanying Advisory Services. IFC also runs a community of practice to support Women's Leadership in Healthcare, focusing on the unique challenges to women leaders in the sector.

**Education:** Through IFC's new initiative, Vitae, IFC supports higher education institutions in improving employability outcomes for their graduates, thereby minimizing the skills gap for the changing job realities of the 21st century.

**Manufacturing:** IFC works with its clients in the manufacturing sector to develop and finance their decarbonization strategies, as well as improve the productivity of their direct operations and supply chains. This includes bringing a gender-smart lens to companies' employment challenges and supporting the deployment of supply chain finance tied to improved sustainability performance.

**Tourism:** IFC helps businesses modernize their tourism offerings and maximize the potential of their natural and cultural assets. IFC works with clients to assess the impact and devise strategies to restore their tourism sectors as quickly as possible.

**Infrastructure:** IFC supports private and sub-sovereign public sector clients to become attractive destinations for infrastructure investments and helps close the infrastructure gaps. IFC works with subnational governments to strengthen institutions and regulations; improve critical infrastructure and environmental sustainability; foster skills and innovation; expand access to finance; build capacity to manage tax and royalty payments to improve community welfare and local content. IFC also works closely with private sector clients to acquire a social license to operate in tough environments by increasing benefits to local communities; mitigating social risks; and addressing obstacles to gender equality and inclusion in the workplace, across the supply chain.

**Corporate Finance Services:** IFC supports clients to identify and enter new markets and structure entry strategies. IFC helps companies attract international investors, bring in new skills, expertise, and capital. IFC supports the structuring of complex projects and offers advice on the design and execution of partnerships, joint ventures, and acquisitions.

**Green Buildings:** IFC offers tools and training to help companies construct buildings that use energy, water, and materials more efficiently. IFC also helps governments establish related policy frameworks and works with banks to launch green-finance products.

**Small and Medium Enterprises (SMEs):** IFC helps SMEs strengthen their skills and performance, improving their ability to participate in the supply and distribution networks of larger firms. IFC advises companies and

governments on how to improve working conditions and boost the competitiveness of the textile sector's supply chain.

**Gender and Economic Inclusion (GEI):** IFC works with companies to enhance the recruitment, retention, and promotion of women and other underserved groups. IFC also helps companies increase women's access to financial services, technology, information, and markets.

**Environmental, Social & Governance (ESG):** IFC provides integrated ESG advice to help companies improve access to capital, achieve long-term success, and implement crisis management and pandemic response, by adopting corporate governance structures, in line with the IFC Corporate Governance Methodology, as well as environmental and social risk management systems in line with the IFC Performance Standards. IFC's guidance addresses holistically the management of potential or actual changes to the environment, including pollution, biodiversity impacts, carbon emissions, climate change, natural resource use; potential or actual changes on surrounding community and workers, including the incidence of gender-based violence; and improving governance structures and processes, such as board functioning, gender diversity in corporate leadership, ethical conduct, controls, disclosure, and transparency. IFC builds the capacity of industry associations and service providers to influence ESG practices market wide.

**Disruptive Technologies:** IFC works across the entrepreneurial and venture capital ecosystem supporting accelerators, seed funds and new fund managers in frontier geographies, connects high-impact proven tech solutions globally with corporate customers to de-risk tech adoption, increases capital flow to women entrepreneurs and promotes adoption of digital training platforms for improving digital skills for employment.

## HOW IFC WORKS WITH FINANCIAL INTERMEDIARIES AND FUNDS

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**Financial Institutions:** IFC helps clients strengthen risk management and diversify product offerings to key priority areas such as SME finance, gender, housing finance, and renewable energy. Through knowledge sharing of best SME-banking practices and solutions, IFC helps build financial institutions' capacity to expand access to credit; expand their financial and non-financial services, including to women-led/owned businesses; supports sustainable supply chains; and catalyzes investment opportunities in emerging and developing market economies. IFC supports financial institutions to define and implement their digitalization strategy roadmaps and accelerate their digital transformation.

**Fund Managers:** IFC helps develop the private equity industry in frontier markets and provides non-investment-related advice to fund managers. IFC helps increase ESG investment into emerging markets by providing asset managers with ESG data and artificial intelligence-powered analytics.

## HOW IFC WORKS WITH GOVERNMENTS

**Public-Private Partnerships:** IFC helps governments design and implement PPPs that are tailored to local needs, helps solve infrastructure bottlenecks, and achieves national development goals by mobilizing private technical and managerial expertise and capital.

**Financial Sector:** IFC works with governments and the private sector to promote universal access to finance, build resilient, transparent, and smooth-functioning financial systems and capital markets. This includes supporting governments to establish the key building blocks, both regulations and institutions, to increase access to finance, such as credit information, use of moveable assets to secure lending, and debt resolution. IFC works closely with the World Bank and leverages its expertise alongside IFC investment resources to jointly develop local capital markets in selected focus countries.

**ESG Landscape Initiative:** IFC helps governments, private companies, and stakeholders assess, and mitigate risks and cumulative impacts at a multi-project level, across specific geographic areas (landscapes). Landscape initiatives enable governments to consider E&S impacts in broader sectoral planning, achieve significant efficiencies

with companies implementing joint assessments and management strategies and address environmental and social bottlenecks upstream of investment and project development.

**Enabling Investment Climate:** IFC helps improve the business environment through economy-wide and increasingly more sector-specific reforms that address regulatory barriers and promote investment, spur growth through increased competitiveness and access to markets, and create jobs. This work is increasingly an entry point for IFC's upstream agenda. IFC works closely with the World Bank to leverage their expertise for private sector development.

**Cities Initiative:** IFC helps local governments, municipalities, and provinces prioritize and develop sustainable, resilient infrastructure services for their citizens.

As of June 30, 2024, the IFC Advisory Services portfolio totaled \$1.5 billion (\$1.4 billion – June 30, 2023). FY24 program expenditures were \$270 million (\$260 million in FY23) with a strong focus on IFC's strategic priority areas—IDA eligible countries at 50 percent, fragile and conflict-affected situations at 26 percent, and climate change at 28 percent (compared to 54 percent, 28 percent and 27 percent respectively in FY23).

**Table 12: IFC Advisory Services — Program Expenditures<sup>a</sup> by Region**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	PROGRAM EXPENDITURE		AS A % OF TOTAL	
	2024	2023	2024	2023
Africa	\$ 97	\$ 99	36%	38%
East Asia and Pacific	39	34	14%	13%
Latin America and the Caribbean	36	27	13%	10%
South Asia	27	23	10%	9%
Europe	22	21	8%	8%
World	22	31	8%	12%
Middle East	15	13	6%	5%
Central Asia and Türkiye	12	12	4%	5%
<b>Total Program Expenditures</b>	<b>\$270</b>	<b>\$260</b>	<b>100%</b>	<b>100%</b>

a. The program expenditure presented herein is based on the Operational reporting methodology, which includes all project expenditures associated with an Advisory project. This does not include program expenditure associated with IFC's Upstream project development activities.

**Table 13: IFC Advisory Services — Program Expenditures by Business Area**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	PROGRAM EXPENDITURE		AS A % OF TOTAL	
	2024	2023	2024	2023
Financial Institutions	\$ 62	\$ 70	23%	27%
Country Advisory & Economics	55	55	20%	21%
Transaction Advisory	54	43	20%	16%
Manufacturing Agribusiness & Services	35	37	13%	14%
Infrastructure & Natural Resources	21	17	8%	7%
Environmental, Social & Governance	11	14	4%	6%
Disruptive Technologies & Funds	5	5	2%	2%
Other Advisory	27	19	10%	7%
<b>Total Program Expenditures</b>	<b>\$270</b>	<b>\$260</b>	<b>100%</b>	<b>100%</b>

## SECTION IV. LIQUID ASSETS

All liquid assets are managed in accordance with an investment authority approved by the Board of Directors and the Funding and Liquid Asset Management Directive approved by IFC's Corporate Risk Committee, a subcommittee of IFC's Management Team.

These liquid assets are funded from two sources: borrowings from the market and capital (net worth), and are managed in several sub-portfolios related to these sources. Proceeds of borrowings from market sources not immediately disbursed for loans and loan-like debt securities are managed internally by IFC against money market benchmarks within the **Funded Liquidity Portfolio**. The portion of IFC's net worth not invested in equity and equity-like investments is managed internally by IFC against a U.S. Treasury benchmark within the **Net Worth Funded Portfolio**. Refer to Section V: Funding Resources for additional details on borrowings.

IFC generally invests its liquid assets in highly rated fixed and floating rate instruments issued by, or unconditionally guaranteed by, governments, government agencies and instrumentalities, multilateral organizations, and high quality corporate issuers. These include asset-backed securities (ABS) and mortgage-backed securities (MBS), time deposits, and other unconditional obligations of banks and financial institutions. Diversification across multiple dimensions ensures a favorable risk return profile. IFC manages the individual liquid asset portfolios on an aggregate portfolio basis against each portfolio's benchmark within specified risk parameters. In implementing these portfolio management strategies, IFC utilizes derivative instruments, principally currency and interest rate swaps, foreign exchange forward contracts, and futures and options, and it takes positions in various industry sectors and countries.

IFC's liquid assets are accounted for as trading portfolios. The Net Asset Value of IFC's liquid asset portfolio as of June 30, 2024 and June 30, 2023 is presented in the table below:

**Table 14: Liquid Asset Portfolio Net Asset Value**

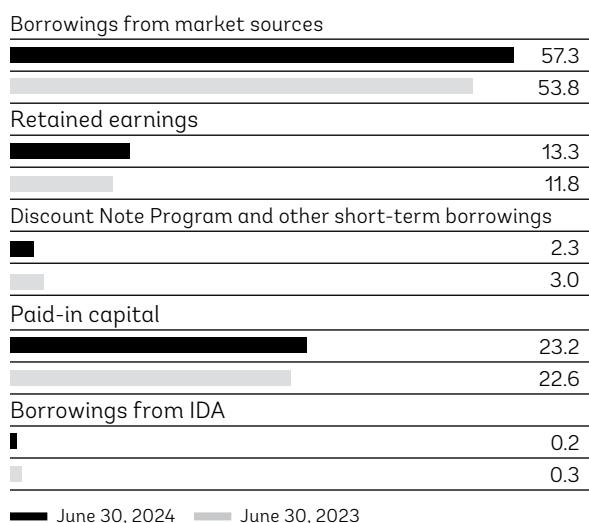
FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
The Funded Liquidity Portfolio	\$ 20,878	\$ 23,188	\$ (2,310)
The Net Worth Funded Portfolio	16,856	16,932	(76)
<b>Total Liquid Asset Portfolio</b>	<b>\$ 37,734</b>	<b>\$ 40,120</b>	<b>\$ (2,386)</b>

The liquid asset portfolio decreased as net disbursements for loans exceeded inflows from net borrowings.

## SECTION V. FUNDING RESOURCES

IFC's funding resources (comprising borrowings, paid-in capital and retained earnings) as of June 30, 2024 and June 30, 2023 are as follows:

**Figure 16: IFC's Funding Resources**  
(US\$ in billions)



## BORROWINGS

The major source of IFC's borrowings is the international capital markets. Under IFC's Articles of Agreement, IFC may borrow in the public markets of a member country only with approvals from that member, together with the member in whose currency the borrowing is denominated.

Substantially all borrowings are carried at fair value under the Fair Value Option. The change in the fair value of these borrowings resulting from changes in instrument-specific credit risk is reported in other comprehensive income, while the remaining change in fair value is reported in

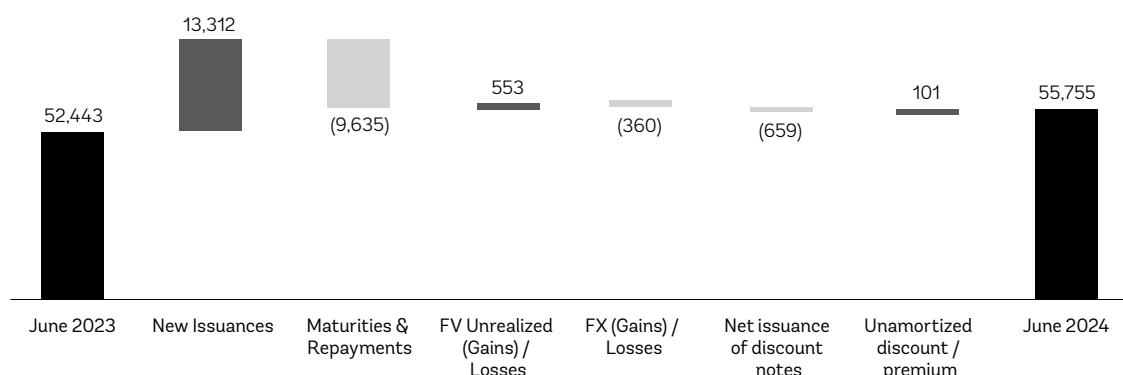
"Net unrealized gains and losses on non-trading financial instruments accounted for at fair value" in the consolidated statements of operations. Changes in the net fair value of IFC's borrowings from market, IDA, and associated derivatives, include the impact of changes in IFC's own credit spread when measured against reference rates. IFC's policy is to generally match the currency, amount, and timing of cash flows on market borrowings with the cash flows on the associated derivatives entered into contemporaneously. The outstanding borrowings (including fair value adjustments) on IFC's consolidated balance sheets as of June 30, 2024 and June 30, 2023 is presented in the table below:

**Table 15: Borrowings Portfolio**

AS OF THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Medium and long-term borrowings	\$ 53,447	\$49,476	\$ 3,971
Short-term borrowings under the discount note program	2,308	2,967	(659)
<b>Total outstanding borrowings</b>	<b>\$ 55,755</b>	<b>\$52,443</b>	<b>\$ 3,312</b>

The increase in outstanding borrowings was mainly driven by new issuances due to robust loan disbursements, partially offset by maturities and repayments, as well as the decrease in short term borrowings as shown in Figure 17 below:

**Figure 17: Borrowings Portfolio**  
(US\$ in millions)



Market borrowings are generally swapped into floating-rate obligations denominated in U.S. dollars. On occasion, IFC uses its borrowings as a tool to promote capital markets development in emerging and frontier markets and this can result in raising local currency funds. As of June 30, 2024, non-U.S dollar denominated market borrowings with no interest rate or currency hedges accounted for 1 percent of the total borrowings from market sources (2 percent as of June 30, 2023), with outstanding balances amounting to \$821 million (\$1.0 billion as of June 30, 2023). These borrowings were denominated in various currencies, mainly in Indian rupee, new Romanian lei and Georgian lari.

During FY24, IFC raised \$17.1 billion in borrowings (\$19.8 billion in FY23), net of derivatives and including discount notes with maturities greater than three months of \$4.4 billion (\$5.9 billion in FY23). During FY24, IFC repurchased and retired \$556 million of outstanding borrowings (\$432 million in FY23).

IFC maintains short-term discount note programs in U.S. dollar and Chinese renminbi to provide an additional funding and liquidity management tool. These programs support IFC's trade finance and supply chain initiatives and expand the availability of short term local currency finance. The discount note programs offer issuances with maturities ranging from overnight to one year. During FY24, IFC issued a total of \$7.8 billion of discount notes (\$11.4 billion in FY23), all of which were in U.S. dollars.

## CAPITAL AND RETAINED EARNINGS

At June 30, 2024 and June 30, 2023, IFC's capital comprised the following:

**Table 16: IFC's Capital**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023
<b>Capital</b>		
Authorized capital	\$ 25,080	\$ 25,080
Subscribed capital	24,104	23,939
Less: unpaid portion of subscriptions	(884)	(1,343)
Paid-in capital	23,220	22,596
Accumulated other comprehensive income	957	632
Retained earnings	13,295	11,810
<b>Total Capital</b>	<b>\$ 37,472</b>	<b>\$ 35,038</b>

Following the Spring Meetings in April 2018, a financing package was endorsed by the Board of Governors. This package comprised: (i) a three-step capital raising process: Conversion of a portion of retained earnings into paid-in capital, a GCI and SCI that would together provide up to \$5.5 billion in additional paid-in capital; (ii) a planned suspension of grants to IDA after the conclusion of the IDA18 replenishment; and (iii) internal measures for increased efficiency. The authorized capital stock as of June 30, 2024 is 25,079,991 shares of \$1,000 par value each (unchanged from June 30, 2023).

The GCI and SCI Resolutions were formally adopted and took effect on April 16, 2020. Concurrently, \$17 billion of

retained earnings were converted into paid-in-capital, and the capital subscription process commenced on April 22, 2020. In April 2023 the deadline for the SCI subscription and payment was extended to April 16, 2025. The GCI subscription deadline, initially extended to April 16, 2024 in April 2023, was further extended to April 16, 2025 in April 2024, thereby aligning with the original deadline for GCI payment. As of June 30, 2024, 135 countries have subscribed a total of \$4.5 billion (GCI—\$3.8 billion and SCI—\$709 million) and payments of \$3.7 billion (GCI—\$3.0 billion and SCI—\$665 million) were received from 109 countries.

At June 30, 2024 and June 30, 2023, retained earnings comprised the following:

**Table 17: IFC's Retained Earnings**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023
<b>Undesignated Retained Earnings</b>	<b>\$ 13,133</b>	<b>\$ 11,589</b>
<b>Designated Retained Earnings</b>		
Creating Markets Advisory Window (CMAW)	93	161
Funding Mechanism for Technical Assistance and Advisory Services	58	48
Small and Medium Enterprise (SME) Ventures	11	12
<b>Total Designated Retained Earnings</b>	<b>\$ 162</b>	<b>\$ 221</b>
<b>Total Retained Earnings</b>	<b>\$ 13,295</b>	<b>\$ 11,810</b>

## **DESIGNATIONS OF RETAINED EARNINGS**

Amounts available to be designated are determined based on a Board of Directors-approved income-based formula and on a principles-based Board of Directors-approved financial distribution policy, and are approved by the Board of Directors.

IFC uses a sliding-scale formula and the methodology for calculating the incremental rate of designation. The approach approved by IFC's Board of Directors establishes a threshold that no designations of any kind can take place if IFC's CUR is above 88 percent, and establishes a framework for prioritizing future designations to the Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS) and for transfers to IDA based on IFC's CUR and a cushion for FMTAAS. IFC has also created the Creating Markets Advisory Window (CMAW) in fiscal year 2018 to focus on market creation in eligible IDA countries and FCS.

Prior to FY24, Income Available for Designations comprise net income excluding unrealized gains and losses on investments and borrowings as well as grants to IDA, which were suspended in FY20 following the conclusion of IDA18. In FY24, IFC updated the calculation of Income Available for Designations to exclude income from PCRF, aligning it with its intended use for post-retirement contributions. This change, approved by the Board in June 2024, is effective from FY24.

### **FY23 Designations**

Income available for designations in FY23 totaled \$681 million, calculated as net income excluding unrealized gains and losses on investments and borrowings. On August 3, 2023, the Board of Directors approved a designation of \$60 million of IFC's retained earnings for FMTAAS. This designation was noted with approval by the Board of Governors on October 13, 2023.

## **SECTION VI: RISK MANAGEMENT ENTERPRISE RISK MANAGEMENT**

IFC provides investments and advisory services to the private sector in emerging markets and is therefore exposed to a range of potential financial and non-financial impacts. Active monitoring and sound management of evolving risks remain critical pillars in terms of fulfilling IFC's mission.

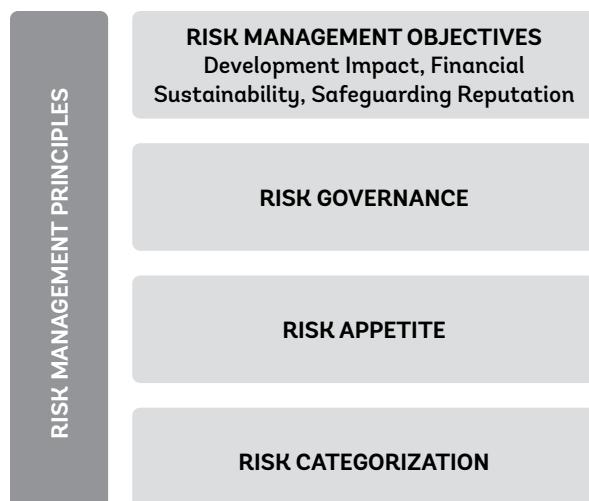
In addition to supporting its mission, IFC's enterprise risk management framework (ERM) is designed to enable the prudent management of potential financial, non-financial and reputational impacts that originate from the Corporation's business activities. In this context, IFC's risk management efforts are designed specifically to help align the Corporation's performance with its strategic direction. The framework defines:

- Key risk management objectives for managing risks.
- A standard classification of roles and responsibilities for risk management, to differentiate and thereby clarify how different parts of the Corporation contribute toward the overall management of risk through a well-defined risk governance mechanism.
- A risk appetite component to ascertain the level and type of risk that IFC is able and willing to assume in its exposure and business activities.
- An updated risk taxonomy for categorizing risks across the organization, to help ensure that risk management efforts are coordinated and aligned across the distinct parts of the organization that share responsibility for managing different aspects of risk.

- Cross-cutting risk management principles to ensure that business decisions are based on a thorough understanding of risks and that risks and rewards are balanced appropriately. Another principle is that IFC will be selective in undertaking activities that could cause significant adverse reputational impact.

IFC's risk culture is central to all aspects of IFC's risk management efforts. One of the key objectives of the framework is to embed a strong risk culture in the Corporation while ascertaining those tools and capabilities are in place to facilitate risk management and decision-making at different levels of the organization.

### **Figure 18: IFC's Enterprise Risk Management Framework**



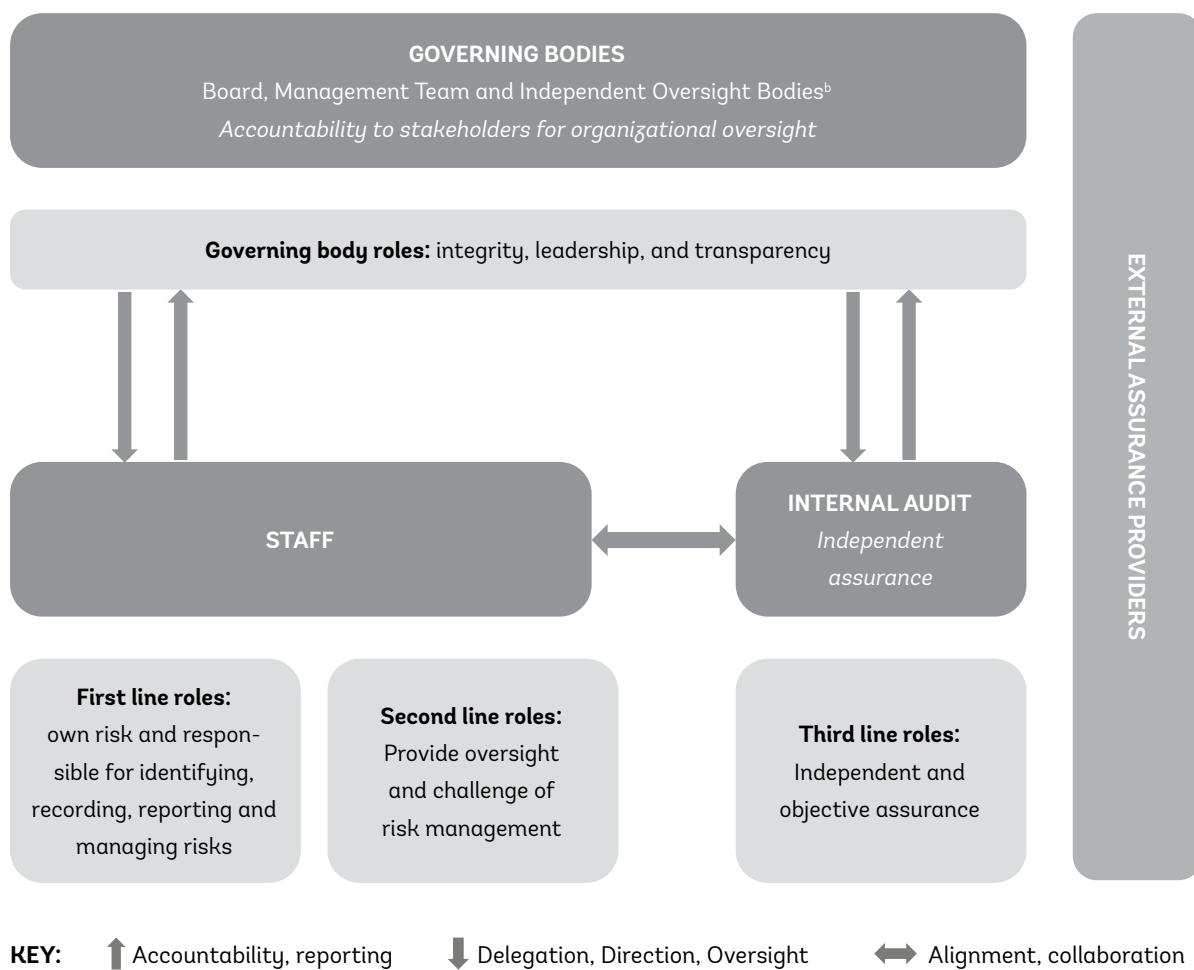
## KEY RISK MANAGEMENT OBJECTIVES

IFC has defined three explicit Risk Management Objective Statements at the corporate level, which are derived from IFC's purpose, business scope, strategic objectives, and the risks that it faces.

- **Development Impact**—IFC will maximize developmental impact by focusing on the World Bank Group's mission to end extreme poverty and boost shared prosperity on a livable planet, while maintaining financial sustainability and safeguarding its brand.

- **Financial Sustainability**—IFC will generate and maintain sufficient financial resources, conduct its business and manage risk consistent with standards implied by a triple-A rating.
- **Safeguarding Reputation**—In determining what engagements and activities to pursue, IFC will assess whether any potential adverse impact to its reputation is in balance with the potential development impact.

**Figure 19: IFC's Risk Governance<sup>a</sup>**



a. Adapted based on the Institute of Internal Auditors three lines model.

b. Oversight Bodies include the Integrity Vice Presidency (INT), the Independent Evaluation Group (IEG), the Compliance Advisor/Ombudsman (CAO) and the Ethics and Internal Justice Services Vice Presidency along with the Internal Audit which is listed separately in the picture above due to its role in providing independent oversight of IFC's risk management practices.

IFC's Enterprise Risk Management follows the shared-responsibility principle, and IFC's risk governance structure is built on the "three lines model" as defined below:

- **1st Line**— All staff engaged in the business origination, revenue-generating and client-facing areas of IFC and all associated support functions including Investment, Advisory and Treasury staff that are not risk, control or compliance monitoring functions.
- **2nd Line**— Staff in risk, controllers, legal, compliance and communication functions independent of the first line provide oversight and challenge over financial and operational risk activities.
- **3rd Line**— Internal Audit provides independent oversight.

From an organizational standpoint, three distinct groups govern the risks that IFC undertakes during its day-to-day business activities:

- **Independent Oversight Bodies:**

- The **WBG Internal Audit Vice Presidency** provides independent oversight of IFC's risk management practices.
  - The **Integrity Vice Presidency** investigates allegations of fraud, corruption, and staff misconduct in IFC's operations and in WBG-financed operations impacting IFC.
  - The **Independent Evaluation Group** assesses the relevance, efficacy and efficiency of IFC's operational programs and activities (and their contributions to development effectiveness).
  - The **Compliance Advisor/Ombudsman** serves as an independent recourse mechanism for stakeholders in projects supported by IFC.
  - The **Ethics and Internal Justice Services Vice Presidency (EIJ)** promotes the WBG's Core Values, and provides ethical advisory and conflict resolution services to staff.
- 
- **The Board:** IFC's Articles of Agreement outline the composition, roles and responsibilities of IFC's senior governance body, its Board of Directors. The Audit Committee of the Board of Directors plays a key role in overseeing risk management at IFC.
  - **Management Team:** Under the direction of its Managing Director (MD), IFC's Management Team (MT) is responsible for the Corporation's day-to-day operations including the management of existing and potential risks. The MT carries out its responsibilities through three Management Committees:

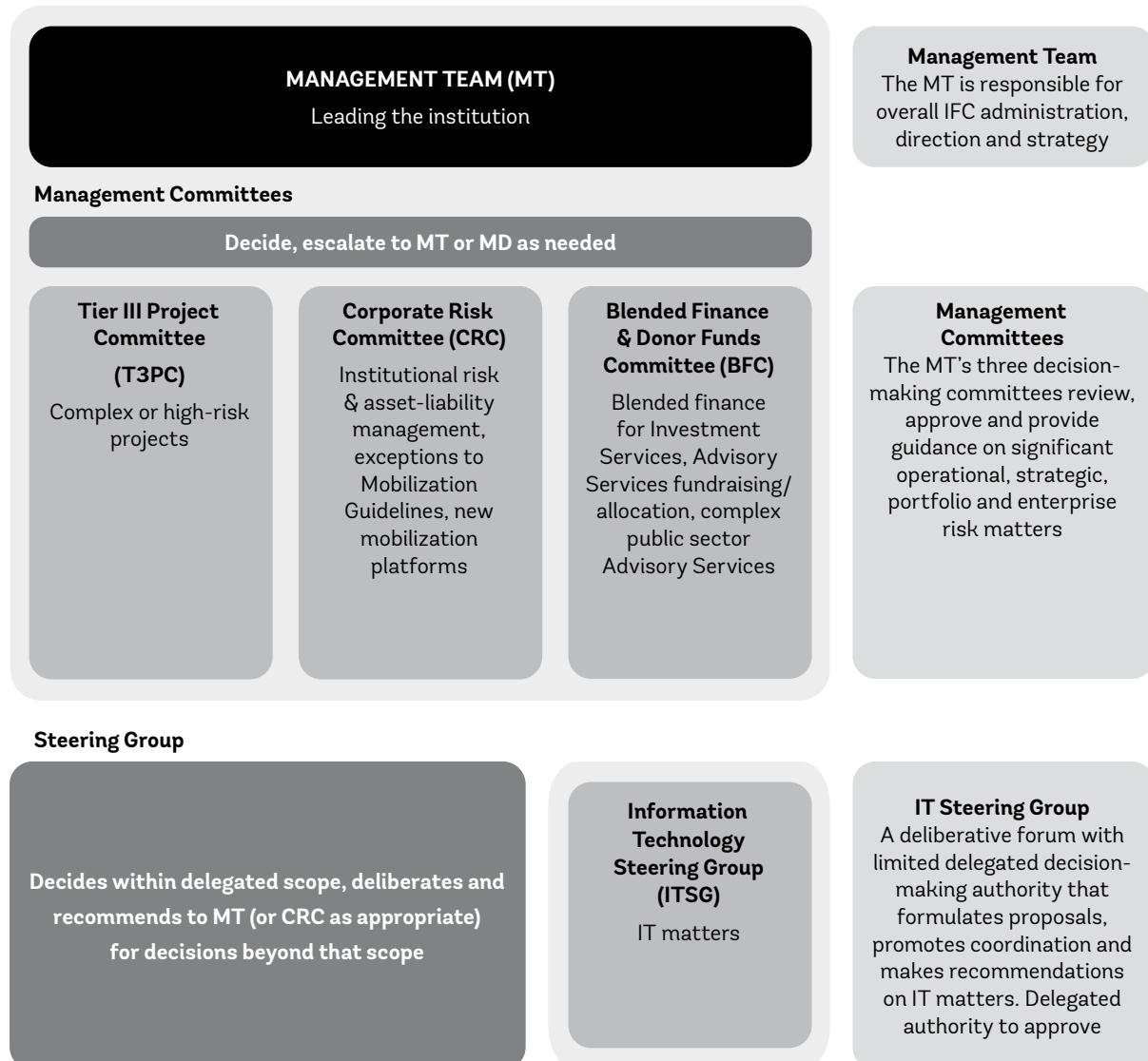
- The **Tier III Project Committee** (T3PC), which is a decision-making body to review new projects (investment or advisory) that meet certain risk criteria including certain economic capital thresholds, nominal investment amounts, credit ratings and/or complex E&S and/or integrity issues. The T3PC does not set policy recommendations or directives but can approve exceptions to IFC's operational directives as appropriate, for individual projects (unless otherwise specified in that directive).
- The **Corporate Risk Committee** (CRC), which is primarily responsible for overseeing risks to IFC (including in relation to Shared Services<sup>5</sup>). The CRC reviews and approves all institutional risk-related matters.
- The **Blended Finance and Donor Funds Committee** (BFC), which is primarily responsible for the terms, proper allocation and utilization of donor funds, IFC's blended finance facilities, IDA/PSW funds at Concept and Investment Review Meeting (IRM) stage and allocation and utilization of grants at or above US\$ 1 million. The BFC also reviews and approves public sector/government-facing advisory projects that meet certain criteria.

The MT is also supported by the **Information and Technology Steering Group** (ITSG), a largely deliberative body that formulates proposals, develops new ideas, considers refinements, promotes coordination, and makes recommendations regarding IFC's IT strategy, investment plans and work programs for approval by the MT.

MT has delegated to the above Committees the authority to make certain decisions and to grant permitted exceptions to Directives and other instruments. Figure 20 at right depicts IFC's management decision-making governance structure:

5. IFC has service level agreements (SLAs) with IBRD in place for about 20+ shared services. The scope of these services includes HR services, information technology services, cyber security, accounting services, procurement services, global telecom and client services, knowledge and information services, liability & insurance programs and other specialized support services. These SLAs provide risk management for common risks faced by WBG such as physical safety of staff and information security to ensure cyber resilience. Each SLA has a distinct governance process of its own with representation by both IFC and IBRD.

**Figure 20: IFC Management Decision Making Governance**



Within IFC, (i) all financial risks and operational risks are consolidated under the Vice President of Risk and Finance, (ii) non-financial risks, except for Environmental and Social (E&S) risks, are under the Vice President & General Counsel for Legal and Compliance Risk. E&S risks are managed by (a) the Environmental and Social Policy and Risk department reporting to the Vice President, Risk and Finance, and (b) regional E&S teams integrated within Regional Directorates reporting to the Regional Vice Presidents.

The Corporate Support Vice Presidency supports alignment and coordination across all IFC Policies & Procedures and is responsible for IFC's strategic stakeholder communication for managing potential and actual reputational impacts. Figure 21 depicts IFC's risk responsibilities structure for financial, operational, and other non-financial risks.

## Figure 21: Risk Responsibility within IFC



a. The IFC Vice Presidential Units listed under the IFC Managing Director include only those Vice Presidencies and Directors that have a second line role in the three lines model adopted by IFC.

### ENTERPRISE LEVEL RISK APPETITE

IFC's Risk Appetite is the level and type of risk that IFC is able and willing to assume in its exposure and business activities. In FY21, IFC's Corporate Risk Committee approved a Risk Appetite (RA) framework for IFC. The purpose of the RA framework is to: (i) compare and contrast IFC's risk appetite against its risk exposure; (ii) communicate the target level of risks to stakeholders; (iii) provide context for the risk policies and frameworks; (iv) make informed decisions; and (v) report on risks to the Board and management.

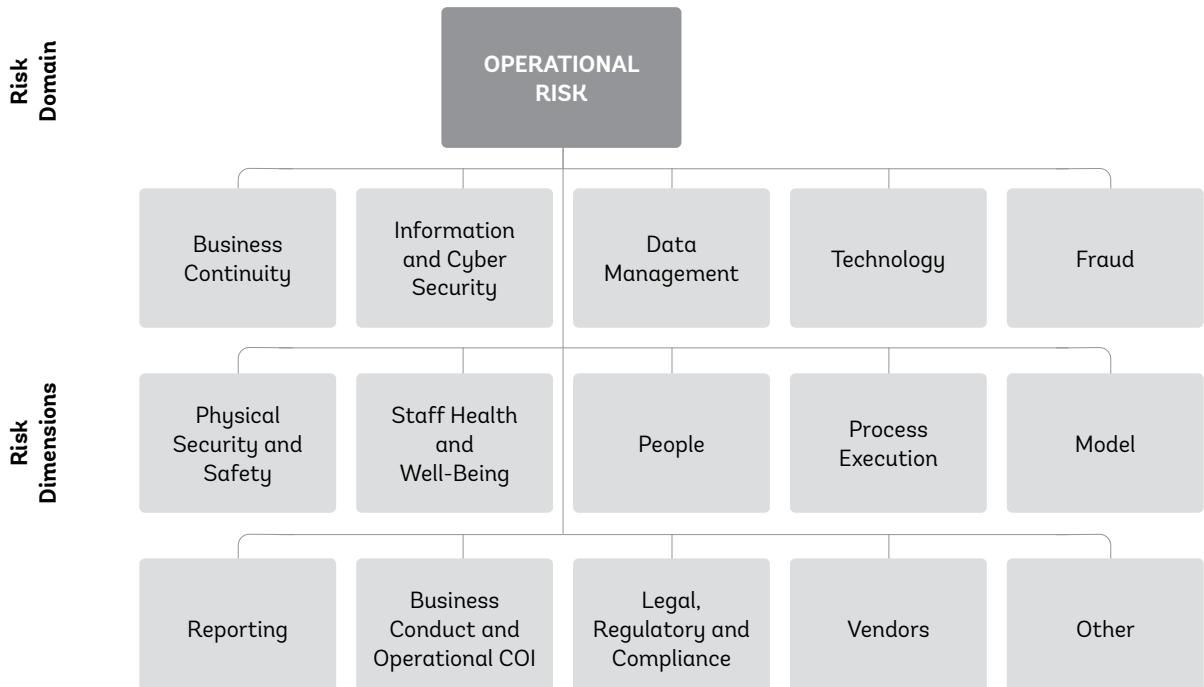
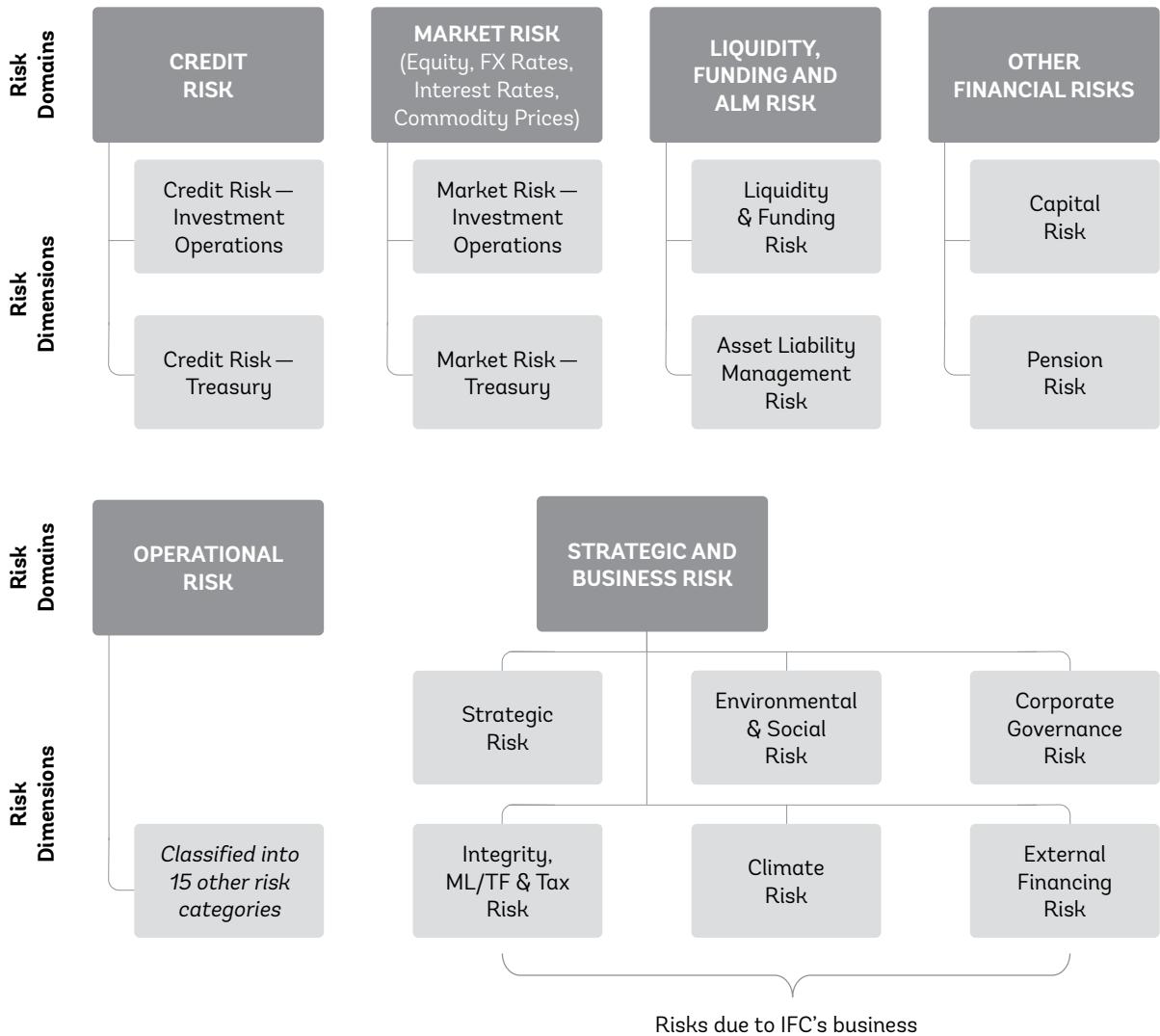
On the financial risks faced by IFC, one of the ways in which the risk appetite is expressed is by key financial policies approved by its Board of Directors as detailed below:

- **Capital Adequacy Policy**—IFC is required to maintain a minimum level of total resources (including paid-in capital, total loss reserve and retained earnings, net of designations) equal to total potential losses for all on- and off-balance sheet exposures estimated at levels consistent with maintaining a triple-A rating.
- **Leverage Policy**—IFC's outstanding debt plus guarantees held must not exceed four times its net worth.
- **Overall Liquidity Policy**—Minimum liquidity (liquid assets) must be sufficient at all times to cover at least 45 percent of IFC's estimated net cash requirements for the next three years.
- **Matched Funding Policy**—Loans are funded with liabilities that have similar characteristics in terms of interest rate basis, currency, and maturity, except for new products, approved by the Board of Directors, involving asset-liability mismatches.

### RISK CATEGORIZATION

As part of the ERM framework update in FY24, IFC has adopted the following risk taxonomy and risk categorizations. Figure 22 at right reflects the risk categorization approved in FY23, effective July 1, 2023. It should be noted that some of the risks in the taxonomy may be related and as such are not mutually exclusive or totally independent of one another. Operational Risk Dimensions are further classified into a third level called Risk Drivers. Examples of Risk Drivers include misconduct, improper business or market practices etc.

**Figure 22: IFC's Risk Taxonomy**



## CREDIT RISK

IFC defines credit risk as the risk of loss of principal or loss of an expected financial return due to credit events such as a default or downgrade in credit ratings or any other failure to meet a contractual obligation that results in financial loss. IFC is exposed to credit risk in its Debt portfolio<sup>6</sup> and to investment and counterparty credit risk in its liquid assets portfolio.

- Individual Investment Limits are applied at the individual project or client level to prevent excessive concentrations.
- Preferential debt exposure to a country is limited by reference to that country's total medium- and long-term external debt.
- IFC's total equity and quasi-equity exposure (outstanding exposure net of specific reserve) shall not exceed IFC's net worth.

## INVESTMENT OPERATIONS

Credit risk in investment projects is actively managed throughout the project life cycle. Investment teams are responsible for gathering the necessary information from the client and other relevant stakeholders to verify the financial viability of each project, and for assigning a credit rating (CR) at defined stages in the project approval process. The credit rating, investment size, product type and other project-related risks determine the authority level required for the approval of each transaction. Projects are subject to independent credit review of specific projects or at a portfolio level under a credit delegation framework for specific cases. A credit officer within the independent Risk and Finance Vice Presidency participates in the project approval process. Projects are approved with reference to a number of operational and prudential limits approved by the CRC, including limits related to single project or client exposure, single country exposure, and sector concentration; these are detailed below:

- IFC's total exposure to a country, for the purpose of setting exposure limits, is measured as the amount of economic capital required to support its investment portfolio in that country. Exposure limits are set for each country based on the size of its economy. Sub-limits apply for certain sector exposures within a country.
- IFC's total exposure to a single client or client group may not exceed stipulated economic capital and nominal limits based on the credit rating for the client.

IFC's investment projects are actively supervised after commitment. Credit ratings are reviewed regularly for each project, with frequency depending on the level of credit rating assigned, and revised if new material information is received. An independent risk management team in the Risk and Finance Vice Presidency assesses IFC's portfolio, including stress testing of exposure to emerging risks. Additionally, the Corporate Portfolio Management Department, as part of the Industries Vice Presidency, reports on the performance of the overall Debt and Equity<sup>7</sup> portfolio and performs deep dives on selected top country and sector exposures, along with areas of strategic importance to IFC. When projects show signs of financial distress, immediate attention is key for improving potential outcomes. Seasoned "workout" professionals from IFC's Department of Special Operations in the Risk and Finance Vice Presidency focus on projects, to implement the restructuring, or possible recovery, of IFC's exposure.

The credit risk of loans is quantified in terms of the probability of default, loss given default and exposure at risk. These risk parameters are used in the processes to determine risk-based returns, project-based capital allocation and internal risk management purposes, as well as for establishing reserve against losses on loans under the Current Expected Credit Losses accounting standard, and exposure limits.

Selected indicators of credit risk exposure in IFC's Debt Portfolio, together with the five-year trend of non-performing loans (NPLs), are provided below:

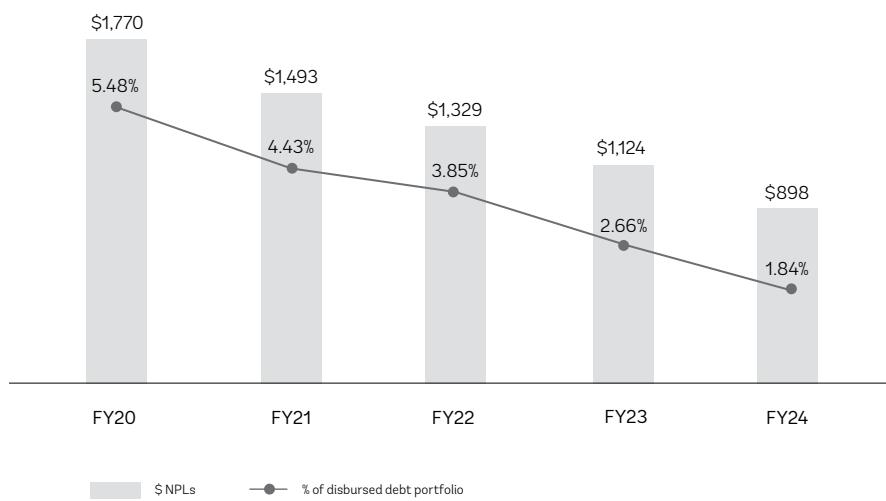
**Table 18: IFC Debt Portfolio Credit Risk Indicators**  
(US\$ in millions, except for %)

INDICATOR	JUNE 30, 2024	JUNE 30, 2023	VARIANCE
NPLs as % of the debt portfolio	1.8%	2.7%	(0.9)%
Principal amount outstanding on NPLs	\$ 898	\$ 1,124	\$ (226)
Total reserve against losses on loans	\$ 1,081	\$ 1,209	\$ (128)
Total reserve against losses on loans as % of disbursed loan portfolio	2.9%	3.7%	(0.8)%
Total reserve against losses on loans as % of NPLs	120.4%	107.6%	12.8%
Total reserve against losses on outstanding guarantees	\$ 19	\$ 15	\$ 4

6. Debt portfolio herein the section includes loans and loan-like debt securities.

7. Equity portfolio herein the section includes equity and equity-like debt securities.

**Figure 23: NPLs as Percentage of Disbursed Debt Portfolio**  
 (US\$ in millions, except for %)



Additional details are provided in Section VIII: Results of Operations (Provision for Losses on Loans, Off-balance Sheet Credit Exposures and Other Receivables).

## TREASURY OPERATIONS

IFC manages its exposures to investments and counterparties in its Treasury operations to mitigate potential losses from the failure by a counterparty to fulfill its contractual obligations. Counterparty eligibility criteria are set by Authorizations from the Board of Directors and by Directives approved by IFC's Corporate Risk Committee. Eligible investments and counterparties are predominantly sovereign governments, government agencies, banks, and financial institutions with high-quality credit ratings issued by leading international credit rating agencies.

Details of applicable financial policies and guidelines are given below:

- Counterparties are selected based on standard eligibility criteria, with a tenor limit for deposits and repurchase agreements.
- Counterparties for derivative instruments are generally restricted to banks and financial institutions with high-quality credit ratings from leading international credit rating agencies; for the sole purpose of funding local currency loans, eligibility is extended to central banks and select local banks.

- Exposures to individual counterparties are subject to exposure limits.
- IFC signs agreements with counterparties that typically require the posting of collateral when net mark-to-market exposures exceed certain predetermined thresholds.
- For exchange-traded instruments, credit risk is limited by restricting transactions to a list of authorized exchanges, contract types, and dealers.

Treasury operations counterparties remain well diversified by sector and geography. In accordance with its agreements with counterparties, as of June 30, 2024, IFC held \$498 million in cash and \$0 in securities as collateral for changes in mark-to-market exposures on open trades (\$185 million in cash and \$1 million in securities as of June 30, 2023). In terms of Treasury's credit profile, IFC invests its US dollar liquid assets in deposits with highly-rated banks and in securities for which the ratings are generally AA- or higher, reflecting the primary objective of principal protection.

## MARKET RISK

Market risk is the risk of losses due to movement in market factors such as interest rates, credit spreads, equity, foreign exchange or commodity prices. IFC's exposure to market risk is mitigated by its matched funding policy, whereby it uses derivative instruments to convert loans funded from market borrowings, and the market borrowings themselves, into floating rate U.S. dollar assets and liabilities with similar duration. Similarly, market risk resulting from derivative transactions with clients, to facilitate clients' risk management, is typically mitigated by entering offsetting positions with highly rated market counterparties. IFC's exposure to unhedged market risk arises primarily from its listed and unlisted equity investments in emerging markets, its quasi-equity loans, and its net worth funded Treasury liquid asset portfolio.

### LONDON INTERBANK OFFERED RATE (LIBOR) TRANSITION

IFC has substantially transitioned its existing LIBOR-based portfolios to Secured Overnight Financing Rate (SOFR) with 95 percent of the fixed and variable rate LIBOR assets book amended as of June 30, 2024 and with liabilities and swap conversions substantially completed. With the anticipated termination of Financial Conduct Authority (FCA) Synthetic LIBOR on September 30, 2024, IFC expects to remediate the remaining loans by that time with certain exceptions.

### EQUITY INVESTMENTS

The risk of loss in value of IFC's emerging markets equity investments is mitigated primarily by applying the same limits framework, decision-making process and portfolio management methods as described above for its lending operations. IFC has a multi-year horizon for its equity investments and accepts short-term price volatility of these investments, which can be significant.

During FY24, equity markets continued reaching new highs due to a positive outlook in developed markets. The S&P 500, representing US markets, rose 23 percent to an all-time high, while Europe's largest stocks, as measured by Euro Stoxx 50, rose 9 percent. Emerging markets also increased, with the MSCI EM total return index up by 13 percent, to a level which is still significantly below the highs seen in early 2021. Additionally, the US dollar strengthened 7 percent against a basket of emerging market currencies (JPMorgan EM currency index). IFC remains focused on growing its equity book and rigorous analysis of macroeconomic trends continues to be crucial in guiding business generation as well as informing decision-making throughout the project life cycle.

### LIQUID ASSET PORTFOLIO

Market risk in IFC's liquid asset portfolio is managed according to the risk appetite chosen by IFC Management using derivatives and other financial instruments such as over-the-counter foreign exchange forward agreements, interest rate and currency swaps, and exchange-traded interest rate futures. Overall market risk exposure is also subject to daily monitoring, based on Directives approved by the Corporate Risk Committee, which limits interest rate, credit spread, and foreign exchange risk.

Interest rate volatility remained the largest driver of market risk in IFC's Treasury portfolio due to the unhedged investments in U.S. Treasury securities funded from IFC's net worth. To manage risks associated with interest rate, foreign exchange, and credit spread risks, a system of limits has been employed and closely monitored on a daily basis to ensure ongoing compliance throughout the fiscal year.

## LIQUIDITY, FUNDING AND ASSET LIABILITY MANAGEMENT (ALM) RISK

IFC defines liquidity and funding risk as the risk that, over a specific horizon, IFC will be unable to meet the demand for additional funds to meet the demand for uses of funds due to either funding or liquidity issues or both. IFC faces liquidity risk in its core development finance activities because its investments are predominantly illiquid in nature due to the lack of capital flows, the infrequency of transactions, and the lack of price transparency in many emerging markets. To offset this risk, IFC maintains appropriate liquid assets funded from its net worth and market borrowings. IFC manages the risk of mismatches in foreign exchange rates, interest rates, and maturity dates between balance sheet assets and liabilities.

### LIQUID ASSET PORTFOLIO

Liquidity risk in the liquid asset portfolio is addressed by liquidity coverage ratios (LCR) and strict investment eligibility criteria defined in Directives approved by the Corporate Risk Committee. LCRs are aligned with Basel liquidity standards for regulated banks, include time horizons between 30 days and 3 years, and consider both normal and stressed cash flow requirements. Examples of eligibility criteria include minimum issuance sizes required for bond investments, limits on single bond issue concentration, and limits on the percentage of total bond issuance held by IFC. Consequently, a significant portion of the liquid asset portfolio is invested in highly liquid securities such as high-quality sovereign, sovereign-guaranteed, and supranational fixed income instruments. IFC expects to continue to be able to realize these assets as needed to meet its cash requirements, even in a liquidity crisis.

### FUNDING

IFC's funding operations ensure that IFC has the funds required for its lending operations, and that it has sufficient liquidity to safeguard its triple-A rating and fulfill its counter-cyclical role. IFC can access a variety of funding markets, including the U.S. dollar market, British pound market and the Australian dollar market as well as private placement and retail markets. IFC's discount note program complements its traditional funding sources by providing swift access to short-term funded liquidity. IFC's triple-A rating is critical to the Corporation's ability to maintain its low cost of funds. Regular issuance in a variety of markets serves to sustain investor confidence and maintain a diversified investor base.

## ASSET-LIABILITY MANAGEMENT

While IFC's matched-funding policy helps mitigate currency and interest rate risk, IFC is still exposed to residual market risks in the market borrowings-funded portion of the balance sheet. Residual currency risk arises from factors such as changes in the level of reserve for losses on non-U.S. dollar loans. The aggregate position in each lending currency is monitored and the risk is managed to within the limits established for each currency and the total exposure for all currencies. Residual interest rate risk may arise from differing interest rate reset dates on assets and liabilities or from assets that may become mismatched with hedges over time due to write-downs, prepayments, or rescheduling. The residual interest rate risk is managed by measuring the sensitivity of the present value of assets and liabilities in each currency to a one basis point change in interest rates and managing exposures to within the established limits for each currency and the total exposure for all currencies.

## OTHER FINANCIAL RISKS

IFC includes Capital Risk and Pension risk as the two other financial risks that it faces. Capital risk is the risk to IFC's triple-A rating resulting from a low capital adequacy position, in which available capital falls below the level of capital required to support IFC's activities. Pension Risk is the risk that IFC's defined-benefit pension plan is underfunded, leading to the need for additional financial support by IFC.

### CAPITAL RISK

From a financial sustainability perspective, the capital required to maintain a triple-A rating is assessed using an economic capital framework, which is the foundation of financial risk management at IFC. Economic capital acts as a "common currency of risk" across the organization, providing IFC with an objective, quantifiable measure of risk that can be applied consistently across business lines, products, regions, and sectors. IFC holds economic capital for credit, market, and operational risks. The economic capital framework covers IFC's entire balance sheets—debt, equity, and Treasury assets—and economic capital is used for limit-setting, pricing, and risk-adjusted performance measurement. The primary measure of capital adequacy is IFC's Capital Utilization Ratio (CUR), which is the ratio of Capital Required for the current portfolio to the Capital Available to support future commitments.

Throughout FY24, IFC's CUR was well within the established threshold of < 88 percent.

### PENSION RISK

IFC participates, along with IBRD and MIGA, in pension and post-retirement benefit plans. The Staff Retirement Plan (SRP), Retired Staff Benefits Plan (RSBP), and Post-Employment Benefit Plan (PEBP) (collectively called the "Plans") are defined benefit plans and cover substantially all WBG employees, retirees and their beneficiaries. Costs, assets, and liabilities associated with the Plans are allocated among IBRD, IFC, and MIGA, based on their employees' respective participation in the Plans. Pension Risk is defined as the risk that IFC's defined-benefit

pension plan is underfunded, leading to the need for additional financial support by IFC.

There are two committees that govern the Plans. From a governance standpoint, both committees are independent of IFC and the Board: (i) The Pension Finance Committee (PFC), which is responsible for the financial management of the Plans and is supported by the Pension Finance Administrator; and (ii) The Pension Benefits Administration Committee (PBAC), which is responsible for the administration of the benefits of the Plans.

The key policies underpinning the financial management of the Plans, including the determination of WBG contributions and the investment of Plan assets, are the funding and investment policies. The objective of these policies is to ensure that the Plans have sufficient assets to meet benefit payments over the long term. The funding policy, as approved by the PFC, establishes the rules that determine the WBG's contributions.

In FY24, the WBG's rate for contributions to the Plans was 14.75 percent of net salaries. More details about the WBG's pension plan can be found in Section XI: Pension and Other Post-retirement Benefits of IBRD's MD&A.

## OPERATIONAL RISK MANAGEMENT

Consistent with the Basel Framework, IFC defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, and holds economic capital against such risks. Given IFC's business model, both financial and non-financial potential impacts are considered in assessment of risks.

IFC's Operational Risk Management (ORM) program conforms to a Directive approved by the Corporate Risk Committee, which defines the management of, and roles and responsibilities for, operational risk management in the Corporation.

IFC identifies, assesses, monitors and reports operational risks across the following key value chains/business functions, also known as operational risk areas: Investments, Treasury, Advisory Services, Third Party Responsibilities, Business Support Functions, Corporate Functions, and Shared Services.

During FY24, IFC continued to expand its operational risk program by implementing enhanced methodologies to identify, assess, mitigate, and monitor material operational risks in its key activities. The main ORM tools that IFC utilizes include Risk and Control Self-Assessments (RCSA), recording and analysis of operational risk events, and monitoring of Risk Indicators (RIs). IFC's ORM approach in FY24 focused on the RCSAs programs, as well as expanding risk event reporting, and enhancing its quarterly report to the Corporate Risk Committee and the Audit Committee. Also, during FY24, IFC started developing risk appetite statements for operational risk and validated its scenario analysis methodology by conducting two pilot exercises. Finally, during FY24, through various learning and knowledge sharing events, and training initiatives IFC improved awareness and understanding of operational risks in IFC.

IFC utilizes risk transfer mechanisms, including insurance, at both the project and the institutional levels for mitigation of low probability/frequency and high impact operational risks. IFC insures its corporate assets and operations against catastrophic losses and cyber-related risks where commercially viable.

IFC also continues to focus on its preparedness to react to significant events that could disrupt its normal operations through the Business Continuity Management program, which covers critical business processes across all IFC offices.

On a quarterly basis, IFC's corporate ORM function provides a consolidated ORM report to the Corporate Risk Committee and a summarized version to the Audit Committee.

## CYBERSECURITY RISK MANAGEMENT

IFC's operations rely on the secure processing, storage and transmission of confidential and other information in computer systems and networks. Like other financial institutions, cybersecurity risk continues to be significant for IFC due to the evolving sophistication and complexity of the cyber threat landscape. These risks are unavoidable and IFC seeks to manage them on a cost-effective basis consistent with its risk appetite.

To protect the security of its computer systems, software, networks and other technology assets, IFC has developed its cybersecurity risk management program, aligned with its Operational Risk Management Framework. This program consists of cybersecurity policies, procedures, compliance, and awareness programs. A multi-layered approach for cybersecurity risk management is employed to prevent and detect malicious activity, both from within the organization and from external sources. In response to emerging cyber threats such as malware including ransomware, denial of service, phishing attacks and artificial intelligence related risks, IFC adapts its technical and process-level controls and enhances user awareness to mitigate the risk. When relying on third-party vendors for technology-enabled services, additional meaningful and diligent measures are applied to gain assurance regarding the security of its information and technology assets including, as appropriate, legal and cybersecurity contractual safeguards in third-party vendor agreements and the review and monitoring of third-party control environments.

IFC periodically assesses the maturity and effectiveness of its cyber defenses through risk mitigation techniques, including but not limited to, targeted testing, internal and external audits, incident response desktop exercises and industry benchmarking.

## STRATEGIC AND BUSINESS RISK

These are risks that are specific to IFC given its mission and strategy and include Strategic Risk, Environmental & Social Risk, Climate Risk, Corporate Governance Risk, Integrity Risk, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Risk and External Financing Risk.

## STRATEGIC RISK

IFC defines strategic risk as the risk associated with initial strategy selection, execution, or modification over time, resulting in a lack of achievement of overall objectives.

IFC uses the Anticipated Impact Measurement and Monitoring (AIMM) system as an ex-ante assessment tool to enable IFC staff to measure and monitor the anticipated development impact of investment and advisory projects. The AIMM system evaluates a project's development impact along two dimensions – project outcomes and market outcomes.

- **Project outcomes** — These refer to a project's direct effects on stakeholders (including employees, customers, suppliers, and the community); the direct, indirect, and induced effects on the economy and society overall; and the effects on the environment and social sustainability.
- **Market outcomes** — These refer to a project's potential for generating systemic, sector-wide changes that enhance market competitiveness, resilience, integration, inclusiveness, and sustainability.

The AIMM system is now fully integrated into IFC's operations, allowing development impact considerations to be weighed against a range of strategic objectives, including volume, financial return, risk, and thematic priorities.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK

Environmental and Social (E&S) risk is the risk that IFC cannot effectively engage with and influence clients to fulfill the requirements of IFC's E&S Performance Standards, within a reasonable period of time, potentially causing significant or material adverse impacts to people or the environment. Corporate governance risk is the risk that IFC's investment clients have inadequate corporate governance, which could lead to negative financial impact or reputational harm to IFC.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ORGANIZATION

In FY24, two departments supported IFC's ESG work:

1. The E&S Policy and Risk Department (CES) serving as a regulatory function of IFC's E&S risk management and ensuring systems, procedures, and capacity are in place. CES acts as custodian of IFC's Sustainability Framework, reviews E&S aspects of all projects at origination and provides oversight, guidance, and support on E&S for high-risk projects in all stages of the project cycle.

2. The ESG Sustainability, Advice and Solutions Department (CEG) worked closely with investment, advisory, and upstream teams and clients to identify, evaluate, and manage ESG risks and opportunities, leveraging IFC's expertise and experience in emerging markets regarding the adoption of ESG standards.

Together these departments advised IFC management on significant ESG risks in its projects, supported IFC clients in strengthening their ESG performance, and enabled accountability to stakeholders.

In addition to promoting ESG standards and disclosure across emerging markets, IFC builds internal and

external capacity to identify, assess and mitigate ESG risks. IFC continuously strengthens its ESG risk management approach by improving its internal ESG systems, procedures and practices; building capacity through internal and external training and advisory or enhanced client supervision; fostering project-level grievance mechanisms; clarifying the application of IFC's E&S requirements for clients, including financial intermediaries; and mainstreaming cross-cutting topics such as climate change, gender, human rights, biodiversity, and contextual risk assessment in due diligence and supervision. At the project level, IFC manages ESG risks in accordance with its Sustainability Policy, E&S Review Procedures and Corporate Governance Procedures. IFC provides capacity building, guidance and supports its clients in identifying, assessing and mitigating ESG risks through standards, guidelines, guidance notes, good practice notes, tip sheets, handbooks, tools, training and other knowledge products.

On July 1, 2024, IFC reorganized its structure to further strengthen the E&S risk management function by integrating frontline E&S operational expertise within the Regional Vice Presidencies. Through this reorganization IFC is investing significantly in its E&S resources, underscoring the strategic and operational importance of E&S risk management. The new structure with increased managerial capacity will enable more proactive E&S risk management throughout the project cycle and strengthen CES's oversight and guidance role for projects. CES will coordinate E&S knowledge and learning products, and provide guidance on the consistency of management responses to Compliance Advisor Ombudsman (CAO) reports. It will also maintain its role as the corporate interface on E&S matters with the Board, CAO, and civil society organizations and translate lessons learned from IFC's portfolio into new tools, policies, and approaches.

The Corporate Governance team will continue to operate as a global team within the Legal & Compliance Risk Vice Presidency, providing expert advice to investment and advisory teams and clients.

## **ENVIRONMENTAL AND SOCIAL (E&S) RISK MANAGEMENT APPROACH**

IFC's E&S risk management approach is anchored in its Sustainability Framework, which articulates the Corporation's strategic commitment to sustainable development and is composed of:

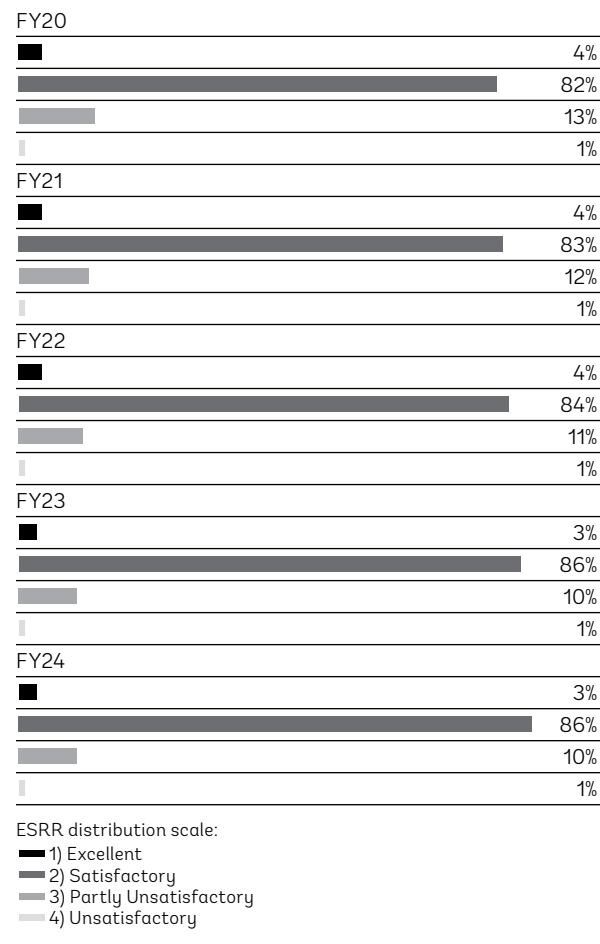
1. The Policy on E&S Sustainability — describing IFC's commitments, roles, and responsibilities in relation to environmental and social sustainability.
2. The E&S Performance Standards — guiding clients on sustainable business practices, including continually identifying and managing risks through analytical work such as environmental and social assessments; stakeholder engagement; and client disclosure obligations in relation to project-level activities.
3. IFC's Access to Information Policy — reflects the Corporation's commitment to transparency and good governance and outlines institutional disclosure obligations.

IFC uses an E&S Risk Rating (ESRR) system to evaluate a client's performance in managing E&S risks, including avoidance, mitigation and control of risks and adverse impacts. The ESRR scale includes: 1) Excellent, 2) Satisfactory, 3) Partly Unsatisfactory, and

4) Unsatisfactory. The score is calculated at appraisal as a baseline and is then updated after each supervision activity.

Focused supervision efforts in the last five fiscal years have improved the E&S risk profile of IFC's investment portfolio by reducing the number of poorly performing projects, defined as a historical ESRR scale of 3 and 4. The supervision program is closely monitored, and helped maintain a substantively healthy E&S portfolio performance. Figure 24 below presents the ESRR distribution of IFC's investment portfolio from FY20 to FY24.

**Figure 24: ESRR Distribution  
FY20–FY24**



## **CLIENT CORPORATE GOVERNANCE RISK**

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IFC manages corporate governance risk primarily by conducting a structured evaluation of every new investment project, covering the following six areas:

- Effectiveness of the Board of Directors;
- Sufficiency of internal controls, audit, risk management and compliance;
- Adequacy of financial and non-financial disclosures, including ESG/sustainability reporting;
- Adequacy of shareholders' rights;
- Adequacy of governance of stakeholder engagement; and
- Demonstration of the client's commitment to implement high quality corporate governance policies and practices.

The findings from these assessments are considered in the decision on whether to proceed with the project.

## **CLIMATE RISK**

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Climate Risk, as defined by IFC, encompasses the actual or potential negative effects of climate-related conditions and events on IFC's investments, corporate operations, reputation or consolidated financial statements. There are two primary climate-related risk categories: (1) physical risks and (2) transition risks.

"Physical risks" include both "acute" and "chronic" physical risks to business operations. Acute physical risks are event-driven, stemming from short-term extreme weather events like hurricanes, floods, tornadoes, wild-fires, storms, drought or heatwaves. Chronic physical risks emerge from longer-term shifts in climate patterns, such as progressive changes in precipitation and temperature, which could lead to rising sea levels, alteration of ecosystems, desertification, water scarcity, soil degradation, and deterioration of marine ecology.

"Transition risks" are attributable to the global shift toward a lower-carbon economy. These risks are multi-faceted and arise from changes in law or regulation, public policies, technological breakthroughs, shifts in investor and public sentiment, and disruptive innovations in business models aimed at addressing climate change.

These risks could carry financial and non-financial implications for IFC.

Climate risk is integrated into IFC's operations through its commitment under the capital increase and more recently to align with the goals of the Paris Agreement. As part of its efforts to align with the Paris Agreement, IFC has begun assessing certain aspects of transition and physical climate risks in all new investment projects, including potential impacts on the project's financial, environmental, and social performance as well as exposure to stranded asset risk and carbon lock-in risk. IFC has developed tools, methodologies and approaches to help industry, E&S, and climate specialists conduct these assessments.

IFC's dedicated second line climate risk management function is in the process of developing methodologies and tools to integrate climate risk management into IFC's overall financial sustainability management, portfolio, balance sheets, capital adequacy and Enterprise Risk Management (ERM) framework.

Furthermore, a climate risk appetite statement has been developed, and work is underway to create a climate risk taxonomy. Market developments in areas such as climate factors scoring, sensitivity analysis, scenario analysis, and stress testing at the portfolio level are being closely assessed. These initiatives aim to enhance IFC's ability to effectively manage climate risk and ensure the sustainability of its operations.

Highlights of climate risk management measures in FY24 include:

- Implementation of counterparty approach for Paris Alignment for real and financial sector projects with undefined use of proceeds.
- Further integration of climate risk into IFC's enterprise risk framework and operations through a cross-organizational Climate Risk Working Group (CRWG).

The WBG's Climate Change Action Plan for FY21 to FY25, aims to increase support to deliver climate results, with a focus on reducing the trajectory of emissions and strengthening adaptation and resilience in developing countries. As part of this plan, IFC has committed to increase its direct climate financing to at least 35 percent of own-account long-term total commitments on average over the five-year period. IFC is also committed to aligning its financial flows with the objectives of the Paris Agreement. Starting July 1, 2023, 85 percent of Board approved operations are expected to be aligned with the Paris Agreement's goals, and 100 percent of these are expected to be aligned starting July 1, 2025. In FY24, the President of the World Bank Group committed to a new climate finance target of 45 percent of its annual financing to climate-related projects (up from 35 percent) for the WBG starting in FY25.

## **INTEGRITY, MONEY LAUNDERING AND TERRORIST FINANCING, AND TAX RISKS**

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Group of interrelated risks that IFC's Clients may have ineffective governance structures and/or controls to manage exposure to integrity risk, money laundering and terrorist financing (ML/TF) risk and tax risk. Integrity risks are the risks of engaging with external institutions or persons whose background or activities, may have adverse reputational and, often, financial impact on IFC. ML/TF risks are the associated risks arising from inadequate controls and processes to manage money laundering or financing of terrorism risk exposures when IFC invests with financial institutions or private equity funds. Tax risk is the risk that IFC's clients or projects may be structured so as to evade taxes or allow the adoption of aggressive tax strategies or practices.

IFC works with a wide range of clients and partners in Investment Operations, Upstream and Advisory Services activities, from multi-national to small companies, and from government institutions to non-governmental organizations. Thus, each transaction or service opportunity presents unique integrity risks, affected by different factors, including the type of engagement, financial instrument, structure, geography and duration of the engagement. IFC conducts integrity due diligence on clients and partners to manage these risks and to mitigate them where it reasonably can, both before engagement and on an ongoing basis during the engagement.

ML/TF risk is the risk that IFC's financial intermediary clients may have ineffective controls to manage exposure to money laundering and terrorist financing risk, subjecting IFC to potential integrity, reputational, or financial risk. IFC conducts anti-money laundering (AML)/combating the financing of terrorism (CFT) due diligence on financial institution clients and funds in addition to its integrity due diligence to determine whether:

1. the client's AML/CFT procedures and controls are structured to comply with relevant AML/CFT standards;
2. the AML/CFT procedures and controls are appropriate for the client's business and operating environments;

IFC has been strengthening its AML capacity, through in-house trainings of its business teams and roll out of technical capacity building programs (e.g., to promote the countering of trade-based money laundering for financial institutions in developing markets).

Tax risk is the risk that IFC's clients or projects may be structured so as to evade taxes or to allow the adoption of aggressive tax strategies or practices. The World Bank Group Intermediate Jurisdiction and Tax Policy, which went into effect on January 23, 2023, reflects significant changes in the international tax landscape and the current global focus on tax transparency and responsible tax practices and applies tax due diligence to investment projects involving intermediate jurisdictions and material cross-border related party transactions. IFC has been raising awareness regarding the Policy and the corresponding processes through targeted trainings for regional and industry teams.

## **EXTERNAL FINANCING RISK**

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As well as using its own resources to invest in and provide advice to clients, IFC raises additional funds from public and private sector institutional investors, lenders, and donors through several different mechanisms. External financing risk is the risk that when entrusted with oversight of such funds, IFC does not meet its contractual obligations to the third parties involved.

To mitigate this risk, IFC works within agreed frameworks which establish IFC's responsibilities and obligations with respect to the third parties. For example, where financing to clients is mobilized through B Loans or MCPP, the specialized Syndications Department follows defined processes to identify co-financiers, advise on structuring, and monitor compliance with investment agreements. In some cases, financing from third parties, including donors, is administered through trust funds. IFC follows predefined procedures for clearing all IFC trust fund proposals and agreements and overseeing IFC's trust fund portfolio. Finally, AMC has an independent governance process to make decisions for the benefit of investors in AMC-managed funds and AMC compliance matters are subject to oversight by the Business Risk and Compliance Department (CBR).

## SECTION VII: CRITICAL ACCOUNTING POLICIES

IFC's accounting policies, as well as estimates made by Management, are integral to its financial reporting. Some of these accounting policies require Management to make highly difficult, complex, and subjective judgments as these relate to matters inherently uncertain and susceptible to change. Note A to IFC's FY24 consolidated financial statements contains a summary of IFC's significant accounting policies, including a discussion of recently adopted accounting standards and accounting and financial reporting developments. Certain of these policies are considered to be "critical" to the portrayal of IFC's financial condition and results of operations, since they require Management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain.

These policies include:

- Determining the fair value of equity investments, debt securities, loans, liquid assets, borrowings and derivatives;
- Determining the level of reserve against losses in the loan portfolio;
- Determining the level and nature of impairment for debt securities carried at fair value with changes in fair value being reported in other comprehensive income (OCI); and
- Determining the future pension and post-retirement benefit costs and obligations using actuarial assumptions based on financial market interest rates, past experience, and best estimate of future benefit cost changes and economic conditions.

Many of IFC's financial instruments are classified in accordance with the fair value hierarchy established by accounting standards for fair value measurements and disclosures which permit the fair value and/or impairment to be estimated based on internally developed models or methodologies utilizing significant inputs that are unobservable.

### VALUATION OF FINANCIAL INSTRUMENTS

IFC reports at fair value all of its derivative instruments, liquid asset trading securities, equity investments, investments in debt securities and certain borrowings, and loans. In addition, various investment agreements contain embedded or standalone derivatives that, for accounting purposes, are separately accounted for as derivative assets or liabilities. IFC classifies all financial instruments accounted for at fair value based on the fair value hierarchy established by accounting standards for fair value measurements and disclosures as described in

more detail in Notes A and R to IFC's FY24 consolidated financial statements.

IFC's regional and industry departments are primarily responsible for fair valuing IFC's investment portfolio (equity investments, debt securities, loan investments and related derivatives). The Investment Valuation Unit in IFC's Corporate Risk Management<sup>8</sup> department in the Risk and Finance Vice Presidency provides oversight over the fair valuation process by monitoring and reviewing the fair values of IFC's investment portfolio.

IFC's borrowings are fair valued by the Quantitative Analysis department in IFC's Treasury and Syndications Vice Presidency. Third-party independent vendor prices are used to price the vast majority of IFC's liquid assets. The vendor prices are evaluated by IFC's independent middle office in Treasury department who maintains oversight for the pricing of liquid assets. All of IFC's financial instruments in its liquid assets portfolios are managed according to an investment authority approved by the Board of Directors and investment guidelines approved by IFC's Corporate Risk Committee.

The change in fair value of borrowings carried at fair value resulting from changes in instrument-specific credit risk is reported in Other Comprehensive Income, while the remaining change in fair value is reported in Net Income.

Many of IFC's financial instruments accounted for at fair value are valued based on unadjusted quoted market prices or using models where the significant assumptions and inputs are market-observable. The fair values of financial instruments valued using models where the significant assumptions and inputs are not market-observable are generally estimated using complex pricing models of the net present value of estimated future cash flows. Management makes numerous assumptions in developing pricing models, including an assessment about the counterparty's financial position and prospects, the appropriate discount rates, interest rates, and related volatility and expected movement in foreign currency exchange rates. Changes in assumptions could have a significant impact on the amounts reported as assets and liabilities and the related unrealized gains and losses reported in the income statement and Other Comprehensive Income. The fair value computations affect both the Investment services and Treasury segments of IFC (see Note S to the FY24 consolidated financial statements for further discussion of IFC's business segments).

### RESERVE AGAINST LOSSES ON LOANS AND OFF-BALANCE SHEET CREDIT ARRANGEMENTS

In accordance with Accounting Standards Update 2016-13, *Measurement of Credit Losses on Financial Instruments and related amendments*, which is incorporated in ASC Topic 326, *Financial Instruments-Credit Losses* (ASC 326), IFC recognizes a reserve for credit

8. Effective July 1, 2023, the Investment Valuation Unit moved to IFC's Investment and Credit Risk department.

losses that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans on the balance sheets. IFC uses a credit loss methodology that reflects an estimate of expected credit losses over the remaining contractual life of a loan, considering forward-looking information. The process for determining the reserve against credit losses is discussed in Note A to IFC's FY24 consolidated financial statements.

The determination of the reserve against credit losses is based on complex inputs and assumptions, which require a high degree of judgment. In particular, the forecast of key economic variables relevant to the loan portfolio is one of the critical assumptions to IFC's estimation of expected credit losses. Information and events, with respect to the borrower and/or the economic and political environment in which it operates, that are considered in determining a loss reserve include, but are not limited to, the borrower's financial difficulties, assessing the risk of breach of contract, bankruptcy/reorganization, credit rating downgrade as well as geopolitical conflict, financial/economic crisis, commodity price decline, adverse local government action and natural disaster. The risks inherent in the portfolio that are considered in determining the portfolio reserve are those proven to exist by past experience and include: country systemic risk; the risk of correlation or contagion of losses between markets; uninsured and uninsurable risks; nonperformance under guarantees and support agreements; and opacity of, or misrepresentation in a borrower's financial statements.

IFC recognizes a reserve against credit losses on off-balance sheet credit exposures for guarantees that are not measured at fair value and other off-balance sheet arrangements. Methodologies for estimating the reserve for credit losses on off-balance sheet credit exposures, including loans committed but not disbursed, are generally consistent with methodologies for estimating the reserve for credit losses for the disbursed loan portfolio.

IFC periodically reviews these variables and reassesses the adequacy of the reserve against credit losses accordingly. Actual losses may differ from expected losses owing to unforeseen changes in any of the variables affecting the creditworthiness or estimates inherent in the exposure measurements.

IFC's regional and industry departments are primarily responsible for individual loss reserve and for credit risk and facility risk ratings, which are used for the portfolio loss reserve. A critical component of the portfolio loss reserve calculations is the quarterly and annual reevaluation of current expected credit loss (CECL) assumptions, which are a collective effort of the Investment & Credit Risk department, Corporate Risk Management department, Global Macro and Market Research unit, and Controllers department. The Loan Loss Steering Committee is the final approving authority for these assumptions. The Portfolio Review unit in IFC's Controllers department provides oversight over the individual loss reserve process by monitoring and reviewing the individual loss reserve of IFC's debt portfolio, and collates inputs and runs the portfolio loss reserve calculations.

## IMPAIRMENT OF DEBT SECURITIES

For all debt security investments classified as available-for-sale, IFC assesses impairment each quarter. In accordance with ASC 326, IFC established an impairment model to determine whether all or a portion of the unrealized loss is a credit loss, and recognizes a reserve for credit losses. When impairment is identified, the entire impairment is recognized in net income if certain conditions are met (as detailed in Note A to IFC's FY24 consolidated financial statements). IFC considers all relevant information including the extent to which fair value has been less than amortized cost, whether IFC intends to sell the debt security or whether it is more likely than not that IFC will be required to sell the debt security, the payment structure of the obligation and the ability of the issuer to make scheduled interest or principal payments, any changes to the ratings of a security, and relevant adverse conditions specifically related to the security, an industry or geographic sector.

## PENSION AND OTHER POST-RETIREMENT BENEFITS

IFC participates, along with IBRD and MIGA, in pension and post-retirement benefit plans that cover substantially all of its staff members. The underlying actuarial assumptions used to determine the projected benefit obligations, accumulated benefit obligations, and the funded status associated with these plans are based on financial market interest rates, experience, and management's best estimate of future benefit changes and economic conditions. All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC and MIGA based upon their employees' respective participation in the plans. IFC reimburses IBRD for its proportionate share of any contributions made to these plans by IBRD. Contributions to these plans are calculated as a percentage of salary. For further details, please refer to Note V to the FY24 consolidated financial statements.

# SECTION VIII.

## RESULTS OF OPERATIONS

### OVERVIEW

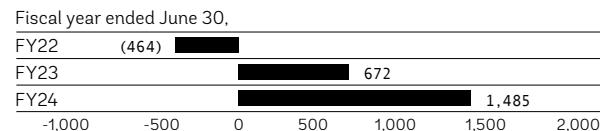
The overall market environment has a significant influence on IFC's financial performance. The main elements of IFC's net income and other comprehensive income, and influences on the level and variability of net income and other comprehensive income from year to year are:

**Table 19: Main Elements of Net Income and Other Comprehensive Income**

ELEMENTS	SIGNIFICANT INFLUENCES
<b>Net income:</b>	
Yield on interest earning assets (principally loans)	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 portfolio, in particular the portion of the liquid asset portfolio funded by net worth, 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	Global climate for emerging markets equities, fluctuations in currency markets and company-specific performance for equity investments. Overall performance of the equity portfolio.
Provision for losses on loans, guarantees, and available-for-sale debt securities	Risk assessment of borrowers, probability of default, loss given default, and expected balance at default considering prepayment and disbursement assumption used to estimate expected utilization rates.
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, the approved and actual administrative expenses, and other budget resources.
Gains and losses on other non-trading financial instruments accounted for at fair value	Principally, differences between changes in fair values of borrowings, excluding IFC's credit spread and associated derivative instruments and unrealized gains or losses 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 may be valued using internally developed models or methodologies, utilizing inputs that may be observable or non-observable.
<b>Other comprehensive income:</b>	
Unrealized gains and losses on debt securities accounted for as available-for-sale	Global climate for emerging markets, fluctuations in currency and commodity markets and company-specific performance, and consideration of the extent to which unrealized losses are considered a credit loss. Debt securities may be valued using internally developed models or methodologies, utilizing inputs that may be observable or non-observable.
Unrealized gains and losses attributable to instrument-specific credit risk on borrowings at fair value under the Fair Value Option	Fluctuations in IFC's own credit spread measured against reference rate, resulting from changes over time in market pricing of credit risk. As credit spreads widen, unrealized gains are recorded, and when credit spreads narrow, unrealized losses are recorded.
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, staff expenses, past experience, and management's best estimate of future benefit cost changes and economic conditions.

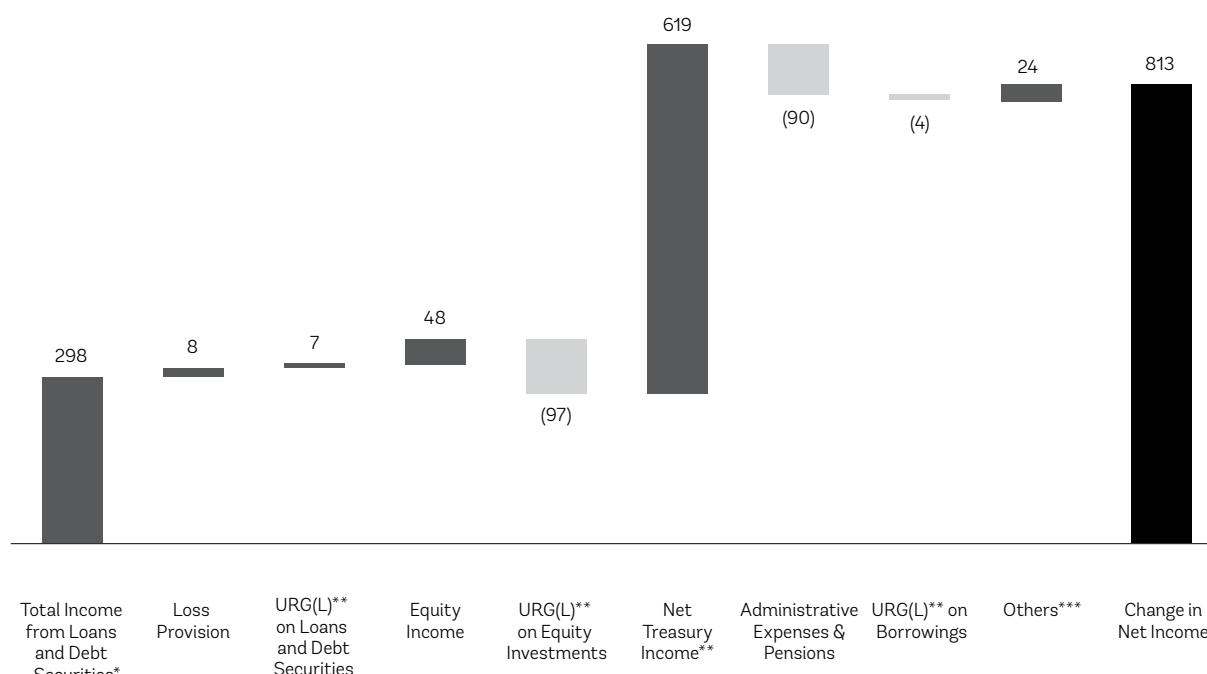
IFC's net income or loss for the past three fiscal years ended June 30, 2024 are presented below:

## Figure 25: IFC's Net Income (Loss) FY22–FY24 (US\$ in millions)



The following paragraphs detail significant variances between FY24 and FY23 covering the periods included in IFC's FY24 consolidated financial statements. The \$813 million increase in net income was principally a result of the following:

## Figure 26: Change in Net Income FY24 vs FY23 (US\$ in millions)



\* Total income from loans and debt securities and net treasury income are net of allocated charges on borrowings.

\*\* URG(L) refers to Unrealized Gains (Losses).

\*\*\* Others mainly represents foreign exchange gains/losses, service fees, and net advisory service expenses.

A more detailed analysis of the components of IFC's net income is as follows.

### **NON-PERFORMING LOANS (NPLS)**

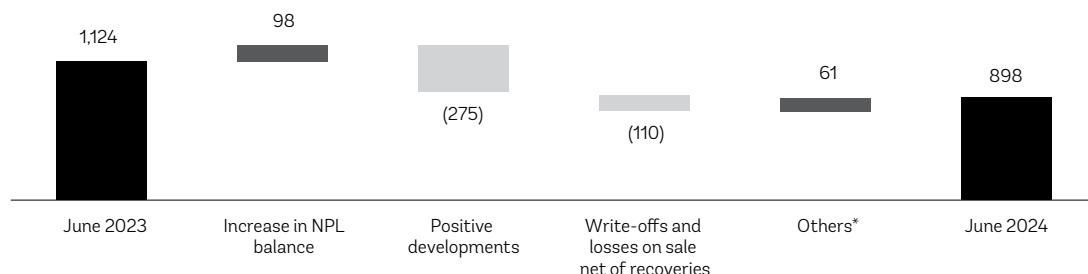
#### **INCOME FROM LOANS AND GUARANTEES, INCLUDING REALIZED GAINS AND LOSSES ON LOANS AND ASSOCIATED DERIVATIVES**

Income from loans and guarantees, including realized gains and losses on loans and associated derivatives for FY24 amounted to \$3.2 billion. This represents an increase of \$914 million compared to \$2.3 billion in FY23, primarily due to higher interest income from increased interest rates and portfolio growth.

NPLs decreased by \$226 million to \$898 million<sup>9</sup> of the disbursed loan portfolio as of June 30, 2024. The decrease was largely due to \$275 million of positive developments and \$110 million net write-offs, partially offset by \$98 million new NPL additions. In FY24, the top three loans that were placed in NPL status totaled \$63 million.

9. Includes \$53 million reported as debt securities and \$126 million reported as loans under Fair Value Option on the Balance Sheet as of June 30, 2024 (\$59 million Debt securities and \$137 million FVO loans – June 30, 2023).

**Figure 27: Non-performing Loans**  
(US\$ in millions)



\* Mainly represents balance changes due to deferrals, restructuring, disbursements, interest capitalization, conversions and foreign exchange gains/losses.

#### **PROVISION FOR LOSSES ON LOANS, AVAILABLE-FOR-SELL DEBT SECURITIES, OFF-BALANCE SHEET CREDIT EXPOSURES AND OTHER RECEIVABLES**

IFC recorded a net provision for losses on loans, available-for-sale debt securities, off-balance sheet credit exposures and other receivables of \$21 million in FY24 (provision of \$29 million in FY23) analyzed as below:

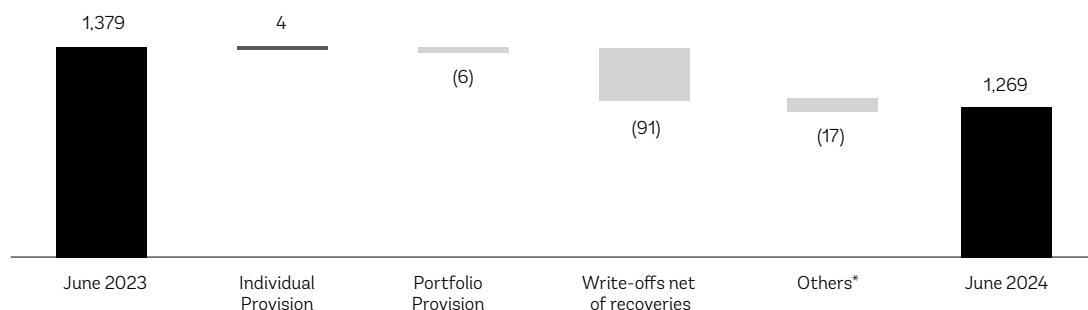
**Table 20: Portfolio and Individual Provision (Release of Provision)**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Portfolio (release of provision) provision on disbursed loans	\$ (26)	\$ 91	\$ (117)
Individual provision (release of provision) on disbursed loans	5	(76)	81
Portfolio provision (release of provision) on undisbursed loans	20	(3)	23
Release of individual provision on undisbursed loans	(1)	-	(1)
Provision on off-balance sheet credit exposures and other receivables	11	10	1
Individual provision on available-for-sale debt securities	12	7	5
<b>Total</b>	<b>\$ 21</b>	<b>\$ 29</b>	<b>\$ (8)</b>

Total portfolio provision decreased in FY24 mainly due to a \$110 million reduction in the Qualitative Overlay partially offset by an increase due to new commitments and disbursements. Individual provision was mainly due to project-specific developments.

Total reserve against losses on loans disbursed and loans committed but not disbursed decreased by \$110 million to \$1.3 billion as of June 30, 2024 analyzed as follows:

**Figure 28: Reserve against Losses for Disbursed and Undisbursed Loans (US\$ in millions)**



\* Others comprise release of provision for capitalized interest of \$5m and foreign exchange movements of \$12m reserve graphs present the reserve against losses on disbursed and undisbursed debt portfolio only (without Guarantees).

The breakdown of total reserve against losses on loans disbursed and loans committed but not disbursed and the reserve coverage ratio as of June 30, 2024 and June 30, 2023 are presented in the table below:

**Table 21: Reserve against Losses on Loans Disbursed and Loans Committed but Not Disbursed and Reserve Coverage Ratio**

(US\$ in millions, unless otherwise noted)	FOR THE YEAR ENDED JUNE 30						VARIANCE	
	2024		2023					
	RESERVE	RESERVE COVERAGE RATIO <sup>a</sup>	RESERVE	RESERVE COVERAGE RATIO <sup>a</sup>	RESERVE	RESERVE COVERAGE RATIO <sup>a</sup>		
<b>Reserve against losses on disbursed loans</b>								
Portfolio reserve	\$ 801	2.3%	\$ 843	2.8%	\$ (42)	(0.5)%		
Individual reserve	280	25.3%	366	30.2%	(86)	(4.9)%		
	\$ 1,081	3.0%	\$ 1,209	3.9%	(128)	(0.9)%		
<b>Reserve against losses on loans committed but not disbursed</b>								
Portfolio reserve	188	2.2%	169	2.5%	19	(0.3)%		
Individual reserve	-	-	1	2.2%	(1)	(2.2)%		
	188	2.2%	170	2.5%	18	(0.3)%		
<b>Total reserve</b>	<b>\$ 1,269</b>	<b>2.8%</b>	<b>\$ 1,379</b>	<b>3.6%</b>	<b>\$ (110)</b>	<b>(0.8)%</b>		

a. Reserve coverage ratio is calculated as the reserve over related disbursed loans balances or reserve over related loans committed but not disbursed balances.

The decrease in individual reserve against losses on disbursed loans was mainly due to a \$106 million decrease in the impaired disbursed loan portfolio.

In FY24, the top ten largest individual provisions and top ten largest individual releases of provision comprised 73 percent and 74 percent of the total individual provisions and total individual releases of provision, respectively, for losses on loans.

The reserve against losses as of June 30, 2024 reflected credit risk assessments as of that date. The assessment of the level of reserve against losses carried a heightened degree of uncertainty and judgment. As of June 30, 2024, a \$25 million Qualitative Overlay was applied (\$135 million as of June 30, 2023). This represents a reduction of \$110 million in FY24, since the original circumstances requiring the overlay are now broadly reflected in the credit ratings.

#### INCOME FROM EQUITY INVESTMENTS AND ASSOCIATED DERIVATIVES

IFC divests equity investments where IFC's developmental role has been fulfilled, where pre-determined sales trigger levels have been met, and where applicable, lock-ups have expired. Gains and losses on equity investments and associated derivatives include both realized and unrealized gains or losses.

Income from equity investments and associated derivatives (consisting of dividends and net gains), decreased by \$49 million, as analyzed below:

**Table 22: Income from Equity Investments and Associated Derivatives**

(US\$ in millions)	FOR THE YEAR ENDED JUNE 30		
	2024	2023	VARIANCE
Net realized gains	\$ 245	\$ 161	\$ 84
Net unrealized losses	(231)	(134)	(97)
Dividend income, custody, fees and other	128	164	(36)
<b>Total income from equity investments and associated derivatives</b>	<b>\$ 142</b>	<b>\$ 191</b>	<b>\$ (49)</b>

In FY24, the top five investments with net gains totaled \$272 million, while the top five investments with net losses were \$287 million. In comparison, in FY23 the top five investments with net gains were \$230 million and the top five investments with net losses were \$197 million.

#### **INCOME FROM DEBT SECURITIES AND REALIZED GAINS AND LOSSES ON DEBT SECURITIES, AND ASSOCIATED DERIVATIVES**

Income from debt securities and associated derivatives increased by \$293 million from \$518 million in FY23 to \$811 million in FY24. The increase was primarily due to a \$348 million increase in interest income resulting from higher outstanding balances, partially offset by a \$55 million decrease in realized gains.

#### **INCOME FROM LIQUID ASSETS TRADING ACTIVITIES**

Income from liquid assets trading activities gross of funding costs and net of funding costs are analyzed in the table below:

**Table 23: Income from Liquid Assets Trading Activities**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Liquid asset income, gross of funding costs:			
Market Funded Liquidity Portfolio	\$ 1,341	\$ 1,215	\$ 126
Net Worth Funded Liquidity Portfolio	1,050	249	801
<b>Total liquid asset income, gross of funding costs</b>	<b>\$ 2,391</b>	<b>\$ 1,464</b>	<b>\$ 927</b>
Liquid asset income, net of funding costs:			
Market Funded Liquidity Portfolio	\$ 106	\$ 208	\$ (102)
Net Worth Funded Liquidity Portfolio	754	33	721
<b>Total liquid asset income, net of funding costs</b>	<b>\$ 860</b>	<b>\$ 241</b>	<b>\$ 619</b>

The year-over-year increase of \$619 million (net of funding costs) was mainly attributable to higher net income from the Net Worth Funded Portfolio, as U.S. Treasury yields stabilized in FY24 while rose sharply in FY23. The decline in income on the Market Funded Portfolio was due to narrow credit spreads at the inception of the fiscal year which persisted for much of the year and a net decline in the size of the Market Funded Portfolio.

#### **CHARGES ON BORROWINGS**

IFC's charges on borrowings increased by \$1.2 billion, from \$2.6 billion in FY23 to \$3.8 billion in FY24, primarily due to higher reference rates in FY24 compared to FY23. Charges on borrowings for the year ended June 30, 2024 included \$133 million expenses from short term discount notes (\$109 million – year ended June 30, 2023) and \$4 million in respect of borrowings from IDA (\$6 million – year ended June 30, 2023).

The weighted average cost of IFC's outstanding borrowings from market sources, after the effects of borrowing-related derivatives, and excluding short-term borrowings from market and other sources, was 5.7 percent at June 30, 2024, an increase from 5.2 percent at June 30, 2023.

The increase in charges on borrowings was predominantly due to rising interest rates. The size of the borrowings portfolio (excluding short-term borrowings), net of borrowing-related derivatives and before unamortized discounts and fair value adjustments, increased by \$3.3 billion during FY24 from \$56.7 billion at June 30, 2023, to \$60.0 billion at June 30, 2024.

#### **OTHER INCOME**

Other income increased by \$69 million mainly driven by an increase in Advisory services income, Post-retirement Contributions Reserve Fund (PCRF) income and investment returns on Post-Employment Benefit Plan assets. The components of other income are analyzed in the table below:

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Upstream and Advisory Services Income	\$ 268	\$ 247	\$ 21
Service Fees	131	128	3
Investment returns on Post-Employment Benefit Plan assets	63	55	8
PCRF Income	30	15	15
CRM Income/ Expense	25	18	7
Other Miscellaneous Income	70	55	15
<b>Total</b>	<b>\$ 587</b>	<b>\$ 518</b>	<b>\$ 69</b>

**Table 24: Other Income**

## **OTHER EXPENSES**

Other Expenses increased by \$106 million. The increase in administrative expenses is mainly due to higher staff costs partially offset by lower pension expenses. The components of other expenses are analyzed in the table below:

**Table 25: Other Expenses**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Administrative expenses	\$ 1,516	\$ 1,430	\$ 86
Upstream and Advisory services expenses	339	317	22
Income from pension and other postretirement benefit plans	(37)	(41)	4
Other Expenses	9	15	(6)
<b>Total</b>	<b>\$ 1,827</b>	<b>\$ 1,721</b>	<b>\$ 106</b>

## **FOREIGN CURRENCY TRANSACTION GAINS AND LOSSES ON NON-TRADING ACTIVITIES**

Foreign currency transaction gains and losses are recognized in both net income and other comprehensive income. For debt securities classified as available-for-sale, the

gains or losses from foreign currency transactions are reported in other comprehensive income, while the impact from the associated derivatives are reported in net income. The net foreign exchange related gains/(losses) are analyzed in the table below:

**Table 26: Foreign Currency Transaction Gains and Losses on Non-Trading Activities**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023	VARIANCE
Reported in Net Income	\$ (115)	\$ (86)	\$ (29)
Reported in Other Comprehensive Income, net of reclassifications to net income upon sale or repayment	100	111	(11)
<b>Total</b>	<b>\$ (15)</b>	<b>\$ 25</b>	<b>\$ (40)</b>

## **NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS**

IFC accounts for certain financial instruments at fair value with unrealized gains and losses on such financial instruments being reported in net income, namely:

(i) market borrowings with associated currency or interest rate swaps; (ii) certain loans, debt securities and associated derivatives; and (iii) borrowings from IDA.

**Table 27: Net Unrealized Gains (Losses) on Non-Trading Financial Instruments**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023
Unrealized gains (losses) on the loan and debt securities portfolio carried at fair value	\$ 280	\$ (46)
Unrealized (losses) gains on associated derivatives	(98)	221
<b>Unrealized gains on loans, debt securities and associated derivatives</b>	<b>182</b>	<b>175</b>
Unrealized (losses) gains on borrowings from market and IDA	(627)	270
Unrealized gains (losses) on associated derivatives	573	(320)
<b>Unrealized losses on borrowings from market, IDA and associated derivatives</b>	<b>(54)</b>	<b>(50)</b>
<b>Net unrealized gains on non-trading financial instruments accounted for at fair value</b>	<b>\$ 128</b>	<b>\$ 125</b>

IFC reported \$182 million of unrealized gains on loans, debt securities, net of associated derivatives in FY24. The unrealized losses on associated derivatives of \$98 million in FY24, consists of \$75 million losses on client risk management swaps mainly on Euro interest rate swaps, and an additional \$13 million losses on lending related swaps mainly in Euro, U.S. dollar and Colombian peso portfolios in FY24.

IFC reported \$54 million of unrealized losses on borrowings from market sources and IDA, net of associated derivatives in FY24. These net after-swap unrealized losses comprised losses on U.S. dollar, British pound and Japanese yen portfolios.

## OTHER COMPREHENSIVE INCOME

### UNREALIZED GAINS AND LOSSES ON DEBT SECURITIES AND BORROWINGS

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**Table 28: Other Comprehensive Income — Unrealized Gains and Losses on Debt Securities and Borrowings**

FOR THE YEAR ENDED JUNE 30 (US\$ in millions)	2024	2023
<b>Net unrealized gains and losses on debt securities arising during the period:</b>		
Unrealized gains	\$ 151	\$ 275
Unrealized losses	(41)	(155)
Reclassification adjustment for realized gains and credit-related portion of impairments that were recognized in net income	11	(58)
<b>Net unrealized gains on debt securities</b>	<b>\$ 121</b>	<b>\$ 62</b>
<b>Net unrealized gains and losses attributable to instrument-specific credit risk on borrowings at fair value under the Fair Value Option:</b>		
Unrealized gains	\$ 439	\$ 474
Unrealized losses	(377)	(536)
Reclassification adjustment for realized gains included in net income upon derecognition of borrowings	12	12
<b>Net unrealized gains (losses) on borrowings</b>	<b>\$ 74</b>	<b>\$ (50)</b>
<b>Total unrealized gains on debt securities and borrowings</b>	<b>\$ 195</b>	<b>\$ 12</b>

Net unrealized gains on debt securities in FY24 included foreign currency gains of \$100 million on debt securities accounted for as available-for-sale, primarily representing reversals of unrealized losses upon sales.

Net unrealized gains on borrowings of \$74 million was recognized through other comprehensive income in FY24 (net unrealized losses of \$50 million in FY23). This was mainly due to widening of IFC's credit spread in U.S. dollar, Australian dollar and British pound issuance.

### UNRECOGNIZED NET ACTUARIAL GAINS AND LOSSES AND UNRECOGNIZED PRIOR SERVICE COSTS ON BENEFITS PLANS

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Unrecognized pension adjustments largely represent the unrecognized net actuarial gains and losses on benefit plans. Actuarial gains and losses occur when actual results differ from expected results in determining the funded status of the pension plans. Since the pension plans are long term, changes in asset returns and discount rates

cause volatility in comprehensive income. Given its long-term planning horizon for pension plans, Management is focused mainly on ensuring that contributions to pension plans appropriately reflect long-term assumptions about asset returns and discount rates.

During FY24, IFC recorded a gain of \$130 million (\$127 million of unrecognized net actuarial gains and a \$3 million reduction of prior service cost). The decrease in the underfunded status of the portion of the pension plans, net of PEBP assets, was primarily due to the increase in the value of the Plan Assets due to higher-than-expected assets returns. As the Plans are managed with a long-term horizon, results over shorter time periods may be impacted positively or negatively by market fluctuations.

For discussion of IFC's financial results for the year ended June 30, 2023 as compared to the year ended June 30, 2022, see Section VIII: Results of Operations in IFC's Management's Discussion and Analysis and Consolidated Financial Statements for the year ended June 30, 2023.

# SECTION IX.

## GOVERNANCE AND CONTROL

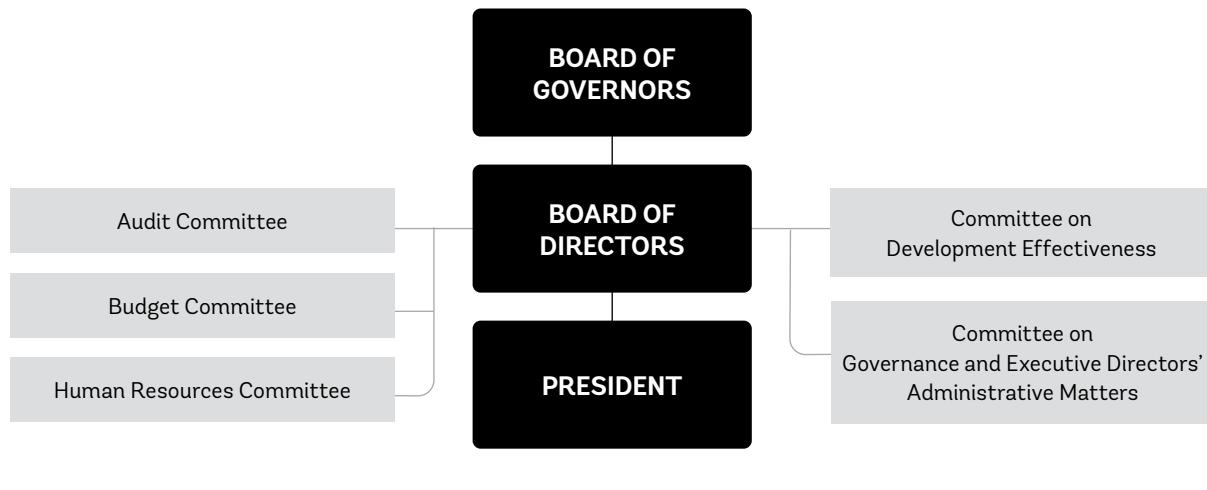
### SENIOR MANAGEMENT AND CHANGES

The following is a list of the principal officers of IFC as of June 30, 2024:

President	Ajay Banga
Managing Director	Makhtar Diop
Regional Vice President, Africa	Sérgio Pimenta
Regional Vice President, Europe, Latin America and the Caribbean	Alfonso García Mora
Regional Vice President, Middle East, Central Asia, Türkiye, Afghanistan and Pakistan	Hela Cheikhrouhou
Regional Vice President, Asia and the Pacific	Riccardo Puliti
Vice President, Cross-Cutting Solutions	Emmanuel Nyirinkindi
Vice President, Corporate Support	Elena Bourganskaia
Vice President, Economics and Private Sector Development	Susan M. Lund
Vice President and General Counsel, Legal, Institutional Risk, and Governance	Ramit Nagpal
Vice President, Industries	Mohamed Gouled
Vice President, Risk and Finance	Federico Galizia
Vice President, Treasury & Mobilization	John Gandolfo

The FY24 consolidated financial statements reflect the organization structure at June 30, 2024.

**Figure 29: Governance Structure**



### BUSINESS CONDUCT

The WBG promotes a positive work environment in which staff members understand their ethical obligations to the institutions. In support of this commitment, the institutions have in place a Code of Conduct. The WBG has both an Ethics Help Line and a Fraud and Corruption hotline. A third-party service offers many methods of worldwide communication. Reporting channels include telephone, mail, email, or confidential submission through a website.

IFC has procedures in place for receiving, retaining, and handling recommendations and concerns relating to business conduct identified during the accounting, internal control and auditing processes.

WBG staff rules clarify and codify the staff's obligations in reporting suspected fraud, corruption, or other misconduct that may threaten the operations or governance of the WBG. These rules also offer protection from retaliation.

## GENERAL GOVERNANCE

IFC's decision-making structure consists of the Board of Governors, the Board of Directors (Board of Directors or the Board), the President, the Managing Director, Management and staff. The Board of Governors is the highest decision-making authority. Governors are appointed by their member governments for a five-year term, which is renewable. The Board of Governors may delegate authority to the Board of Directors to exercise any of its powers, except those reserved to the Board of Governors under IFC's Articles of Agreement.

## BOARD OF DIRECTORS

In accordance with IFC's Articles of Agreement, Directors are appointed or elected every two years by their member governments. The Board currently has 25 Directors who represent all member countries. Directors are neither officers nor staff of IFC. The President is the only member of the Board from management, and he serves as a non-voting member and as Chairman of the Board.

The Board is required to consider proposals made by the President on the use of IFC's net income: retained earnings and designation of retained earnings and on other policies that affect its general operations. The Board is also responsible for presenting to the Board of Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report on operations and policies and other matters.

The Board and its committees are in continuous sessions based in Washington DC, as business requires. Each committee's terms of reference establish its respective roles and responsibilities. As committees do not vote on issues, their role is primarily to serve the Board in discharging its responsibilities.

The committees are made up of eight members and function under their respective stipulated terms of reference. These committees are as follows:

- Audit Committee — assists the Board in overseeing IFC's finances, accounting, risk management and internal controls (see further explanation below).
- Budget Committee — assists the Board in approving IFC's budget and in overseeing the preparation and execution of IFC's business plans. The committee provides guidance to management on strategic directions.
- Committee on Development Effectiveness — supports the Board in assessing IFC's development effectiveness, providing guidance on strategic directions, and monitoring the quality and results of operations.
- Committee on Governance and Executive Directors' Administrative Matters — assists the Board on issues related to governance, the Board's own effectiveness, and the administrative policy applicable to Directors' offices.
- Human Resources Committee — strengthens the efficiency and effectiveness of the Board in discharging its oversight responsibility on IFC's human resources strategy, policies and practices, and their alignment with the business needs of the organization.

## AUDIT COMMITTEE

### MEMBERSHIP

The Audit Committee consists of eight Directors. Membership in the Committee is determined by the Board, based on nominations by the Chairman of the Board, following informal consultation with Directors.

### KEY RESPONSIBILITIES

The Audit Committee is appointed by the Board for the primary purpose of assisting the Board in overseeing IFC's finances, accounting, risk management, internal controls and institutional integrity. Specific responsibilities include:

- Oversight of the integrity of IFC's financial statements.
- Appointment, qualifications, independence and performance of the External Auditor.
- Performance of the Group Internal Audit.
- Adequacy and effectiveness of financial and accounting policies and internal controls and the mechanisms to deter, prevent and penalize fraud and corruption in IFC operations and corporate procurement.
- Effective management of financial, fiduciary, and compliance risks in IFC.
- Oversight of the institutional arrangements and processes for risk management across IFC.

In carrying out its role, the Audit Committee discusses financial issues and policies that affect IFC's financial position and capital adequacy with Management, external auditors, and internal auditors. It recommends the annual audited financial statements for approval to the Board. The Audit Committee monitors and reviews developments in corporate governance and its own role on an ongoing basis.

### EXECUTIVE SESSIONS

Under the Audit Committee's terms of reference, it may convene in executive session at any time, without Management's presence. The Audit Committee meets separately in executive session with the external and internal auditors.

### ACCESS TO RESOURCES AND TO MANAGEMENT

Throughout the year, the Audit Committee receives a large volume of information to enable it to carry out its duties, and meets both formally and informally throughout the year to discuss relevant matters. It has complete access to Management, and reviews and discusses with Management topics considered in its terms of reference.

The Audit Committee has the authority to seek advice and assistance from outside legal, accounting, or other advisors as it deems necessary.

## AUDITOR INDEPENDENCE

The appointment of the external auditor for IFC is governed by a set of Board-approved principles. These include:

- Limits on the external auditor's provision of non-audit-related services
- Requiring all audit-related services to be pre-approved on a case-by-case basis by the Board, upon recommendation of the Audit Committee, and
- Renewal of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter.

The external auditor may provide non-prohibited, non-audit-related services subject to monetary limits. Broadly, the list of prohibited non-audit services includes those that would put the external auditor in the roles typically performed by management and in a position of auditing their own work, such as accounting services, internal audit services, and provision of investment advice. The total non-audit services fees over the term of the relevant external audit contract shall not exceed 70 percent of the audit fees over the same period.

Communication between the external auditor and the Audit Committee is ongoing and carried out as often as deemed necessary by either party. The Audit Committee meets periodically with the external auditor and individual committee members have independent access to the external auditor. IFC's external auditors also follow the communication requirements with the Audit Committees as set out under generally accepted auditing standards in the United States.

reporting. See "Management's report regarding effectiveness of Internal Control over Financial Reporting" for additional information.

IFC's internal control over financial reporting was audited by Deloitte & Touche, LLP and their report expresses an unqualified opinion on the effectiveness of IFC's internal control over financial reporting as of June 30, 2024. See "Independent Auditor's Report" for additional information.

## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed is gathered and communicated to Management, as appropriate, to allow timely decisions regarding required disclosure by IFC. Management conducted an evaluation of the effectiveness of such controls and procedures and the President, the Managing Director and Executive Vice President, the Vice President, Risk and Finance and the Controller have concluded that these controls and procedures were effective as of June 30, 2024.

## EXTERNAL AUDITORS

The external auditor is appointed to a five-year term, with a limit of two consecutive terms, and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board.

In May 2022, IFC's Directors approved Deloitte & Touche, LLP as IFC's external auditor for a second five-year term commencing in FY24.

## INTERNAL CONTROL

### INTERNAL CONTROL OVER FINANCIAL REPORTING

Each fiscal year, Management evaluates the internal controls over financial reporting to determine whether any changes made in these controls during the fiscal year materially affect, or would be reasonably likely to materially affect IFC's internal control over financial reporting. The internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), "Internal Control—Integrated Framework (2013)" provides guidance for designing, implementing and conducting internal control and assessing its effectiveness. IFC uses the 2013 COSO framework to assess the effectiveness of the internal control over financial reporting. As of June 30, 2024, management maintained effective internal control over financial

# SECTION X.

## APPENDIX

### GLOSSARY OF TERMS

**Articles:** IFC's Articles of Agreement.

**Board:** The Board of Directors as established by IFC's Articles of Agreement.

**Capital Adequacy:** A measure of IFC's ability to withstand unexpected shocks as IFC is required to maintain a minimum level of capital available (Balance Sheets Capital less Designated Retained Earnings minus Pension surplus of each pension plan minus PCRF assets) equal to total potential losses for all on- and off-balance sheet exposures estimated at levels consistent with maintaining IFC's AAA rating.

**Capital Available:** Under IFC's economic capital framework, resources available to absorb potential losses, calculated as: IFC's balance sheets capital minus designated retained earnings minus pension surplus of each pension plan minus PCRF assets.

**Capital Required:** Aggregate minimum Economic Capital required to maintain IFC's AAA rating.

**Core Mobilization:** Non-IFC financing or risk sharing arranged on commercial terms due to the active and direct involvement of IFC for the benefit of a Client. A Client is a legal entity to which IFC provides Advisory Services (AS) or Investment Services (IS).

**Core Value:** All institutions of the World Bank Group have collectively adopted these core values: Impact, integrity, respect, teamwork, and innovation.

**Capital Utilization Ratio (CUR):** A ratio to measure IFC's capital adequacy expressed as Capital Required divided by Capital Available.

**Credit spread:** A credit spread is the difference in yield between two bonds of similar maturity but different credit quality.

**Economic Capital (EC):** Minimum U.S. dollar amount of capital required to meet expected and unexpected losses. For Financial Product(s), calculated as Exposure at Risk (EAR) multiplied by Economic Capital Ratio for relevant product/sub-product.

**IDA18:** IDA's Eighteenth Replenishment of Resources.

**IDA19:** IDA's Nineteenth Replenishment of Resources.

**IDA20:** IDA's Twentieth Replenishment of Resources.

**IDA-eligible countries:** Countries eligible to borrow from IDA on concessional terms.

**IFC's Equity Mobilization Department:** IFC's Equity Mobilization Department (formally IFC Asset Management Company, or AMC), a division of IFC effective January 31, 2020, invests third-party capital and IFC capital, enabling outside investors to invest alongside IFC in developing markets. Investors in funds managed by AMC have included sovereign wealth funds, national pension funds, multilateral and bilateral development institutions, national development agencies and international financial institutions. These funds collectively are referred to as the AMC Funds.

**Income Available for Designations:** IFC uses Income Available for Designations (a non-U.S. GAAP measure) as a basis for designations of retained earnings. Prior to FY24, Income Available for Designations comprised net income excluding unrealized gains and losses on investments and borrowings as well as grants to IDA, which were suspended in FY20 following the conclusion of IDA18. In FY24, IFC updated the calculation of Income Available for Designations to exclude income from PCRF, aligning it with its intended use for post-retirement contributions.

**Paris Agreement:** The Paris Agreement is the universal, legally binding global climate change agreement, adopted at the Paris climate conference in December 2015. It sets out a global framework to avoid dangerous climate change by limiting global warming and aims to strengthen countries' ability to deal with the impacts of climate change and support them in their efforts.

**Qualitative Overlay:** Qualitative Overlay is an adjustment applied to the calculated loan loss reserve based on qualitative factors, reflecting potential risks and uncertainties that are prevailing and may not be fully captured by quantitative models.

**Spring Meetings:** The Spring Meetings of the International Monetary Fund and the Boards of Governors of the World Bank Group is a gathering that features the Development Committee and International Monetary and Financial Committee plenary session to discuss work of the institutions.

**Upstream:** Upstream activities aim to unlock and/or create new, additional investment opportunities for which IFC is both willing and likely to be a financial partner. Upstream activities comprise IFC engagements which aim to (i) Support the creation and realization of specific projects, for which IFC is a likely finance partner (Transaction Upstream); and/or have a wider market or sectoral impact to facilitate private sector investment, for which in turn IFC could be a potential financing partner (Creating Markets Upstream).

**U.S. GAAP:** Accounting principles generally accepted in the United States of America.

**World Bank:** The World Bank consists of IBRD and IDA.

**World Bank Group (WBG):** The World Bank Group consists of IBRD, IDA, IFC, MIGA, and ICSID.

## ABBREVIATIONS AND ACRONYMS

<b>ABS</b>	Asset-Backed Securities	<b>GCI</b>	General Capital Increase
<b>AIMM</b>	Anticipated Impact Measurement and Monitoring	<b>GEI</b>	Gender and Economic Inclusion
<b>ALM</b>	Asset Liability Management	<b>GEMs</b>	Global Emerging Markets (GEMs)
<b>AML/CFT</b>	Anti-Money Laundering/Combating the Financing of Terrorism	<b>GP</b>	General Partner
<b>AOCI</b>	Accumulated Other Comprehensive Income	<b>GTFP</b>	Global Trade Finance Program
<b>BFC</b>	Blended Finance and Donor Funds Committee	<b>GTLP</b>	Global Trade Liquidity Program
<b>BOP</b>	Base of the Pyramid	<b>GTSF</b>	Global Trade Supplier Program
<b>CAO</b>	Compliance Advisory/Ombudsman	<b>GTST</b>	General Structured Trade Finance Program
<b>CBR</b>	Business Risk and Compliance Department	<b>IBRD</b>	International Bank for Reconstruction and Development
<b>CECL</b>	Current Expected Credit Loss	<b>ICSID</b>	International Centre for Settlement of Investment Disputes
<b>CEG</b>	Sustainability and Gender Solutions Department	<b>IDA</b>	International Development Association
<b>CES</b>	Environmental and Social Policy and Risk Department	<b>IDA-PSW</b>	IDA Private Sector Window
<b>CMAW</b>	Creating Markets Advisory Window	<b>IEG</b>	Independent Evaluation Group
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission	<b>IFC or the Corporation</b>	International Finance Corporation
<b>CR</b>	Credit Rating	<b>IFIs</b>	International Financial Institutions
<b>CRC</b>	Corporate Risk Committee	<b>INT</b>	Integrity Vice Presidency
<b>CRM</b>	Client Risk Management	<b>ITSG</b>	Information and Technology Steering Group
<b>CRWG</b>	Climate Risk Working Group	<b>LCR</b>	Liquidity Coverage Ratios
<b>CSO</b>	Department of Special Operations	<b>LIBOR</b>	London Interbank Offered Rate
<b>CUR</b>	Capital Utilization Ratio	<b>LTF</b>	Long-Term Finance
<b>DARP</b>	Distressed Asset Recovery Program	<b>MBS</b>	Mortgage-Backed Securities
<b>DFIs</b>	Development Financial Institutions	<b>MCPP</b>	Managed Co-Lending Portfolio Program
<b>E&amp;S</b>	Environmental and Social	<b>MDBs</b>	Multilateral Development Banks
<b>EIJ</b>	Ethics and Internal Justice	<b>MD</b>	Managing Director
<b>ERM</b>	Enterprise Risk Management Framework	<b>MD&amp;A</b>	Management's Discussion and Analysis
<b>ESG</b>	Environmental, Social & Governance	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>ESRR</b>	E&S Risk Rating	<b>ML/TF</b>	Money Laundering And Terrorist Financing
<b>FCA</b>	Financial Conduct Authority	<b>MT</b>	IFC's Management Team
<b>FCS</b>	Fragile and Conflict-Affected Situations	<b>NAV</b>	Net Asset Value
<b>FMTAAS</b>	Funding Mechanism for Technical Assistance and Advisory Services	<b>NPLs</b>	Non-performing Loans
		<b>OCI</b>	Other Comprehensive Income
		<b>ORM</b>	IFC's Operational Risk Management

<b>PBAC</b>	Pension Benefits Administration Committee
<b>PCRF</b>	Post-retirement Contributions Reserve Fund
<b>PEBP</b>	Post-Employment Benefit Plan
<b>PFC</b>	Pension Finance Committee
<b>PPP</b>	Public-Private Partnership
<b>PRI</b>	Political Risk Insurance
<b>PSW</b>	Private Sector Window
<b>RA</b>	Risk Appetite
<b>RCSA</b>	Risk and Control Self-Assessments
<b>RIs</b>	Risk Indicators
<b>RSBP</b>	Retired Staff Benefits Plan
<b>SCI</b>	Selective Capital Increase
<b>SLAs</b>	Service Level Agreements
<b>SMEs</b>	Small and Medium Enterprises
<b>SOFR</b>	Secured Overnight Financing Rate
<b>SRP</b>	Staff Retirement Plan
<b>STF</b>	Short-Term Finance
<b>T3PC</b>	Tier III Project Committee
<b>VPU</b>	Vice Presidency Unit

# CONSOLIDATED FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS

## Management's Report Regarding Effectiveness of Internal Control over Financial Reporting

August 7, 2024

The management of the International Finance Corporation (IFC) is responsible for the preparation, integrity, and fair presentation of its published consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include amounts based on informed judgments and estimates made by management.

The consolidated financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of IFC's consolidated financial statements and audit of its internal control over financial reporting were valid and appropriate. The independent auditors' reports accompany the audited consolidated financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting for financial statement presentations in conformity with US GAAP. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over financial reporting supports the integrity and reliability of the external consolidated financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

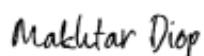
IFC assessed its internal control over financial reporting for financial statement presentation in conformity with US GAAP as of June 30, 2024. This assessment was based on the criteria for effective internal control over financial reporting described in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IFC maintained effective internal control over financial reporting presented in conformity with US GAAP as of June 30, 2024. The independent audit firm that audited the consolidated financial statements has issued an Independent Auditor's Report which expresses an opinion on IFC's internal control over financial reporting.

The Board of Directors has appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IFC. The Audit Committee is comprised entirely of Directors who are independent of IFC's management. The Audit Committee is responsible for recommending to the Board of Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of IFC in addition to reviewing IFC's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.



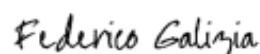
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Ajay Banga  
President



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Makhtar Diop  
Managing Director & Executive Vice President



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Federico Galizia  
Vice President, Risk and Finance



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Zinga Venner  
Director & Controller



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## INDEPENDENT AUDITOR'S REPORT

President and Board of Directors  
International Finance Corporation

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of International Finance Corporation and its consolidated entities ("IFC") as of June 30, 2024, based on the criteria established in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, IFC maintained, in all material respects, effective internal control over financial reporting as of June 30, 2024, based on the criteria established in the *Internal Control - Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the consolidated financial statements as of and for the year ended June 30, 2024 of IFC, and our report dated August 7, 2024, expressed an unmodified opinion on those financial statements.

### Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are required to be independent of IFC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report Regarding Effectiveness of Internal Control over Financial Reporting.

### Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Deloitte & Touche LLP*

August 7, 2024

## INDEPENDENT AUDITOR'S REPORT

President and Board of Directors

International Finance Corporation

### Opinion

We have audited the consolidated financial statements of International Finance Corporation and its consolidated entities ("IFC"), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, changes in capital and cash flows, for each of the three years in the period ended June 30, 2024, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of IFC as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), IFC's internal control over financial reporting as of June 30, 2024, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 7, 2024, expressed an unmodified opinion on IFC's internal control over financial reporting.

### Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of IFC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IFC's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IFC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Report on Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated statement of capital stock and voting power as of June 30, 2024 ("supplemental information") listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This supplemental information is the responsibility of IFC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

#### **Other Information Included in Management's Discussion and Analysis and Consolidated Financial Statements**

Management is responsible for the other information included in Management's Discussion and Analysis and Consolidated Financial Statements. The other information comprises the information included in Management's Discussion and Analysis and Consolidated Financial Statements but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Deloitte & Touche LLP*

August 7, 2024

## CONSOLIDATED BALANCE SHEETS

as of June 30, 2024 and June 30, 2023

(US\$ in millions)	June 30, 2024	June 30, 2023
<b>Assets</b>		
Cash and due from banks – Note C	\$ 781	\$ 1,051
Time deposits – Note C	9,752	10,215
Trading securities – Notes C and R	28,555	31,020
(includes \$4,420 and \$6,446 securities pledged to creditors under repurchase and collateral agreements as of June 30, 2024 and June 30, 2023, respectively)		
Securities purchased under resale agreements and receivable for cash collateral pledged – Notes C, R and W	1,226	5,192
Investments – Notes B, D, E, F, G, R and T		
Loans		
(includes \$1,789 and \$1,506 loans held at fair value as of June 30, 2024 and June 30, 2023, respectively; net of reserve against losses of \$1,081 and \$1,209 at June 30, 2024 and June 30, 2023, respectively)		
– Notes D, E, R and T	36,437	31,414
Equity investments		
– Notes B, D, G, R and T	11,121	10,778
Debt securities – Notes D, F, R and T	11,189	9,310
(includes available-for-sale securities of \$845 and \$1,394, with associated amortized cost of \$962 and \$1,632, and reserve against credit losses of \$34 and \$21 as of June 30, 2024 and June 30, 2023, respectively)		
Total investments	58,747	51,502
Derivative assets – Notes B, C, Q, R and W	2,954	5,722
Receivables and other assets – Notes B, C, J, T and U	6,172	5,845
<b>Total assets</b>	<b>\$ 108,187</b>	<b>\$ 110,547</b>
<b>Liabilities and capital</b>		
Liabilities		
Securities sold under repurchase agreements and payable for cash collateral received – Notes C and W	\$ 1,541	\$ 6,631
Borrowings outstanding – Notes B, K and R		
From market and other sources at amortized cost	2,536	3,327
From market sources at fair value	53,049	48,873
From International Development Association at fair value	170	243
Total borrowings	55,755	52,443
Derivative liabilities – Notes B, C, Q, R and W	7,356	11,195
Payables and other liabilities – Notes B, C, E, L, T, U and V	6,063	5,240
<b>Total liabilities</b>	<b>70,715</b>	<b>75,509</b>
Capital		
Authorized capital, shares of \$1,000 par value each – Note M (25,079,991 shares as of June 30, 2024 and June 30, 2023)		
Subscribed capital	24,104	23,939
Less: unpaid portion of subscriptions	(884)	(1,343)
Paid-in capital	23,220	22,596
Accumulated other comprehensive income – Note O	957	632
Retained earnings – Note O	13,295	11,810
<b>Total capital</b>	<b>37,472</b>	<b>35,038</b>
<b>Total liabilities and capital</b>	<b>\$ 108,187</b>	<b>\$ 110,547</b>

The notes to consolidated financial statements are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

for the three years ended June 30, 2024, June 30, 2023 and June 30, 2022

(US\$ in millions)	2024	2023	2022
<b>Income from investments</b>			
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives – Note E .....	\$ 3,204	\$ 2,290	\$ 1,156
Provision for losses on loans, off-balance sheet credit exposures and other receivables – Note E .....	(9)	(22)	(126)
Income from equity investments and associated derivatives – Note G .....	142	191	208
Income from debt securities, including realized gains and losses on debt securities and associated derivatives – Note F .....	811	518	414
Provision for losses on available-for-sale debt securities – Note F .....	(12)	(7)	(14)
<b>Total income from investments</b>	<b>4,136</b>	<b>2,970</b>	<b>1,638</b>
Income (loss) from liquid asset trading activities – Note C .....	2,391	1,464	(413)
Charges on borrowings .....	(3,815)	(2,598)	(302)
<b>Income from investments and liquid asset trading activities, after charges on borrowings</b>	<b>2,712</b>	<b>1,836</b>	<b>923</b>
<b>Other income</b>			
Upstream and Advisory services income – Note U .....	268	247	233
Service fees .....	131	128	142
Other – Note N .....	188	143	44
<b>Total other income</b>	<b>587</b>	<b>518</b>	<b>419</b>
<b>Other expenses</b>			
Administrative expenses – Notes B and V .....	(1,516)	(1,430)	(1,441)
Upstream and Advisory services expenses – Note U .....	(339)	(317)	(287)
Other, net – Note V .....	28	26	75
<b>Total other expenses</b>	<b>(1,827)</b>	<b>(1,721)</b>	<b>(1,653)</b>
Foreign currency transaction (losses) gains on non-trading activities .....	(115)	(86)	76
<b>Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value</b>	<b>1,357</b>	<b>547</b>	<b>(235)</b>
Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value – Note P .....	128	125	(229)
<b>Net income (loss) – Note S</b>	<b>\$ 1,485</b>	<b>\$ 672</b>	<b>\$ (464)</b>

The notes to consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the three years ended June 30, 2024, June 30, 2023 and June 30, 2022

(US\$ in millions)	2024	2023	2022
<b>Net income (loss) – Note S</b>	\$ 1,485	\$ 672	\$ (464)
<b>Other comprehensive income</b>			
<b>Unrealized gains and losses on debt securities</b>			
Net unrealized gains (losses) on available-for-sale debt securities arising during the year .....	110	120	(254)
Reclassification adjustment for realized gains included in net income (income from debt securities and realized gains and losses on debt securities and associated derivatives) .....	(1)	(65)	(38)
Reclassification adjustment for impairments related to credit loss included in net income .....	12	7	14
<b>Net unrealized gains (losses) on debt securities</b>	<b>121</b>	<b>62</b>	<b>(278)</b>
<b>Unrealized gains and losses on borrowings</b>			
Net unrealized gains (losses) arising during the year attributable to instrument-specific credit risk on borrowings at fair value under the fair value option .....	\$ 62	(62)	239
Reclassification adjustment for realized gains included in net income upon derecognition of borrowings .....	12	12	1
<b>Net unrealized gains (losses) on borrowings</b>	<b>74</b>	<b>(50)</b>	<b>240</b>
Net unrecognized net actuarial gains and unrecognized prior service credits on benefit plans – Note V .....	130	702	1,074
<b>Total other comprehensive income</b>	<b>325</b>	<b>714</b>	<b>1,036</b>
<b>Total comprehensive income</b>	<b>\$ 1,810</b>	<b>\$ 1,386</b>	<b>\$ 572</b>

The notes to consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL

for the three years ended June 30, 2024, June 30, 2023 and June 30, 2022

(US\$ in millions)	Undesignated retained earnings	Designated retained earnings	Total retained earnings	Accumulated other comprehensive income (loss) – Note O	Paid-in capital	Total capital
<b>As of June 30, 2021</b>	<b>\$ 11,395</b>	<b>\$ 207</b>	<b>\$ 11,602</b>	<b>\$ (1,118)</b>	<b>\$ 20,760</b>	<b>\$ 31,244</b>
<b>Year ended June 30, 2022</b>						
Net loss	(464)		(464)			(464)
Other comprehensive income				1,036		1,036
Designation of retained earnings – Note O	(161)	161	—			—
Expenditures against designated retained earnings – Note O	70	(70)	—			—
Payments received for subscribed capital				989		989
<b>As of June 30, 2022</b>	<b>\$ 10,840</b>	<b>\$ 298</b>	<b>\$ 11,138</b>	<b>\$ (82)</b>	<b>\$ 21,749</b>	<b>\$ 32,805</b>
<b>Year ended June 30, 2023</b>						
Net income	672		672			672
Other comprehensive income				714		714
Designations of retained earnings – Note O	(6)	6	—			—
Expenditures against designated retained earnings – Note O	83	(83)	—			—
Payments received for subscribed capital				847		847
<b>As of June 30, 2023</b>	<b>\$ 11,589</b>	<b>\$ 221</b>	<b>\$ 11,810</b>	<b>\$ 632</b>	<b>\$ 22,596</b>	<b>\$ 35,038</b>
<b>Year ended June 30, 2024</b>						
Net income	1,485		1,485			1,485
Other comprehensive income				325		325
Designations of retained earnings – Note O	(60)	60	—			—
Expenditures against designated retained earnings – Note O	119	(119)	—			—
Payments received for subscribed capital				624		624
<b>As of June 30, 2024</b>	<b>\$ 13,133</b>	<b>\$ 162</b>	<b>\$ 13,295</b>	<b>\$ 957</b>	<b>\$ 23,220</b>	<b>\$ 37,472</b>

The notes to consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

for the three years ended June 30, 2024, June 30, 2023 and June 30, 2022

(US\$ in millions)	2024	2023	2022
<b>Cash flows from investing activities</b>			
Loan disbursements	\$(14,235)	\$(13,354)	\$ (9,719)
Investments in equity securities	(1,535)	(1,034)	(1,471)
Investments in debt securities	(3,115)	(3,818)	(1,622)
Loan repayments	8,860	8,209	8,286
Debt securities repayments	1,216	1,066	898
Proceeds from sales of loans	2	67	11
Proceeds from sales of equity investments	1,394	1,405	2,567
Proceeds from sales of debt securities	36	81	185
Loan origination fees received	109	65	72
Other investing activities, net	(9)	—	—
Investment in fixed assets	(91)	(62)	(50)
<b>Net cash used in investing activities</b>	<b>(7,368)</b>	<b>(7,375)</b>	<b>(843)</b>
<b>Cash flows from financing activities</b>			
Medium and long-term borrowings			
Issuance	17,242	19,167	14,018
Retirement	(14,142)	(14,393)	(15,072)
Change in derivatives associated with borrowings, net	(203)	(364)	(160)
Short-term borrowings, net	(306)	(308)	640
Capital subscriptions	624	847	1,446
<b>Net cash provided by financing activities</b>	<b>3,215</b>	<b>4,949</b>	<b>872</b>
<b>Cash flows from operating activities</b>			
Net income (loss)	1,485	672	(464)
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities:			
Realized losses (gains) on loans and associated derivatives, net	10	(8)	9
Realized gains on debt securities and associated derivatives, net	(17)	(75)	(112)
Gains on equity investments and related derivatives, net	(14)	(27)	(25)
Net realized gains on extinguishment of borrowings	(4)	(1)	(8)
Provision	21	29	140
Accretion of net discounts, premiums and loan origination fees	43	47	(54)
Depreciation expenses	60	56	71
Foreign currency transaction losses (gains) on non-trading activities	115	86	(76)
Net unrealized (gains) losses on non-trading financial instruments accounted for at fair value	(128)	(125)	229
Net discounts paid on retirement of borrowings	(134)	(83)	(3)
Change in accrued income on loans and debt securities (after swaps), net	(210)	(287)	(49)
Change in accrued expenses on borrowings (after swaps), net	73	498	119
Change in liquid asset trading portfolio	3,733	6,539	(9,570)
Change in derivatives associated with loans and client risk management, net	240	349	514
Change in payables and other liabilities	207	306	267
Change in receivables and other assets	(176)	(268)	(349)
<b>Net cash provided by (used in) operating activities</b>	<b>5,304</b>	<b>7,708</b>	<b>(9,361)</b>
Change in cash and cash equivalents	1,151	5,282	(9,332)
Effect of exchange rate changes on cash and cash equivalents	(168)	195	(368)
Net change in cash and cash equivalents	983	5,477	(9,700)
Beginning cash and cash equivalents	8,799	3,322	13,022
<b>Ending cash and cash equivalents</b>	<b>\$ 9,782</b>	<b>\$ 8,799</b>	<b>\$ 3,322</b>
<b>Composition of cash and cash equivalents</b>			
Cash and due from banks	781	1,051	702
Time deposits with maturities under three months	9,001	7,748	2,620
<b>Total cash and cash equivalents</b>	<b>\$ 9,782</b>	<b>\$ 8,799</b>	<b>\$ 3,322</b>

The notes to consolidated financial statements are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

for the three years ended June 30, 2024, June 30, 2023 and June 30, 2022

(US\$ in millions)	2024	2023	2022
<b>Supplemental disclosure</b>			
Change in ending balances resulting from currency exchange rate fluctuations:			
Loans outstanding .....	\$ (356)	\$ 114	\$ (635)
Debt securities .....	(175)	15	(454)
Loan and debt security-related currency swaps .....	566	(115)	972
Borrowings .....	360	187	3,209
Borrowing-related currency swaps .....	(333)	(173)	(3,156)
Charges on borrowings paid, net .....	\$ 3,875	\$ 2,183	\$ 186
Non-cash items:			
Loan and debt security conversion to equity, net .....	\$ 21	\$ 101	\$ 54

The notes to consolidated financial statements are an integral part of these statements.

# SUPPLEMENTAL INFORMATION: CONSOLIDATED STATEMENT OF CAPITAL STOCK AND VOTING POWER

as of June 30, 2024

(US\$ in thousands)	Capital Stock		Voting Power		Capital Stock		Voting Power		
Members	Amount paid	Percent of total	Number of votes	Percent of total	Members	Amount paid	Percent of total	Number of votes	Percent of total
Afghanistan	1,727	0.01	9,063	0.04	Ecuador	20,256	0.09	27,592	0.11
Albania	11,099	0.05	18,435	0.07	Egypt, Arab Republic of	102,017	0.44	109,353	0.44
Algeria	68,309	0.29	75,645	0.31	El Salvador	702	0.00	8,038	0.03
Angola	14,952	0.06	22,288	0.09	Equatorial Guinea	328	0.00	7,664	0.03
Antigua and Barbuda	99	0.00	7,435	0.03	Eritrea	7,129	0.03	14,465	0.06
Argentina	323,320	1.39	330,656	1.34	Estonia	12,796	0.06	20,132	0.08
Armenia	10,489	0.05	17,825	0.07	Eswatini	5,812	0.03	13,148	0.05
Australia	463,234	1.99	470,570	1.91	Ethiopia	2,036	0.01	9,372	0.04
Austria	193,216	0.83	200,552	0.82	Fiji	4,151	0.02	11,487	0.05
Azerbaijan	21,516	0.09	28,852	0.12	Finland	146,844	0.63	154,180	0.63
Bahamas, The	4,997	0.02	12,333	0.05	France	1,132,088	4.88	1,139,424	4.63
Bahrain	13,313	0.06	20,649	0.08	Gabon	9,668	0.04	17,004	0.07
Bangladesh	87,484	0.38	94,820	0.39	Gambia, The	717	0.00	8,053	0.03
Barbados	2,752	0.01	10,088	0.04	Georgia	14,579	0.06	21,915	0.09
Belarus	42,439	0.18	49,775	0.20	Germany	1,261,691	5.43	1,269,027	5.16
Belgium	473,452	2.04	480,788	1.96	Ghana	42,286	0.18	49,622	0.20
Belize	1,348	0.01	8,684	0.04	Greece	67,514	0.29	74,850	0.30
Benin	2,106	0.01	9,442	0.04	Grenada	1,576	0.01	8,912	0.04
Bhutan	5,490	0.02	12,826	0.05	Guatemala	8,265	0.04	15,601	0.06
Bolivia	14,502	0.06	21,838	0.09	Guinea	2,585	0.01	9,921	0.04
Bosnia and Herzegovina	7,115	0.03	14,451	0.06	Guinea-Bissau	137	0.00	7,473	0.03
Botswana	2,094	0.01	9,430	0.04	Guyana	13,838	0.06	21,174	0.09
Brazil	423,812	1.83	431,148	1.75	Haiti	6,267	0.03	13,603	0.06
Brunei Darussalam	2,503	0.01	9,839	0.04	Honduras	4,407	0.02	11,743	0.05
Bulgaria	56,666	0.24	64,002	0.26	Hungary	117,492	0.51	124,828	0.51
Burkina Faso	8,849	0.04	16,185	0.07	Iceland	2,619	0.01	9,955	0.04
Burundi	1,792	0.01	9,128	0.04	India	963,064	4.15	970,400	3.95
Cabo Verde	114	0.00	7,450	0.03	Indonesia	309,305	1.33	316,641	1.29
Cambodia	3,943	0.02	11,279	0.05	Iran, Islamic Republic of	11,010	0.05	18,346	0.07
Cameroon	11,076	0.05	18,412	0.07	Iraq	6,349	0.03	13,685	0.06
Canada	796,137	3.43	803,473	3.27	Ireland	22,493	0.10	29,829	0.12
Central African Republic	907	0.00	8,243	0.03	Israel	26,000	0.11	33,336	0.14
Chad	10,400	0.04	17,736	0.07	Italy	760,950	3.28	768,286	3.13
Chile	96,428	0.42	103,764	0.42	Jamaica	32,648	0.14	39,984	0.16
China	671,360	2.89	678,696	2.76	Japan	1,800,442	7.75	1,807,778	7.35
Colombia	133,679	0.58	141,015	0.57	Jordan	7,175	0.03	14,511	0.06
Comoros	107	0.00	7,443	0.03	Kazakhstan	35,355	0.15	42,691	0.17
Congo, Democratic Republic of	19,833	0.09	27,169	0.11	Kenya	30,811	0.13	38,147	0.16
Congo, Republic of	999	0.00	8,335	0.03	Kiribati	91	0.00	7,427	0.03
Costa Rica	10,092	0.04	17,428	0.07	Korea, Republic of	308,769	1.33	316,105	1.29
Cote d'Ivoire	39,129	0.17	46,465	0.19	Kosovo	14,231	0.06	21,567	0.09
Croatia	27,614	0.12	34,950	0.14	Kuwait	134,106	0.58	141,442	0.58
Cyprus	20,936	0.09	28,272	0.11	Kyrgyz Republic	13,114	0.06	20,450	0.08
Czechia	93,778	0.40	101,114	0.41	Lao People's Democratic Republic	2,929	0.01	10,265	0.04
Denmark	170,267	0.73	177,603	0.72	Latvia	20,113	0.09	27,449	0.11
Djibouti	160	0.00	7,496	0.03	Lebanon	1,029	0.00	8,365	0.03
Dominica	1,153	0.00	8,489	0.03	Lesotho	1,474	0.01	8,810	0.04
Dominican Republic	9,050	0.04	16,386	0.07	Liberia	1,580	0.01	8,916	0.04

The notes to consolidated financial statements are an integral part of these statements.

# SUPPLEMENTAL INFORMATION: CONSOLIDATED STATEMENT OF CAPITAL STOCK AND VOTING POWER

as of June 30, 2024

(US\$ in thousands)	Capital Stock		Voting Power			Capital Stock		Voting Power	
Members	Amount paid	Percent of total	Number of votes	Percent of total	Members	Amount paid	Percent of total	Number of votes	Percent of total
Libya	419	0.00	7,755	0.03	Saudi Arabia	583,805	2.51	591,141	2.40
Lithuania	22,912	0.10	30,248	0.12	Senegal	17,986	0.08	25,322	0.10
Luxembourg	23,835	0.10	31,171	0.13	Serbia	19,760	0.09	27,096	0.11
Madagascar	6,834	0.03	14,170	0.06	Seychelles	206	0.00	7,542	0.03
Malawi	13,892	0.06	21,228	0.09	Sierra Leone	2,730	0.01	10,066	0.04
Malaysia	126,614	0.55	133,950	0.54	Singapore	8,789	0.04	16,125	0.07
Maldives	709	0.00	8,045	0.03	Slovak Republic	46,629	0.20	53,965	0.22
Mali	5,274	0.02	12,610	0.05	Slovenia	16,896	0.07	24,232	0.10
Malta	15,807	0.07	23,143	0.09	Solomon Islands	282	0.00	7,618	0.03
Marshall Islands	5,055	0.02	12,391	0.05	Somalia	633	0.00	7,969	0.03
Mauritania	1,632	0.01	8,968	0.04	South Africa	132,805	0.57	140,141	0.57
Mauritius	17,482	0.08	24,818	0.10	South Sudan	14,334	0.06	21,670	0.09
Mexico	232,794	1.00	240,130	0.98	Spain	401,622	1.73	408,958	1.66
Micronesia, Federated States of	5,673	0.02	13,009	0.05	Sri Lanka	65,217	0.28	72,553	0.30
Moldova	10,068	0.04	17,404	0.07	St. Kitts and Nevis	4,864	0.02	12,200	0.05
Mongolia	1,769	0.01	9,105	0.04	St. Lucia	564	0.00	7,900	0.03
Montenegro	9,010	0.04	16,346	0.07	Sudan	846	0.00	8,182	0.03
Morocco	90,135	0.39	97,471	0.40	Suriname	4,727	0.02	12,063	0.05
Mozambique	2,455	0.01	9,791	0.04	Sweden	244,918	1.05	252,254	1.03
Myanmar	5,078	0.02	12,414	0.05	Switzerland	431,268	1.86	438,604	1.78
Namibia	3,080	0.01	10,416	0.04	Syrian Arab Republic	1,479	0.01	8,815	0.04
Nepal	6,267	0.03	13,603	0.06	Tajikistan	10,429	0.04	17,765	0.07
Netherlands	518,561	2.23	525,897	2.14	Tanzania	8,923	0.04	16,259	0.07
New Zealand	47,437	0.20	54,773	0.22	Thailand	129,382	0.56	136,718	0.56
Nicaragua	7,508	0.03	14,844	0.06	Timor-Leste	6,667	0.03	14,003	0.06
Niger	1,121	0.00	8,457	0.03	Togo	6,161	0.03	13,497	0.05
Nigeria	270,840	1.17	278,176	1.13	Tonga	1,226	0.01	8,562	0.03
North Macedonia	5,932	0.03	13,268	0.05	Trinidad and Tobago	31,352	0.14	38,688	0.16
Norway	165,868	0.71	173,204	0.70	Tunisia	33,486	0.14	40,822	0.17
Oman	11,002	0.05	18,338	0.07	Türkiye	167,498	0.72	174,834	0.71
Pakistan	183,167	0.79	190,503	0.77	Turkmenistan	6,176	0.03	13,512	0.05
Palau	191	0.00	7,527	0.03	Tuvalu	520	0.00	7,856	0.03
Panama	9,856	0.04	17,192	0.07	Uganda	5,604	0.02	12,940	0.05
Papua New Guinea	8,745	0.04	16,081	0.07	Ukraine	77,458	0.33	84,794	0.34
Paraguay	3,324	0.01	10,660	0.04	United Arab Emirates	30,750	0.13	38,086	0.15
Peru	83,589	0.36	90,925	0.37	United Kingdom	1,132,088	4.88	1,139,424	4.63
Philippines	121,863	0.52	129,199	0.53	United States	4,341,278	18.70	4,348,614	17.69
Poland	74,893	0.32	82,229	0.33	Uruguay	28,970	0.12	36,306	0.15
Portugal	63,467	0.27	70,803	0.29	Uzbekistan	39,115	0.17	46,451	0.19
Qatar	12,581	0.05	19,917	0.08	Vanuatu	419	0.00	7,755	0.03
Romania	48,335	0.21	55,671	0.23	Venezuela, Republica Bolivariana de	210,347	0.91	217,683	0.89
Russian Federation	784,211	3.38	791,547	3.22	Viet Nam	3,401	0.01	10,737	0.04
Rwanda	2,333	0.01	9,669	0.04	Yemen, Republic of	5,452	0.02	12,788	0.05
Samoa	1,180	0.01	8,516	0.03	Zambia	15,953	0.07	23,289	0.09
Sao Tome and Principe	3,347	0.01	10,683	0.04	Zimbabwe	24,513	0.11	31,849	0.13
* May differ from the sum of individual percentages shown because of rounding					Total June 30, 2024	23,220,348	100.00*	24,584,844	100.00*
					Total June 30, 2023	22,595,632	100.00*	23,923,300	100.00*

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PURPOSE

The International Finance Corporation (IFC), an international organization, was established in 1956 to further economic development in its member countries by encouraging the growth of private enterprise. IFC is a member of the World Bank Group (WBG), which also comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Each member is legally and financially independent. Transactions with other World Bank Group members are disclosed in the notes that follow. IFC's activities are closely coordinated with and complement the overall development objectives of the other World Bank Group institutions. IFC, together with private investors, assists in financing the establishment, improvement and expansion of private sector enterprises by making loans, equity investments and investments in debt securities where sufficient private capital is not otherwise available on reasonable terms. IFC's share capital is provided by its member countries. It raises most of the funds for its investment activities through the issuance of notes, bonds and other debt securities in the international capital markets. IFC also plays a catalytic role in mobilizing additional funding from other investors and lenders through parallel loans, loan participations, partial credit guarantees, securitizations, loan sales, risk sharing facilities, fund investments and other IFC crisis initiatives. In addition to project finance and mobilization, IFC offers an array of financial and technical advisory services to private businesses in the developing world to increase their chances of success. It also advises governments on how to create an environment hospitable to the growth of private enterprise and foreign investment.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the financial statements of IFC and its consolidated entities. The accounting and reporting policies of IFC conform with accounting principles generally accepted in the United States of America (U.S. GAAP). In the opinion of management, the consolidated financial statements reflect all adjustments necessary for the fair presentation of IFC's financial position and results of operations in accordance with U.S. GAAP.

**Consolidated Financial Statements presentation** – Certain amounts in prior years have been changed to conform to the current year's presentation.

**Functional currency** – IFC's functional currency is the United States dollar (U.S. dollars, US\$ or \$).

**Use of estimates** – The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expense during the reporting periods. Actual results could differ from these estimates. A significant degree of judgment has been used in the determination of: the estimated fair value of financial instruments accounted for at fair value (including equity investments, debt securities, loans, trading securities, borrowings and derivative instruments); reserve against losses on loans and off-balance sheet credit exposures; impairment of debt securities; projected pension benefit obligations, fair value of pension and other postretirement benefit plan assets, and net periodic pension income or expense. There are inherent risks and uncertainties related to IFC's operations. The possibility exists that changing economic conditions could have an adverse effect on the financial position of IFC.

IFC uses internal models to determine the fair values of derivative and other financial instruments and the aggregate level of the reserve against credit losses on loans, off-balance sheet credit exposures, and available-for-sale debt securities. IFC undertakes continuous review and analysis of these models with the objective of refining its estimates, consistent with evolving best practices appropriate to its operations. Changes in estimates resulting from refinements in the assumptions and methodologies incorporated in the models are reflected in net income in the period in which the enhanced models are first applied.

**Consolidation, non-controlling interests and variable interest entities** – IFC consolidates:

- i. entities where IFC holds the majority voting rights, unless noncontrolling shareholders/limited partners have substantive participating rights or other rights that would overcome the presumption of control by the majority owner;
- ii. limited partnerships in which it is the general partner, unless the presumption of control is overcome by certain management participation or other rights held by noncontrolling shareholders/limited partners; and
- iii. variable interest entities (VIEs) for which IFC is deemed to be the VIE's primary beneficiary.

Such entities are collectively referred to as IFC's consolidated entities. Significant intercompany accounts and transactions are eliminated in consolidation. An entity is a VIE if:

- i. its equity is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties;
- ii. its equity investors do not have decision-making rights about the entity's operations; or
- iii. its equity investors do not absorb the expected losses or receive the expected returns of the entity proportionally to their voting rights.

The notes to consolidated financial statements are an integral part of these statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A variable interest is a contractual, ownership or other interest whose value changes as the fair value of the VIE's net assets change. IFC's variable interests in VIEs arise from financial instruments, service contracts, guarantees, leases or other monetary interests in those entities.

IFC is considered to be the primary beneficiary of a VIE if it has the power to direct the VIE's activities that most significantly impact its economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE.

**Fair Value Option** – IFC has elected the Fair Value Option under the subsections of ASC Topic 825, *Financial Instruments* (ASC 825 or the Fair Value Option) for several of its financial assets and financial liabilities. ASC 825 permits, on an instrument-by-instrument basis, the measurement of eligible financial assets, financial liabilities and firm commitments at fair value that are not otherwise permitted to be accounted for at fair value under other accounting standards. The election to use the Fair Value Option is available when an entity first recognizes a financial asset or liability or upon entering into a firm commitment.

IFC has elected the Fair Value Option (FVO) for the following financial assets and financial liabilities:

- i. direct equity investments which give IFC significant influence, which in the absence of FVO, would have to be accounted for under equity method and all other financial interests in the same investee (e.g., guarantees, loans)
- ii. all market borrowings that are economically hedged with financial instruments that are accounted for at fair value with changes therein reported in income;
- iii. borrowings from IDA;
- iv. substantially all investments in debt securities; and
- v. substantially all hybrid instruments in the loan investment portfolio.

effective July 1, 2018:

All borrowings for which the FVO has been elected are economically hedged with derivative or other financial instruments accounted for at fair value with changes in fair value reported in earnings as such changes occur. Measuring at fair value those borrowings for which the FVO has been elected mitigates the earnings volatility that would otherwise occur, due to measuring the borrowings and related economic hedges differently, without having to apply ASC Topic 815, *Derivatives and Hedging* (ASC 815)'s complex hedge accounting requirements.

Measuring at fair value those equity investments that would otherwise require equity method accounting simplifies the accounting and renders a carrying amount on the consolidated balance sheets based on a measure (fair value) that IFC considers preferable to equity method accounting. For the investments that otherwise would require equity method accounting for which the FVO is elected, ASC 825 requires the FVO to also be applied to all eligible financial interests in the same entity. IFC has disbursed loans and issued guarantees to some of those investees; therefore, the FVO is also applied to those loans and issued guarantees.

The FVO has been elected for substantially all investments in debt securities and hybrid loan instruments recognized after June 30, 2018. Among other things, measuring all investments in debt securities and hybrid loan instruments at fair value eliminates the requirement to bifurcate the host and embedded derivative that may have otherwise applied in certain instances, results in more accounting consistency across IFC's investment portfolio and results in a measurement method that is consistent with the manner in which the portfolio is managed.

#### *Fair Value Measurements*

IFC adopted FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value; establishes a framework for measuring fair value and a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels; and applies to all items measured at fair value, including items for which impairment measures are based on fair value.

ASC 820 defines fair value as the price that would be received to sell an asset or transfer a liability (i.e., an exit price) in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date assuming the transaction occurs in the entity's principal (or most advantageous) market. Fair value must be based on assumptions market participants would use (inputs) in determining the price and measured assuming that market participants act in their economic best interest and, therefore, their fair values are determined based on a transaction to sell or transfer the asset or liability on a standalone basis. Under ASC 820, fair value measurements are not adjusted for transaction costs.

ASC 820 establishes a fair value hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical unrestricted assets and liabilities (Level 1), the next highest priority to observable market-based inputs or unobservable inputs that are corroborated by market data from independent sources (Level 2) and the lowest priority to *unobservable* inputs that are not corroborated by market data (Level 3). Fair value measurements are required to maximize the use of available observable inputs.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2: Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly for substantially the full term of the asset or liability. It includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and financial instruments that are valued using models and other valuation methodologies. These models consider various assumptions and inputs, including time value, yield curves, volatility factors, prepayment speeds, default rates, loss severity and current market and contractual pricing for the underlying asset, as well as other relevant economic measures. Substantially all of these inputs are observable in the market place, can be derived from observable data or are supported by observable levels at which market transactions are executed.

Level 3: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. It consists of financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are unobservable. It also includes financial instruments whose fair value is estimated based on price information from independent sources that cannot be corroborated by observable market data.

IFC's policy is to recognize transfers in and transfers out of levels as of the beginning of the reporting period in which they occur.

IFC estimates the fair value of its investments in private equity funds that do not have readily determinable fair value based on the funds' net asset values (NAVs) per share as a practical expedient to the extent that a fund reports its investment assets at fair value and has all the attributes of an investment company, pursuant to ASC Topic 946, *Financial Services – Investment Companies* (ASC 946). If the NAV is not as of IFC's measurement date, IFC adjusts the most recent NAV, as necessary, to estimate a NAV for the investment that is calculated in a manner consistent with the fair value measurement principles established by ASC 820.

**Remeasurement of foreign currency transactions** – IFC's reporting and functional currency is the U.S. dollar. Monetary assets and liabilities not denominated in U.S. dollars, are remeasured to U.S. dollars at the exchange rates prevailing at end of each reporting period. Income and expenses are recorded based on the rates of exchange prevailing at the time of the transaction. Transaction gains and losses are credited or charged to income.

**Loans** – IFC originates loans to facilitate project finance, restructuring, refinancing, corporate finance, and/or other developmental objectives. Loans are recorded as assets when disbursed. Loans are generally carried at the principal amounts outstanding, adjusted for net unamortized loan origination costs and fees. It is IFC's practice to obtain collateral security such as, but not limited to, mortgages and third-party guarantees.

For a loan restructuring, IFC records assets received at fair value (less cost to sell), with a corresponding decrease to the loan amortized cost basis. If assets were received in partial satisfaction of the loan, IFC also determines whether the restructured loan should be accounted for as a new loan. If assets were received in full satisfaction of the loan, IFC reports the difference between the loan's amortized cost basis and the received asset's fair value (less cost to sell) into net income, to the extent the difference is not offset against the loan's allowance.

Certain loans are carried at fair value in accordance with the FVO as discussed above. Unrealized gains and losses on loans accounted for at fair value under the FVO are reported in Net unrealized gains and losses on non-trading financial instruments accounted for at fair value on the consolidated statements of operations.

Certain loans originated by IFC contain income participation, prepayment and conversion features. These features are bifurcated and separately accounted for in accordance with ASC 815 if IFC has not elected the Fair Value Option for the loan host contracts and the features meet the definition of a derivative and are not considered to be clearly and closely related to their host loan contracts. Otherwise, these features are accounted for as part of their host loan contracts in accordance with IFC's accounting policies for loans as indicated herein.

**Revenue recognition on loans** – Interest income and commitment fees on loans are recorded as income on an accrual basis. Loan origination fees and direct loan origination costs are deferred and amortized over the estimated life of the originated loan; such amortization is determined using the interest method unless the loan is a revolving credit facility in which case amortization is determined using the straight-line method. Prepayment fees are recorded as income when received. IFC has elected to present interest income separately from other changes in the fair value of loans measured at fair value through earnings under the FVO. IFC applies cost recovery or cash method for recognizing interest income from certain debt securities and beneficial interests accounted for as debt securities whose cash flows cannot be reliably estimated.

IFC does not recognize income on loans where collectability is in doubt or payments of interest or principal are past due more than 60 days unless management anticipates that collection of interest will occur in the near future. Any interest accrued on a loan placed in nonaccrual status is reversed out of income and is thereafter recognized as income only when the actual payment is received. Interest not previously recognized but capitalized as part of a debt restructuring is recorded as deferred income, included in the consolidated

The notes to consolidated financial statements are an integral part of these statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

balance sheets in payables and other liabilities, and credited to income only when the related principal is received. Such capitalized interest is considered in the computation of the reserve against losses on loans in the consolidated balance sheets.

Accrued interest balances are reported within receivables and other assets on the consolidated balance sheets. IFC elected not to measure expected credit losses for accrued interest receivables related to its loans and the available-for-sale securities portfolio as IFC's policy is to write-off uncollectible accrued interest receivable balances in a timely manner. Accrued interest is written off by reversing interest income during the quarter the financial asset is moved from an accrual to a nonaccrual status.

#### ***Reserve against losses on loans and off-balance sheet credit arrangements***

In accordance with ASC Topic 326, *Financial Instruments - Credit Losses* (ASC 326), IFC recognizes a reserve for credit losses that is deducted from the amortized cost basis of the financial asset to present the net amount expected to be collected on the financial asset on the balance sheets.

In accordance with ASC 326, IFC's credit loss methodology reflects an estimate of expected credit losses over the remaining contractual life of a financial asset, considering forward-looking information. IFC considers the relevant inputs and assumptions required to perform the estimate. These include, but are not limited to, historical and current loan portfolio data, data relevant to current economic conditions, and data relevant to reasonable and supportable forecasts of economic conditions. Inputs and assumptions are quantitative or qualitative in nature. In particular, the forecast of key economic variables relevant to the loan portfolio is one of the critical assumptions to IFC's estimation of expected credit losses. The forecast of economic variables are credit loss drivers that produce a macro-economic response estimate of loss over the 3-year period that IFC deems to be reasonable and supportable. For periods beyond the reasonable and supportable forecast period, expected credit losses are estimated by reverting to historical loss information without adjustment for changes in economic conditions. This reversion is phased in over a one-year period on a straight-line basis. The segmentation process is based on a facility risk and credit risk rating, with certain assumptions segmented by industry. The facility risk rating applies to an individual investment product and provides information on the amount of loss that IFC is likely to incur on that product if the obligor defaults. IFC's forecast of expected credit losses is based on the probability of a loan defaulting associated with each credit risk rating, the expected loss percentage given a default associated with each facility risk rating, and the expected balance at the estimated date of default. The estimate of the expected balance at the time of default considers a prepayment assumption and, for loans with available credit, a disbursement assumption that estimates expected utilization rates.

The reserve against losses on loans are established through a review process undertaken on a quarterly basis and has two main components: (a) a portfolio reserve for expected losses determined from the historical loss rates, adjusted for qualitative factors, and forecasted expected losses on the segments associated with the loan class with similar risk characteristics; and (b) an individual reserve which is a separate reserve representing the reserve assigned to individually evaluated loans that do not share similar risk characteristics with other loans. IFC considers its entire loan portfolio to comprise one portfolio segment and defines the one major category of loans to be the grouping of the loan receivable based on risk characteristics and the method for monitoring and assessing credit risk. The risks inherent in the portfolio that are considered in determining the portfolio reserve are those proven to exist by past experience and include: country systemic risk; the risk of correlation or contagion of losses between markets; uninsured and uninsurable risks; nonperformance under guarantees and support agreements; and opacity of, or misrepresentation in a borrower's financial statements.

For individual reserve, loans identified as not sharing similar risk characteristics with other assets are individually evaluated for the net amount expected to be collected, and the reserve is determined for them outside of the portfolio reserve computation. Information and events, with respect to the borrower and/or the economic and political environment in which it operates, that are considered in determining a loss reserve include, but are not limited to, the borrower's financial difficulties, assessing the risk of breach of contract, bankruptcy/reorganization, credit rating downgrade as well as geopolitical conflict, financial/economic crisis, commodity price decline, adverse local government action and natural disaster.

Individually evaluated loans are measured based on the present value of expected future cash flows to be received, or for loans that are dependent on collateral for repayment, the estimated fair value of the collateral, less the cost to sell.

IFC recognizes a reserve on loans not carried at fair value in the consolidated balance sheets through the reserve against losses on loans, with corresponding provision or release of provision for losses on loans in net income, which increases or decreases the reserve against losses on loans. Loans are written-off along with its reserve against losses when IFC has exhausted all possible means of recovery. The reductions in the reserve are partially offset by recoveries which are considered in the reserving process, if any, associated with previously written-off loans.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFC recognizes a reserve for credit losses on off-balance sheet credit exposures for guarantees that are not measured at fair value and other off-balance sheet arrangements, primarily loans committed but not disbursed, based on expected credit losses over the contractual period in which IFC is exposed to credit risk via a present contractual obligation to extend credit, unless that obligation is unconditionally cancellable by IFC. Reserve against losses on off-balance sheet credit exposures are included within Payables and other liabilities on the consolidated balance sheets, with changes recognized through provision for losses on loans in net income. Methodologies for estimating the reserve for credit losses on off-balance sheet credit exposures, including loans committed but not disbursed, are generally consistent with methodologies for estimating the reserve for credit losses for the disbursed loan portfolio, as discussed above as applicable, but is subject to an additional parameter reflecting the likelihood that funding will occur.

**Equity investments** – IFC invests primarily for developmental impact; IFC does not seek to take operational, controlling, or strategic equity positions within its investees. Equity investments are acquired through direct ownership of equity instruments of investees, as a limited partner in LLPs and LLCs, and/or as an investor in private equity funds.

Pursuant to ASC Topic 321, *Investments – Equity Securities* (ASC 321), all equity investments are measured at fair value, with unrealized gains and losses reported in net income.

IFC's investments in certain private equity funds in which IFC is deemed to have a controlling financial interest, are consolidated by IFC, as the presumption of control by the fund manager or the general partner has been overcome. Certain equity investments, for which recovery of invested capital is uncertain, are accounted for under the cost recovery method, such that receipts are first applied to recovery of invested capital and then to income from equity investments. The cost recovery method is applied to IFC's investments in its natural resources unincorporated joint ventures (UJVs). IFC's share of conditional asset retirement obligations related to investments in UJVs are recorded when the fair value of the obligations can be reasonably estimated. The obligations are capitalized and systematically amortized over the estimated economic useful lives.

Unrealized gains and losses on equity investments accounted for at fair value are reported in income from equity investments and associated derivatives on the consolidated statements of operations. Realized gains on the sale or redemption of equity investments are measured against the average cost of the investments sold.

Dividends on listed equity investments are recorded on the ex-dividend date, and dividends on unlisted equity investments are recorded upon receipt of notice of declaration. Realized gains on listed equity investments are recorded on trade date, and realized gains on unlisted equity investments are recorded upon incurring the obligation to deliver the applicable shares. Losses are recognized when incurred.

IFC enters into put options, call options and warrant agreements in connection with equity investments; these are accounted for in accordance with ASC 815 to the extent they meet the definition of a derivative. Put options, call options and warrant agreements that do not meet the definition of a derivative are measured at fair value with unrealized gains and losses recognized in earnings in accordance with ASC 321 and included in "Equity investments" on the consolidated balance sheets.

**Gains and losses on loan and debt security conversions and exchanges of equity interests** – Loan and debt security conversions to equity interests are based on the fair value of the equity interests received. Transfers of equity interests in exchange for equity interests in other entities and other non-cash transactions are generally accounted for based on the fair value of the asset relinquished unless the fair value of the asset received is more clearly evident in which case the accounting is based on the fair value of the asset received. The difference between the fair value of the asset received and the recorded amount of the asset relinquished is recorded as a gain or loss in the consolidated statements of operations.

**Debt securities** – IFC invests in debt securities for various purposes. Debt securities in the liquid asset portfolio provide a source of income through yield or resale and are classified as trading.

Debt securities in the investment portfolio are used to further economic development in IFC's member countries and consist of corporate debt, preferred shares and asset-back securities. Debt securities in the investment portfolio are primarily reported at fair value in accordance with the FVO as discussed above. Certain debt securities in the investment portfolio are classified as available-for-sale and are carried at fair value on the consolidated balance sheets with unrealized gains and losses included in accumulated other comprehensive income until realized.

IFC has elected to present interest income separately from other changes in the fair value of debt securities measured at fair value through earnings under the FVO. Unrealized gains and losses on debt securities accounted for at fair value under the FVO are reported in "Net unrealized gains and losses on non-trading financial instruments accounted for at fair value" on the consolidated statements of operations.

IFC invests in certain debt securities with conversion features; if the hybrid instrument is not measured at fair value with unrealized gains and losses reported in net income, these features are accounted for in accordance with ASC 815 to the extent they meet the definition of a derivative.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### ***Impairment of debt securities***

IFC adopted the guidance under ASC 326 for available-for-sale debt securities by amending the impairment model to determine whether all or a portion of the unrealized loss on such securities is a credit loss, and recognizing a reserve for credit losses, instead of recording a write-down as required by pre-ASC 326 guidance. In determining whether all or a portion of the unrealized loss on such securities is a credit loss, IFC considers all relevant information including the extent to which fair value has been less than amortized cost, whether IFC intends to sell the debt security or whether it is more likely than not that IFC will be required to sell the debt security, the payment structure of the obligation and the ability of the issuer to make scheduled interest or principal payments, any changes to the ratings of a security, and relevant adverse conditions specifically related to the security, an industry or geographic sector.

Debt securities in the investment portfolio classified as available-for-sale are assessed for impairment each quarter. When impairment is identified, the entire impairment is recognized in net income if (1) IFC intends to sell the security, or (2) it is more likely than not that IFC will be required to sell the security before recovery. However, if IFC does not intend to sell the security and it is not more likely than not that IFC will be required to sell the security but the security has a credit loss, the impairment charge is separated into two components: (1) the credit loss component, which is recognized as a reserve for credit losses (through net income), limited to the amount by which the security's amortized cost basis exceeds the fair value, and reversal of impairment losses are allowed when the credit of the issuer improves, and (2) the noncredit related impairment losses, which are recorded in other comprehensive income.

**Guarantees** – IFC extends financial guarantee facilities to its clients to provide credit enhancement for their debt security issuances and loan obligations. As part of these financial guarantee facilities, IFC offers partial credit guarantees to clients covering, on a risk-sharing basis, client obligations on bonds or loans. Under the terms of IFC's guarantees, IFC agrees to assume responsibility for the client's financial obligations in the event of default by the client (i.e., failure to pay when payment is due). Guarantees are regarded as issued when IFC commits to the guarantee. Guarantees are regarded as outstanding when the underlying financial obligation of the client is incurred, and this date is considered to be the "inception" of the guarantee. Guarantees are regarded as called when IFC's obligation under the guarantee has been invoked. There are two liabilities associated with the guarantees: (i) the stand-ready obligation to perform and (ii) the contingent liability. The fair value of the stand-ready obligation to perform is recognized at the inception of the guarantee. For guarantees that are within scope of ASC 326, the expected credit losses (the contingent liability) associated with the financial guarantee is measured and accounted for in addition to and separately from IFC's liability recognized for the stand-ready obligation to perform. Guarantee fees are recorded in income as the stand-ready obligation to perform is fulfilled. Commitment fees on guarantees are recorded as income on an accrual basis. All liabilities associated with guarantees are included in payables and other liabilities, and the receivables are included in other assets on the consolidated balance sheets.

**Designations of retained earnings** – IFC establishes funding mechanisms for specific Board-approved purposes through designations of retained earnings. Designations of retained earnings for grants to IDA are recorded as a transfer from undesignated retained earnings to designated retained earnings when the designation is noted with approval by the Board of Governors. IFC has not made new designations to IDA since June 30, 2020. All other designations are recorded as a transfer from undesignated retained earnings to designated retained earnings when the designation is approved by the Board of Directors.

Expenditures resulting from such designations are recorded as expenses in IFC's consolidated statements of operations in the year in which they are incurred and reduces the respective designated retained earnings for such purposes. Expenditures are deemed to have been incurred when IFC has ceded control of the funds to the recipient.

**Liquid asset portfolios** – The liquid asset portfolios mainly consist of: time deposits and securities; related derivative instruments; securities purchased under resale agreements and receivable for cash collateral pledged, securities sold under repurchase agreements and payable for cash collateral received; receivables from sales of securities and payables for purchases of securities; and related accrued income and charges. IFC's liquid funds are invested in government, agency and government-sponsored agency obligations, time deposits and asset-backed, including mortgage-backed, securities. Government and agency obligations include positions in high-quality fixed rate bonds, notes, bills, and other obligations issued or unconditionally guaranteed by governments of countries or other official entities including government agencies and instrumentalities or by multilateral organizations. Asset-backed and mortgage-backed securities include agency and non-agency residential mortgage-backed securities, commercial mortgage-backed securities, consumer, auto and student loan-backed securities, commercial real estate collateralized debt obligations and collateralized loan obligations.

Securities and related derivative instruments within IFC's liquid asset portfolios are classified as trading and, with the exception of cash equivalent securities which are carried at amortized cost, are carried at fair value with any changes in fair value reported in income from liquid asset trading activities. Interest on securities and amortization of premiums and accretion of discounts are also reported in income from liquid asset trading activities. Gains and losses realized on the sale of trading securities are computed on a specific security basis.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Cash and cash equivalents** – IFC classifies cash and due from banks as cash and time deposits with original maturities of three months or less as cash equivalents in the consolidated statement of cash flows (collectively, cash and cash equivalents) because they are generally readily convertible to known amounts of cash within three months of acquisition, generally when the original maturities for such instruments are three months or less, or six months or less when the time deposit is optionally redeemable within three months.

**Repurchase, resale and securities lending agreements** – Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to repurchase the same securities at a specified future date at a fixed price. Resale agreements are contracts under which a party purchases securities and simultaneously agrees to resell the same securities at a specified future date at a fixed price. Securities lending agreements are similar to repurchase agreements except that the securities loaned are securities that IFC has received as collateral under unrelated agreements and allowed by contract to rehypothecate. Amounts due under securities lending agreements are included in securities sold under repurchase agreements and payable for cash collateral received on the consolidated balance sheets.

It is IFC's policy to take possession of securities purchased under resale agreements, which are primarily liquid government securities. The market value of these securities is monitored and, within parameters defined in the agreements, additional collateral is obtained when their value declines. IFC also monitors its exposure with respect to securities sold under repurchase agreements and, in accordance with the terms of the agreements, requests the return of excess securities held by the counterparty when their value increases.

Repurchase, resale and securities lending agreements are accounted for as collateralized financing transactions and recorded at the amount at which the securities were acquired or sold plus accrued interest.

**Borrowings** – To diversify its access to funding, and reduce its borrowing costs, IFC borrows in a variety of currencies and uses a number of borrowing structures, including foreign exchange rate-linked, inverse floating rate and zero coupon notes. In managing the currency exposure inherent in borrowing in a variety of currencies, generally, IFC either simultaneously converts such borrowings into variable rate U.S. dollar borrowings through the use of currency and interest rate swap transactions or utilizes liquid asset portfolio or debt investments denominated in the same currency to economically hedge changes in the fair value of certain borrowings. Under certain outstanding borrowing agreements, IFC is not permitted to mortgage or allow a lien to be placed on its assets (other than purchase money security interests) without extending equivalent security to the holders of such borrowings. Interest on borrowings and amortization of premiums and accretion of discounts are reported in charges on borrowings.

Substantially all borrowings are carried at fair value under the Fair Value Option. All changes in the fair value of these borrowings resulting from changes in instrument-specific credit risk is reported in "other comprehensive income", while the remaining change in fair value is reported in Net unrealized gains and losses on non-trading financial instruments accounted for at fair value in the consolidated statements of operations.

**Risk management and use of derivative instruments** – IFC enters into transactions in various derivative instruments primarily for financial risk management purposes in connection with its principal business activities, including lending, investing in debt securities and equity investments, client risk management, borrowing, liquid asset portfolio management and asset and liability management. There are no derivatives designated as accounting hedges.

All derivative instruments are recorded on the consolidated balance sheets at fair value as derivative assets or derivative liabilities. Where they are not clearly and closely related to the host contract, certain derivative instruments embedded in loans and debt securities are bifurcated from the host contract and recorded at fair value as derivative assets or liabilities unless the hybrid instrument is accounted for at fair value with any changes in fair value reported in income. The fair value at inception of such bifurcated embedded derivatives is excluded from the carrying amount of the host contracts on the consolidated balance sheets.

Changes in fair values of derivative instruments used in the liquid asset portfolio are recorded in "income from liquid asset trading activities". Changes in fair values of derivative instruments other than those in the liquid asset or equity portfolios are recorded in "net unrealized gains and losses on non-trading financial instruments accounted for at fair value". The risk management policy for each of IFC's principal business activities and the accounting policies particular to them are described below.

**Lending activities** IFC's policy is to closely match the currency, interest rate basis, and maturity of its loans and borrowings. Derivative instruments are used to convert the cash flows from fixed rate U.S. dollar or non-U.S. dollar loans into variable rate U.S. dollars. Changes in fair value of all derivatives associated with these activities are reported in net income in "Net unrealized gains and losses on non-trading financial instruments accounted for at fair value," in the consolidated statements of operations. Realized gains and losses associated with these activities are reported in "Income from loans and guarantees, including realized gains and losses on loans and associated derivatives."

**Client risk management activities** IFC enters into derivatives transactions with its clients to help them hedge their own currency, interest rate, or commodity risk, which, in turn, improves the overall quality of IFC's loan portfolio. To hedge the market risks that arise from these transactions with clients, IFC enters into offsetting derivative transactions with matching terms with authorized market counterparties. Changes in fair value of all derivatives associated with these activities are reported in "Net unrealized gains and losses

The notes to consolidated financial statements are an integral part of these statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

on non-trading financial instruments accounted for at fair value", in the consolidated statements of operations. Realized gains and losses associated with these activities are reported in "Other Income", in the consolidated statements of operations.

**Borrowing activities** IFC issues debt securities in various capital markets with the objectives of minimizing its borrowing costs, diversifying funding sources, and developing member countries' capital markets, sometimes using complex structures. These structures include borrowings payable in multiple currencies, or borrowings with principal and/or interest determined by reference to a specified index such as a stock market index, a reference interest rate, a commodity index, or one or more foreign exchange rates. IFC generally uses derivative instruments with matching terms, primarily currency and interest rate swaps, to convert certain of such borrowings into variable rate U.S. dollar obligations, consistent with IFC's matched funding policy. IFC elects to carry at fair value, under the FVO, all market borrowings for which a derivative instrument, liquid asset portfolio investment or debt investment is used to create an economic hedge. Changes in the fair value of such borrowings and the associated derivatives are reported in "Net unrealized gains and losses on non-trading financial instruments accounted for at fair value" in the consolidated statements of operations. Realized gains and losses associated with these activities are reported in "Charges on borrowings", in the consolidated statements of operations.

**Liquid asset portfolio management activities** IFC manages the interest rate, currency and other market risks associated with certain of the time deposits and securities in its liquid asset portfolio by entering into derivative transactions to convert the cash flows from those instruments into variable rate U.S. dollars or by utilizing market borrowings denominated in the same currency to economically hedge changes in the fair value of certain liquid asset portfolio investments. The derivative instruments used include short-term, over-the-counter foreign exchange forwards (covered forwards), interest rate and currency swaps, and exchange-traded interest rate futures and options. As the entire liquid asset portfolio is classified as a trading portfolio, all securities (including derivatives) are carried at fair value with changes in fair value reported in "Income from liquid asset trading activities" in the consolidated statements of operations.

**Asset and liability management** In addition to the risk managed in the context of its business activities detailed above, IFC faces residual market risk in its overall asset and liability management. Residual currency risk is managed by monitoring the aggregate position in each lending currency and reducing the net excess asset or liability position through sales or purchases of currency. Interest rate risk arising from mismatches due to write-downs, prepayments and reschedulings, and residual reset date mismatches is monitored by measuring the sensitivity of the present value of assets and liabilities in each currency to each basis point change in interest rates.

IFC monitors the credit risk associated with these activities by careful assessment and monitoring of prospective and actual clients and counterparties. In respect of liquid assets and derivatives transactions, credit risk is managed by establishing exposure limits based on the credit rating and size of the individual counterparty. In addition, IFC has entered into master agreements with its derivative market counterparties governing derivative transactions that contain close-out and netting provisions and collateral arrangements. Under these agreements, if the credit exposure to one of the parties to the agreement, on a mark-to-market basis, exceeds a specified level, that party must post collateral to cover the excess, generally in the form of liquid government securities or cash. IFC does not offset the fair value amounts of derivatives and obligations to return, or rights to receive, cash collateral associated with these master-netting agreements. Changes in fair value of all derivatives associated with these activities are reported in "Net unrealized gains and losses on non-trading financial instruments accounted for at fair value," in the consolidated statements of operations. Realized gains and losses associated with these activities are reported in "Other income", in the consolidated statements of operations.

**Loan participations** – IFC mobilizes funds from commercial banks and other financial institutions (Participants) by facilitating loan participations, without recourse. These loan participations are administered and serviced by IFC on behalf of the Participants. The disbursed and outstanding balances of loan participations that meet the applicable accounting criteria are accounted for as sales and are not included in IFC's consolidated balance sheets. All other loan participations are accounted for as secured borrowings; the participated loans are included in loans on IFC's consolidated balance sheets, with the related secured borrowings included in payables and other liabilities on IFC's consolidated balance sheets.

**Advisory services** – Funding received for IFC advisory services from governments and other donors are recognized as contribution revenue when the conditions on which they depend are substantially met. Advisory services expenses are recognized in the period incurred. Advisory client fees and administration fees are recognized as income when earned.

**Pension and other post-retirement benefits** – IBRD sponsors a Staff Retirement Plan and Trust (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (PEBP) that are defined benefit plans and cover substantially all of its staff members as well as the staff of IFC and of MIGA.

The SRP provides regular pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides pension benefits administered outside the SRP. All costs associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the Plans. In addition, IFC and MIGA reimburse IBRD for their share of any contributions made to these plans by IBRD.

In accordance with ASU 2017-07, the service cost component of the net periodic benefit costs allocated to IFC is included in "Administrative expenses" in the consolidated statements of operations. The remaining components of the net periodic benefit costs

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

allocated to IFC are included in “Other” in the consolidated statements of operations. IFC includes a receivable from IBRD in receivables and other assets, representing prepaid pension and other post-retirement benefit costs.

#### **Recently adopted accounting standards**

In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The amendments on the interactions between Topic 321 and Topic 323 clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. These amendments do not impact IFC because IFC has elected the FVO for direct equity investments which give IFC significant influence, which in the absence of FVO, would have to be accounted for under the equity method. The amendments on the interactions between Topic 323 and Topic 815, clarify that an entity should not consider whether, upon the settlement of a nonderivative forward contract or exercise of a nonderivative purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the Fair Value Option in accordance with the financial instruments guidance in Topic 825. IFC adopted ASU 2020-01 effective July 1, 2021 with no material impact on IFC’s consolidated financial statements.

In October 2020 the FASB issued ASU 2020-08 *Codification Improvements to Subtopic 310-20, Receivables–Nonrefundable Fees and Other Costs*. The amendments in ASU 2020-08 affect the guidance in ASU 2017-08, *Receivables–Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. ASU 2017-08 had shortened the required amortization period for investments in callable debt securities purchased for a premium to the earliest call date. IFC had adopted ASU 2017-08 effective July 1, 2019 and ASU 2020-08 effective July 1, 2021 with no material impact on IFC’s consolidated financial statements.

In November 2021, FASB issued ASU 2021-10 *Government Assistance (Topic 832) Disclosures by Business Entities about Government Assistance*. ASU 2021-10 requires business entities to provide certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance (for example, a grant model within IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, or Subtopic 958-605, *Not-For-Profit Entities–Revenue Recognition*). ASU 2021-10 is effective for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted. IFC adopted ASU 2021-10 effective June 30, 2023, with no material impact on IFC’s consolidated financial statements.

In December 2022, FASB issued ASU 2022-06 *Reference Rate Reform (Topic 848) Deferral of the Sunset Date of Topic 848*. The amendments in this ASU defer the sunset date of ASU 848 *Reference Rate Reform* from December 31, 2022, to December 31, 2024. ASU 2022-06 is effective immediately. The ASU was effective upon issuance and the adoption did not have a material impact on IFC’s consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments–Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures*. The ASU eliminates the recognition and measurement guidance for troubled debt restructurings (“TDRs”) in Subtopic 310-40, *Receivables–Troubled Debt Restructurings by Creditors*, and requires reporting entities to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. The ASU eliminates the requirement to use the discounted cash flow approach to measure the reserve against losses on loans formerly considered TDRs. The ASU also requires enhanced disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty and disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments–Credit Losses–Measured at Amortized Cost*. IFC adopted ASU 2022-02 effective July 1, 2023 with no material impact on IFC’s consolidated financial statements, with the elimination of TDR recognition and measurement on a modified retrospective basis and the new disclosures on a prospective basis in accordance with the ASU.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction and require certain disclosures for equity securities subject to contractual sale restrictions. IFC early adopted ASU 2022-03 effective July 1, 2023, with no material impact on IFC’s consolidated financial statements.

The notes to consolidated financial statements are an integral part of these statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***Accounting standards under evaluation***

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The new guidance is intended to align U.S. GAAP requirements with those of the SEC and to facilitate the application of U.S. GAAP for all entities. If by June 30, 2027, the SEC has not removed the related SEC requirement, the related ASU amendment will not become effective. IFC is currently evaluating the impact of this ASU on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires additional segment disclosures for public entities, such as the significant segment expenses that are regularly provided to the Chief Operating Decision Maker (CODM), the title and position of the CODM, as well as an explanation of how the CODM uses the reported measure of segment profit or loss. All existing annual disclosures about segment profit or loss must be provided on an interim basis in addition to disclosure of significant segment expenses. For IFC, the ASU will be effective for the annual period ending on June 30, 2025 (annual statements of fiscal year 2025). IFC is currently evaluating the impact of the ASU on its consolidated financial statements.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE B – RELATED PARTY TRANSACTIONS

IFC transacts with related parties including receiving loans, participating in shared service arrangements, as well as through cost sharing of IBRD's sponsored pension and other post-retirement plans.

IFC's receivables from (payables to) its related parties are presented in the following table:

(US\$ in millions)	June 30, 2024				June 30, 2023			
	IBRD	IDA	MIGA	Total	IBRD	IDA	MIGA	Total
Services and Support (Payables) Receivables	\$ (1)	\$ —	\$ 5	\$ 4	\$ (35)	\$ —	\$ 4	\$ (31)
IDA PSW – Local Currency Facility	—	94	—	94	—	50 <sup>a</sup>	—	50
IDA PSW – Blended Finance Facility	—	(106)	—	(106)	—	(93)	—	(93)
Borrowings	—	(170)	—	(170)	—	(243)	—	(243)
Pension and Other Post-retirement Benefits	774	—	—	774	704	—	—	704
Post-retirement Contribution Reserve Fund	344	—	—	344	385	—	—	385
	<b>\$ 1,117</b>	<b>\$ (182)</b>	<b>\$ 5</b>	<b>\$ 940</b>	<b>\$ 1,054</b>	<b>\$ (286)</b>	<b>\$ 4</b>	<b>\$ 772</b>

<sup>a</sup> Includes other payable of \$4 million related to unsettled Local Currency Facility trades that is included in Payables and other liabilities on the consolidated balance sheets as of June 30, 2023.

#### **Services and Support Payments**

IFC obtains certain administrative and overhead services from IBRD in those areas where common services can be efficiently provided by IBRD. This includes shared costs of the Boards of Governors and Directors, and other services such as IT support services and human resource shared services. IFC makes payments for these services to IBRD based on negotiated fees and chargebacks, and allocated charges. Expenses allocated to IFC for the year ended June 30, 2024, were \$172 million (\$168 million – year ended June 30, 2023; \$156 million – year ended June 30, 2022). Other chargebacks include \$33 million for the year ended June 30, 2024 (\$28 million – year ended June 30, 2023; \$26 million – year ended June 30, 2022). These expenses are included in Administrative expenses on the consolidated statements of operations. The associated payables are included in the Payables and other liabilities on the consolidated balance sheets.

#### **Fee Income from MIGA**

Transactions with MIGA include marketing fees received for referral and due diligence services on jointly-developed guarantee projects. Fee income received from MIGA for the year ended June 30, 2024 were \$4 million (\$4 million – year ended June 30, 2023 and year ended June 30, 2022) included in Other Income on the consolidated statements of operations. The associated receivables are included in Receivables and other assets on the consolidated balance sheets.

#### **IDA Private Sector Window (IDA-PSW)**

The PSW was created under IDA's Eighteenth Replenishment of Resources (IDA18) to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations (FCS). The PSW continued under IDA's Twentieth Replenishment of Resources (IDA20), which commenced on July 1, 2022, with an initial allocation set at \$2.5 billion. Under the fee arrangement for the IDA-PSW, IDA receives fee income for transactions executed under this window and reimburses IFC for the related costs incurred in administering these transactions. As of June 30, 2024 and June 30, 2023, IFC committed \$1.3 billion for IDA guarantees to support IFC's Guarantee Programs in IDA-PSW eligible countries under the Blended Finance facility. The Blended Finance facility included in Payables and other liabilities on the consolidated balance sheets represents IFC's liability to IDA for IDA-PSW synthetic equity investments. The Local currency facility represents currency swaps with IDA to support local currency denominated loans and is included in Derivative assets on the consolidated balance sheets.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE B – RELATED PARTY TRANSACTIONS (continued)**

### **Borrowings**

In September 2014, IFC issued an amortizing, non-interest bearing promissory note, maturing September 15, 2039, to IDA (the Note) in exchange for \$1.2 billion with an effective interest rate of 1.84%. IFC has elected the Fair Value Option for the Note, which is included in the Borrowings from IDA at fair value on the consolidated balance sheets. IFC recognized interest expense of \$4 million for the year ended June 30, 2024 (\$6 million – year ended June 30, 2023, \$8 million – year ended June 30, 2022 ).

IFC has a Local Currency Loan Facility Agreement with IBRD, which is capped at \$300 million. As of June 30, 2024 and June 30, 2023, IFC had no borrowings outstanding under this facility.

### **Pension and Other Post-retirement Benefits**

The receivable from IBRD represents IFC's net share of prepaid costs for pension and other post-retirement benefit plans and Post-Employment Benefits Plan (PEBP) assets included in Receivables and other assets on the consolidated balance sheets. These will be realized over the lives of the plan participants.

### **Post-Retirement Contribution Reserve Fund (PCRF)**

The PCRF was established to stabilize contributions made to the pension plans. The receivable from IBRD represents IFC's share of investments associated with the PCRF, and is included in Receivables and other assets on the consolidated balance sheets. In June 2024, IFC's Board approved the release of \$190 million from the PCRF, which was returned by IBRD to the IFC. IFC recognized other income of \$30 million for the year ended June 30, 2024 (\$15 million – year ended June 30, 2023, \$1 million – year ended June 30, 2022). IFC contributed \$119 million to the PCRF during the year ended June 30, 2024 (\$111 million – year ended June 30, 2023, \$82 million – year ended June 30, 2022 ).

### **IFC-managed Funds**

IFC's Equity Mobilization Department (formally IFC Asset Management Company, or AMC), invests third-party capital and IFC capital, enabling outside investors to invest alongside IFC in developing markets. As of June 30, 2024, AMC managed multiple funds (collectively referred to as the AMC Funds), in its capacity as General Partner (GP) / Manager of these funds, none of which require consolidation by IFC. A management fee is charged for the management services provided to the AMC funds. IFC's ownership interests in these AMC Funds are shown in the following table:

AMC Funds	IFC's ownership interest %
IFC Capitalization (Equity) Fund, L.P. <sup>a</sup>	61%
IFC Capitalization (Subordinated Debt) Fund, L.P.	13%
IFC African, Latin American and Caribbean Fund, LP	20%
IFC Catalyst Funds <sup>b</sup>	18%
IFC Global Infrastructure Fund, LP	17%
IFC Financial Institutions Growth Fund, LP	30%
IFC Global Emerging Markets Fund of Funds <sup>c</sup>	19%
IFC Middle East and North Africa Fund, LP	37%
Women Entrepreneurs Debt Fund, LP	26%
IFC Emerging Asia Fund, LP	22%

<sup>a</sup> By virtue of certain rights granted to non-IFC limited partner interests, IFC does not control or consolidate this fund.

<sup>b</sup> The ownership interest of 18% reflects IFC's ownership interest taking into consideration the overall commitments for the IFC Catalyst Funds, which comprises IFC Catalyst Fund, LP, IFC Catalyst Fund (UK), LP and IFC Catalyst Fund (Japan), LP (collectively, IFC Catalyst Funds). IFC does not have an ownership interest in either the IFC Catalyst Fund (UK), LP or the IFC Catalyst Fund (Japan), LP.

<sup>c</sup> The ownership interest of 19% reflects IFC's ownership interest taking into consideration the current committed amounts for the IFC Global Emerging Markets Fund of Funds, which comprises IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds, (Japan Parallel) LP. IFC does not have an ownership interest in the IFC Global Emerging Markets Fund of Funds, (Japan Parallel) LP.

As of June 30, 2024, IFC invested \$483 million (\$505 million as of June 30, 2023) as a limited partner in funds managed by AMC. These investments were included in Equity investments on the consolidated balance sheets. \$22 million of management fee income was recognized for the year ended June 30, 2024 (\$23 million and \$29 million for the year ended June 30, 2023 and June 30, 2022), which is included in other income on the consolidated statements of operations.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE C — LIQUID ASSET PORTFOLIO

### *Composition of Liquid Asset Portfolio*

The composition of IFC's net liquid asset portfolio included in the consolidated balance sheets is as follows:

(US\$ in millions)	June 30, 2024	June 30, 2023
<b>Assets</b>		
Cash and due from banks <sup>a</sup>	\$ 19	\$ 43
Time deposits <sup>b</sup>	9,752	10,215
Trading securities	28,555	31,020
Securities purchased under resale agreements and receivable for cash collateral pledged	1,226	5,192
Derivative assets	365	433
Receivables and other assets:		
Receivables from sales of securities	557	791
Accrued interest income on time deposits and securities	261	243
Accrued income on derivative instruments	157	248
<b>Total assets</b>	<b>40,892</b>	<b>48,185</b>
<b>Liabilities</b>		
Securities sold under repurchase agreements and payable for cash collateral received	1,541	6,631
Derivative liabilities	78	241
Payables and other liabilities:		
Payables for purchase of securities	1,415	1,002
Accrued charges on derivative instruments	124	191
<b>Total liabilities</b>	<b>3,158</b>	<b>8,065</b>
<b>Total net liquid asset portfolio</b>	<b>\$ 37,734</b>	<b>\$ 40,120</b>

a Represents cash and due from banks from the liquid asset portfolio and does not include cash and due from banks from other cash accounts of \$762 million and \$1,008 million as of June 30, 2024 and June 30, 2023 respectively.

b Includes time deposits with maturities greater than three months of \$751 million and 2,467 million, as of June 30, 2024 and June 30, 2023 respectively.

The liquid asset portfolio is denominated primarily in U.S. dollars; investments in other currencies, net of the effect of associated derivative instruments that convert non-U.S. dollar securities into U.S. dollar securities, represent 1.9% of the portfolio at June 30, 2024 (2.1% – June 30, 2023).

### *Income (Loss) from liquid asset trading activities*

Income (Loss) from liquid asset trading activities for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 comprises:

(US\$ in millions)	For the year ended June 30,		
	2024	2023	2022
Interest income, net	\$ 1,753	\$ 1,364	\$ 331
Net gains (losses) on asset-backed and mortgage-backed securities	25	21	(61)
Net gains (losses) on other trading securities	613	79	(683)
Net gains (losses) on trading activities (realized and unrealized)	638	100	(744)
<b>Total income (loss) from liquid asset trading activities</b>	<b>\$ 2,391</b>	<b>\$ 1,464</b>	<b>\$ (413)</b>

The annualized rate of return on the liquid asset trading portfolio, calculated as total income from the liquid asset trading activities divided by fair value average daily balance of total trading securities, during the year ended June 30, 2024, was 8.0% (4.5% – year ended June 30, 2023; (1.2%) – year ended June 30, 2022). After the effect of associated derivative instruments, the liquid asset portfolio generally reprices within one year.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE C – LIQUID ASSET PORTFOLIO (continued)**

IFC's Trading securities comprises of the following:

(US\$ in millions)	Year ended June 30, 2024		At June 30, 2024	
	Fair value average daily balance	Fair value	Weighted average contractual maturity (years)	
Government, agency and government-sponsored agency obligations	\$ 21,025	\$ 21,068	1.9	
Asset-backed securities	6,258	5,058	17.9	
Corporate securities	2,423	2,429	1.7	
<b>Total trading securities</b>	<b>\$ 29,706</b>	<b>\$ 28,555</b>	<b>4.7</b>	
Year ended June 30, 2023				
(US\$ in millions)	Fair value average daily balance		At June 30, 2023	
	Fair value	Weighted average contractual maturity (years)		
Government, agency and government-sponsored agency obligations	\$ 21,822	\$ 21,766	1.9	
Asset-backed securities	6,446	5,232	22.1	
Corporate securities	3,941	4,022	1.1	
<b>Total trading securities</b>	<b>\$ 32,209</b>	<b>\$ 31,020</b>	<b>5.2</b>	

The expected maturity of the asset-backed securities may be significantly shorter than the contractual maturity, as reported above, due to prepayment features.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE D – INVESTMENTS

The carrying value of investments as of June 30, 2024 and June 30, 2023 comprises:

(US\$ in millions)	June 30, 2024	June 30, 2023
<b>Loans</b>		
Loans at amortized cost	\$ 35,729	\$ 31,117
Less: Reserve against losses on loans	<u>(1,081)</u>	<u>(1,209)</u>
Loans at amortized cost less reserve against losses	34,648	29,908
Loans accounted for at fair value under the Fair Value Option (amortized cost \$1,851 as of June 30, 2024, \$1,642 as of June 30, 2023)	<u>1,789</u>	<u>1,506</u>
<b>Total loans</b>	<b><u>36,437</u></b>	<b><u>31,414</u></b>
<b>Equity investments</b>		
Equity investments accounted for at fair value <sup>a b</sup> (cost \$10,887 as of June 30, 2024, \$10,331 as of June 30, 2023)	<u>11,121</u>	<u>10,778</u>
<b>Total equity investments</b>	<b><u>11,121</u></b>	<b><u>10,778</u></b>
<b>Debt securities</b>		
Debt securities accounted for at fair value as available-for-sale (amortized cost \$962 as of June 30, 2024, \$1,632 as of June 30, 2023)	845	1,394
Less: Reserve against losses on available-for-sale debt securities	<u>(34)</u>	<u>(21)</u>
Debt securities, available-for-sale less reserve against losses	811	1,373
Debt securities accounted for at fair value under the Fair Value Option (amortized cost \$10,380 as of June 30, 2024, \$8,145 as of June 30, 2023)	<u>10,378</u>	<u>7,937</u>
<b>Total debt securities</b>	<b><u>11,189</u></b>	<b><u>9,310</u></b>
<b>Total carrying value of investments</b>	<b><u>\$ 58,747</u></b>	<b><u>\$ 51,502</u></b>

a Equity investments at fair value as of June 30, 2024 comprise investments in common or preferred shares of \$5.4 billion (\$5.5 billion as of June 30, 2023), equity interests in private equity funds of \$5.7 billion (\$5.2 billion as of June 30, 2023), and equity-related options and other financial instruments of \$45 million (\$36 million as of June 30, 2023).

b Includes \$3 million and \$2 million, respectively, as of June 30, 2024 and June 30, 2023 of equity investments primarily accounted for under the cost recovery method. As the recovery of invested capital is uncertain, the fair value measurement is not applicable to these investments.

The distribution of the investment portfolio by geographical region and by industry sector and a reconciliation of total disbursed portfolio to carrying amount of investments is as follows:

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE D – INVESTMENTS (continued)**

(US\$ in millions)	June 30, 2024						June 30, 2023					
	Sector/Region	Loans	Equity investments	Debt securities	Total	Loans	Equity investments	Debt securities	Total			
<b>Africa</b>												
Manufacturing, agribusiness and services	\$ 2,313	\$ 733	\$ 178	\$ 3,224	\$ 2,153	\$ 687	\$ 102	\$ 2,942				
Financial markets	3,858	311	550	4,719	2,771	336	466	3,573				
Infrastructure and natural resources	2,252	621	306	3,179	2,067	501	217	2,785				
Disruptive technologies and funds	5	936	17	958	5	833	12	850				
<b>Total Africa</b>	<b>8,428</b>	<b>2,601</b>	<b>1,051</b>	<b>12,080</b>	<b>6,996</b>	<b>2,357</b>	<b>797</b>	<b>10,150</b>				
<b>Asia and Pacific</b>												
Manufacturing, agribusiness and services	2,997	1,101	1,455	5,553	3,176	1,141	886	5,203				
Financial markets	5,547	762	2,476	8,785	4,673	687	2,170	7,530				
Infrastructure and natural resources	1,648	208	1,047	2,903	1,773	202	813	2,788				
Disruptive technologies and funds	6	1,627	27	1,660	5	1,558	30	1,593				
<b>Total Asia and Pacific</b>	<b>10,198</b>	<b>3,698</b>	<b>5,005</b>	<b>18,901</b>	<b>9,627</b>	<b>3,588</b>	<b>3,899</b>	<b>17,114</b>				
<b>Latin America and the Caribbean, and Europe</b>												
Manufacturing, agribusiness and services	4,938	285	226	5,449	3,856	311	244	4,411				
Financial markets	5,203	467	3,181	8,851	4,568	495	2,907	7,970				
Infrastructure and natural resources	2,411	588	472	3,471	1,906	499	364	2,769				
Disruptive technologies and funds	26	929	31	986	5	834	46	885				
<b>Total Latin America and the Caribbean, and Europe</b>	<b>12,578</b>	<b>2,269</b>	<b>3,910</b>	<b>18,757</b>	<b>10,335</b>	<b>2,139</b>	<b>3,561</b>	<b>16,035</b>				
<b>Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>												
Manufacturing, agribusiness and services	1,875	283	99	2,257	1,306	330	96	1,732				
Financial markets	1,392	537	776	2,705	1,191	546	695	2,432				
Infrastructure and natural resources	1,374	134	—	1,508	1,430	202	60	1,692				
Disruptive technologies and funds	—	219	—	219	—	194	—	194				
<b>Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>	<b>4,641</b>	<b>1,173</b>	<b>875</b>	<b>6,689</b>	<b>3,927</b>	<b>1,272</b>	<b>851</b>	<b>6,050</b>				
<b>Other</b>												
Manufacturing, agribusiness and services	497	26	18	541	467	25	—	492				
Financial markets	1,201	514	354	2,069	1,534	386	440	2,360				
Infrastructure and natural resources	183	31	—	214	—	21	—	21				
Disruptive technologies and funds	—	598	8	606	—	583	8	591				
<b>Total Other</b>	<b>1,881</b>	<b>1,169</b>	<b>380</b>	<b>3,430</b>	<b>2,001</b>	<b>1,015</b>	<b>448</b>	<b>3,464</b>				
<b>Total disbursed investment portfolio</b>	<b>\$ 37,726</b>	<b>\$ 10,910</b>	<b>\$ 11,221</b>	<b>\$ 59,857</b>	<b>\$ 32,886</b>	<b>\$ 10,371</b>	<b>\$ 9,556</b>	<b>\$ 52,813</b>				
Reserve against losses on loans and debt securities	(1,081)	—	(34)	(1,115)	(1,209)	—	(21)	(1,230)				
Unamortized deferred loan origination fees, net and other	(146)	—	—	(146)	(127)	—	—	(127)				
Disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets	—	(19)	—	(19)	—	(36)	—	(36)				
Unrealized (losses) on equity investments held by consolidated VIEs	—	(4)	—	(4)	—	(4)	—	(4)				
Unrealized gains (losses) on investments accounted for at fair value as available-for-sale	—	—	4	4	—	—	(17)	(17)				
Unrealized (losses) gains on investments accounted for under the Fair Value Option	(62)	234	(2)	170	(136)	447	(208)	103				
<b>Carrying value of investments</b>	<b>\$ 36,437</b>	<b>\$ 11,121</b>	<b>\$ 11,189</b>	<b>\$ 58,747</b>	<b>\$ 31,414</b>	<b>\$ 10,778</b>	<b>\$ 9,310</b>	<b>\$ 51,502</b>				

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE E – LOANS AND GUARANTEES

### *Loans*

Income from loans and guarantees, including realized gains and losses on loans and associated derivatives for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 comprise the following:

(US\$ in millions)	For the year ended June 30,		
	2024	2023	2022
Interest income	\$ 3,080	\$ 2,131	\$ 999
Commitment fees	44	56	50
Guarantee fees	119	92	63
Other financial fees	8	3	53
Realized (losses) gains on loans, guarantees and associated derivatives <sup>a</sup>	(47)	8	(9)
<b>Income from loans and guarantees, including realized gains (losses) on loans and associated derivatives</b>	<b>\$ 3,204</b>	<b>\$ 2,290</b>	<b>\$ 1,156</b>

<sup>a</sup> Includes realized gains and losses on loans under the Fair Value Option, nil for the year ended June 30, 2024; \$8 million realized losses and nil for the years ended June 30, 2023 and June 30, 2022, respectively.

The currency composition and weighted average contractual rate of the disbursed loan portfolio are summarized below:

(US\$ in millions, except for rates)	For the year ended		
	June 30, 2024		June 30, 2023
	Amount	Weighted average contractual rate (%)	Amount
U.S. dollar	\$ 25,222	7.8	\$ 22,859
Euro	5,638	5.9	4,134
Chinese renminbi	1,513	4.3	1,429
Brazilian real	1,325	12.3	1,081
Colombian peso	815	12.7	523
Other currencies	3,213	9.6	2,860
<b>Total disbursed loan portfolio</b>	<b>\$ 37,726</b>	<b>7.8</b>	<b>\$ 32,886</b>

After the effect of interest rate and currency swaps, IFC's loans are principally denominated in variable rate U.S. dollars. IFC's disbursed variable rate loans generally reprice within one year.

As of June 30, 2024, loans in all currencies repayable during the years ending June 30, 2025 through June 30, 2029 and thereafter, are as follows:

(US\$ in millions)	2025	2026	2027	2028	2029	Thereafter	Total
Fixed rate loans	\$ 2,457	\$ 1,724	\$ 1,034	\$ 766	\$ 857	\$ 1,114	\$ 7,952
Variable rate loans	6,373	4,147	5,206	4,077	3,712	6,259	29,774
<b>Total disbursed loan portfolio</b>	<b>\$ 8,830</b>	<b>\$ 5,871</b>	<b>\$ 6,240</b>	<b>\$ 4,843</b>	<b>\$ 4,569</b>	<b>\$ 7,373</b>	<b>\$ 37,726</b>

As of June 30, 2023, loans repayable during the years ending June 30, 2024 through June 30, 2028 and thereafter, are as follows:

(US\$ in millions)	2024	2025	2026	2027	2028	Thereafter	Total
Fixed rate loans	\$ 1,472	\$ 1,908	\$ 1,580	\$ 737	\$ 665	\$ 1,571	\$ 7,933
Variable rate loans	4,586	4,836	3,924	3,430	2,919	5,258	24,953
<b>Total disbursed loan portfolio</b>	<b>\$ 6,058</b>	<b>\$ 6,744</b>	<b>\$ 5,504</b>	<b>\$ 4,167</b>	<b>\$ 3,584</b>	<b>\$ 6,829</b>	<b>\$ 32,886</b>

As of June 30, 2024, 21% of the disbursed loan portfolio are fixed rate loans (24% – June 30, 2023), while the remainder are at variable rates. As of June 30, 2024, the disbursed loan portfolio includes \$62 million of loans serving as collateral under secured borrowing arrangements (\$74 million – June 30, 2023).

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE E – LOANS AND GUARANTEES** (continued)

### **Reserve against losses on loans and provision for losses on loans**

The reserve against losses as of June 30, 2024 reflected credit risk assessments as of that date. The assessment of the level of reserve against losses carried a heightened degree of uncertainty and judgment. As of June 30, 2024, a \$25 million qualitative overlay for reserve against losses on loans and guarantees was applied (\$135 million as of June 30, 2023), a reduction of \$110 million in the year ended June 30, 2024 since the circumstances requiring the overlay are now broadly reflected in the credit ratings and reserve.

Changes in the reserve against losses on loans disbursed and loans committed but not disbursed for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 as well as the related loans at amortized cost evaluated for impairment individually (individual reserve) and on a pool basis (portfolio reserve) are summarized below:

(US\$ in millions)	For the year ended June 30, 2024					
	Loans Disbursed			Loans Committed but not Disbursed		
	Individual reserve	Portfolio reserve	Total reserve	Individual reserve	Portfolio reserve	Total reserve
Beginning balance	\$ 366	\$ 843	\$ 1,209	\$ 1	\$ 169	\$ 170
Provision (release of provision) for losses	5	(26)	(21)	(1)	20	19
Write-offs	(95)	—	(95)	—	—	—
Recoveries of previously written-off loans	4	—	4	—	—	—
Foreign currency transaction adjustments	(1)	(10)	(11)	—	(1)	(1)
Other adjustments <sup>a</sup>	1	(6)	(5)	—	—	—
<b>Ending balance</b>	<b>\$ 280</b>	<b>\$ 801</b>	<b>\$ 1,081</b>	<b>\$ —</b>	<b>\$ 188</b>	<b>\$ 188</b>
Total disbursed loans at June 30, 2024	\$ 1,106	\$ 34,769	\$ 35,875			
Loans committed but not disbursed at June 30, 2024				\$ 49	\$ 8,678	\$ 8,727
Unamortized deferred loan origination fees, net and other				(146)		
<b>Loans at amortized cost</b>				<b>\$ 35,729</b>		

a Other adjustments comprise reserve against capitalized interest.

(US\$ in millions)	For the year ended June 30, 2023					
	Loans Disbursed			Loans Committed but not Disbursed		
	Individual reserve	Portfolio reserve	Total reserve	Individual reserve	Portfolio reserve	Total reserve
Beginning balance	\$ 461	\$ 748	\$ 1,209	\$ 1	\$ 171	\$ 172
(Release of provision) provision for losses	(76)	91	15	—	(3)	(3)
Write-offs	(37)	—	(37)	—	—	—
Recoveries of previously written-off loans	18	—	18	—	—	—
Foreign currency transaction adjustments	(1)	6	5	—	1	1
Other adjustments <sup>a</sup>	1	(2)	(1)	—	—	—
<b>Ending balance</b>	<b>\$ 366</b>	<b>\$ 843</b>	<b>\$ 1,209</b>	<b>\$ 1</b>	<b>\$ 169</b>	<b>\$ 170</b>
Total disbursed loans at Jun 30, 2023	\$ 1,212	\$ 30,032	\$ 31,244			
Loans committed but not disbursed at June 30, 2023				\$ 46	\$ 6,796	\$ 6,842
Unamortized deferred loan origination fees, net and other				\$ (127)		
<b>Loans at amortized cost</b>				<b>\$ 31,117</b>		

a Other adjustments comprise reserve against interest capitalized.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E – LOANS AND GUARANTEES (continued)

(US\$ in millions)	For the year ended June 30, 2022					
	Loans Disbursed			Loans Committed but not Disbursed		
	Individual reserve	Portfolio reserve	Total reserve	Individual reserve	Portfolio reserve	Total reserve
Beginning balance	\$ 598	\$ 726	\$ 1,324	\$ 2	\$ 141	\$ 143
Provision (release of provision) for losses	52	41	93	(1)	33	32
Write-offs	(200)	—	(200)	—	—	—
Recoveries of previously written-off loans	3	—	3	—	—	—
Foreign currency transaction adjustments	(8)	(17)	(25)	—	(3)	(3)
Other adjustments <sup>b</sup>	16	(2)	14	—	—	—
<b>Ending balance</b>	<b>\$ 461</b>	<b>\$ 748</b>	<b>\$ 1,209</b>	<b>\$ 1</b>	<b>\$ 171</b>	<b>\$ 172</b>
Total disbursed loans at June 30, 2022	\$ 1,464	\$ 24,716	\$ 26,180			
Loans committed but not disbursed at June 30, 2022				\$ 14	\$ 8,158	\$ 8,172
Unamortized deferred loan origination fees, net and other				<u>\$ (122)</u>		
<b>Loans at amortized cost</b>	<b><u>\$ 26,058</u></b>					

a Other adjustments comprise reserve against interest capitalized.

#### **Reserve for losses and provision for losses on off-balance sheet guarantee exposures and other receivables**

Changes in the reserve against losses on off-balance sheet guarantee exposures for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 are summarized below :

(US\$ in millions)	For the year ended June 30,					
	2024		2023		2022	
	Outstanding Guarantees <sup>a</sup>	Issued Guarantees <sup>a</sup>	Outstanding Guarantees <sup>a</sup>	Issued Guarantees <sup>a</sup>	Outstanding Guarantees <sup>a</sup>	Issued Guarantees <sup>a</sup>
Beginning balance	\$ 15	\$ 13	\$ 11	\$ 7	\$ 11	\$ 6
Provision for losses on off-balance sheet credit exposure	6	5	4	7	—	1
Foreign currency transaction adjustments	(2)	(1)	—	(1)	—	—
<b>Ending balance</b>	<b><u>\$ 19</u></b>	<b><u>\$ 17</u></b>	<b><u>\$ 15</u></b>	<b><u>\$ 13</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ 7</u></b>

a Guarantees are considered issued when IFC commits to the guarantee obligation. Guarantees are considered outstanding when the underlying financial obligation of the client is incurred.

There was no reserve against losses on other receivables as of June 30, 2024 and June 30, 2023. The outstanding balance of other receivables was \$10 million and nil as of June 30, 2024 and June 30, 2023, respectively.

#### **Accrued interest**

The accrued interest balances were \$658 million and \$524 million, as of June 30, 2024 and June 30, 2023 respectively, and are reported within receivables and other assets on the consolidated balance sheets.

Accrued interest is written off by reversing interest income during the year the financial asset is moved from an accrual to a nonaccrual status. The amount of accrued interest receivables written off by reversing interest income is \$9 million and \$5 million for the years ended June 30, 2024 and June 30, 2023, respectively.

Accrued interest receivable is excluded from the amortized cost basis for disclosure purposes.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E – LOANS AND GUARANTEES (continued)

#### *Nonaccruing loans*

Loans on which the accrual of interest has been discontinued amounted to \$845 million as of June 30, 2024 (\$1.1 billion as of June 30, 2023). The interest income on such loans for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 is summarized as follows:

(US\$ in millions)	For the year ended June 30,		
	2024	2023	2022
Interest income not recognized on nonaccruing loans	\$ 103	\$ 139	\$ 92
Interest income recognized on loans in nonaccrual status related to current and prior years, on cash basis	44	78	65

There were no loans in nonaccrual status without an individual reserve against losses as of June 30, 2024 and June 30, 2023.

The amortized cost of nonaccruing loans as of June 30, 2024 and June 30, 2023 is summarized by geographic region and industry sector as follows:

(US\$ in millions)	June 30, 2024					Total non- accruing loans at amortized cost <sup>a</sup>
	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Disruptive technologies and funds		
Africa	\$ 128	\$ —	\$ 159	\$ 9	\$ 296	
Asia and Pacific	50	5	6	1	62	
Latin America and the Caribbean, and Europe	186	15	114	6	321	
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	87	39	93	—	219	
<b>Total disbursed loans <sup>b</sup></b>	<b>\$ 451</b>	<b>\$ 59</b>	<b>\$ 372</b>	<b>\$ 16</b>	<b>\$ 898</b>	

(US\$ in millions)	June 30, 2023					Total non- accruing loans at amortized cost <sup>a</sup>
	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Disruptive technologies and funds		
Africa	\$ 196	\$ —	\$ 161	\$ 5	\$ 362	
Asia and Pacific	118	7	19	—	144	
Latin America and the Caribbean, and Europe	159	12	151	1	323	
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	91	74	130	—	295	
<b>Total disbursed loans <sup>b</sup></b>	<b>\$ 564</b>	<b>\$ 93</b>	<b>\$ 461</b>	<b>\$ 6</b>	<b>\$ 1,124</b>	

a Includes all components of amortized cost except unamortized fees. The related unamortized fees are considered insignificant.

b Includes \$53 million reported as debt securities and \$126 million reported as loans under Fair Value Option on the Balance Sheets as of June 30, 2024 (\$59 million Debt securities and \$137 million Fair Value Option loans as of June 30, 2023).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E – LOANS AND GUARANTEES (continued)

#### *Past due loans*

IFC considers a loan past due when payments have not been made according to its contractual terms. An aging analysis, based on contractual terms, of IFC's loans at amortized cost by geographic region and industry sector follows:

(US\$ in millions)	June 30, 2024						Total loans
	Current	1-30 Days past due	31-60 days past due	61-90 days past due	Greater than 90 days past due		
<b>Africa</b>							
Manufacturing, agribusiness and services	\$ 1,870	\$ 278	\$ —	\$ —	\$ 49	\$ 2,197	
Financial markets	3,214	365	—	—	—	—	3,579
Infrastructure and natural resources	1,821	82	—	—	91	1,994	
Disruptive technologies and funds	—	—	—	—	4	4	
<b>Total Africa</b>	<b>6,905</b>	<b>725</b>	<b>—</b>	<b>—</b>	<b>144</b>	<b>7,774</b>	
<b>Asia and Pacific</b>							
Manufacturing, agribusiness and services	2,801	121	—	—	20	2,942	
Financial markets	5,395	1	—	—	4	5,400	
Infrastructure and natural resources	1,525	18	48	—	—	1,591	
<b>Total Asia and Pacific</b>	<b>9,721</b>	<b>140</b>	<b>48</b>	<b>—</b>	<b>24</b>	<b>9,933</b>	
<b>Latin America and the Caribbean, and Europe</b>							
Manufacturing, agribusiness and services	4,823	12	—	25	79	4,939	
Financial markets	4,567	64	—	—	8	4,639	
Infrastructure and natural resources	2,252	14	15	—	21	2,302	
Disruptive technologies and funds	17	—	—	—	—	17	
<b>Total Latin America and the Caribbean, and Europe</b>	<b>11,659</b>	<b>90</b>	<b>15</b>	<b>25</b>	<b>108</b>	<b>11,897</b>	
<b>Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>							
Manufacturing, agribusiness and services	1,768	87	—	—	11	1,866	
Financial markets	1,010	236	—	—	20	1,266	
Infrastructure and natural resources	1,074	161	—	—	30	1,265	
<b>Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>	<b>3,852</b>	<b>484</b>	<b>—</b>	<b>—</b>	<b>61</b>	<b>4,397</b>	
<b>Other</b>							
Manufacturing, agribusiness and services	488	2	—	—	—	490	
Financial markets	1,201	—	—	—	—	1,201	
Infrastructure and natural resources	183	—	—	—	—	183	
<b>Total Other</b>	<b>1,872</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,874</b>	
<b>Total disbursed loans</b>	<b>\$ 34,009</b>	<b>\$ 1,441</b>	<b>\$ 63</b>	<b>\$ 25</b>	<b>\$ 337</b>	<b>\$ 35,875</b>	
Unamortized deferred loan origination fees, net and other						(146)	
<b>Loans at amortized cost</b>						<b>\$ 35,729</b>	

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE E – LOANS AND GUARANTEES (continued)**

(US\$ in millions)	June 30, 2023					Greater than 90 days past due	Total loans
	Current	1-30 Days past due	31-60 days past due	61-90 days past due			
<b>Africa</b>							
Manufacturing, agribusiness and services	\$ 1,905	\$ 13	\$ —	\$ 10	\$ 90	\$ 2,018	
Financial markets	2,731	5	—	1	—	—	2,737
Infrastructure and natural resources	1,706	4	—	—	109	—	1,819
Disruptive technologies and funds	—	—	—	—	4	—	4
<b>Total Africa</b>	<b>6,342</b>	<b>22</b>	<b>—</b>	<b>11</b>	<b>203</b>	<b>—</b>	<b>6,578</b>
<b>Asia and Pacific</b>							
Manufacturing, agribusiness and services	3,022	66	—	—	18	—	3,106
Financial markets	4,553	—	—	—	5	—	4,558
Infrastructure and natural resources	1,706	—	—	—	6	—	1,712
<b>Total Asia and Pacific</b>	<b>9,281</b>	<b>66</b>	<b>—</b>	<b>—</b>	<b>29</b>	<b>—</b>	<b>9,376</b>
<b>Latin America and the Caribbean, and Europe</b>							
Manufacturing, agribusiness and services	3,736	—	25	—	94	—	3,855
Financial markets	3,987	—	—	—	6	—	3,993
Infrastructure and natural resources	1,749	—	—	—	26	—	1,775
<b>Total Latin America and the Caribbean, and Europe</b>	<b>9,472</b>	<b>—</b>	<b>25</b>	<b>—</b>	<b>126</b>	<b>—</b>	<b>9,623</b>
<b>Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>							
Manufacturing, agribusiness and services	1,222	64	—	—	12	—	1,298
Financial markets	1,019	—	—	23	33	—	1,075
Infrastructure and natural resources	1,274	31	—	—	—	—	1,305
<b>Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>	<b>3,515</b>	<b>95</b>	<b>—</b>	<b>23</b>	<b>45</b>	<b>—</b>	<b>3,678</b>
<b>Other</b>							
Manufacturing, agribusiness and services	450	5	—	—	—	—	455
Financial markets	1,534	—	—	—	—	—	1,534
<b>Total Other</b>	<b>1,984</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,989</b>
<b>Total disbursed loans</b>	<b>\$ 30,594</b>	<b>\$ 188</b>	<b>\$ 25</b>	<b>\$ 34</b>	<b>\$ 403</b>	<b>\$ 31,244</b>	
Unamortized deferred loan origination fees, net and other						(127)	
<b>Loans at amortized cost</b>						<b>\$ 31,117</b>	

Certain loans that are 90 days or more past due continue to accrue interest as management anticipates the collection of interest will occur in the near future. Amortized cost of these loans amounted to \$2 million as of June 30, 2024 (\$9 million as of June 30, 2023).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE E – LOANS AND GUARANTEES (continued)

### ***Loan Credit Quality Indicators***

IFC utilizes a rating system to classify loans according to credit worthiness and risk. A description of each credit rating and categorization in terms of the attributes of the borrower, the business environment in which the borrower operates or the loan itself under the rating system follows:

Credit Risk Rating	Indicative External Rating	Category	Description
CR-1	AAA, AA+, AA, AA-	Very Strong	An obligor rated CR-1 is the highest rating assigned by IFC. The obligor's ability to meet its financial obligations is very strong.
CR-2	A+, A, A-	Strong	An obligor rated CR-2 is slightly more susceptible to the negative effects of changes in circumstances and economic conditions than obligors rated CR-1. The obligor's ability to meet its financial obligations remains strong.
CR-3	BBB+	Adequate	An obligor rated CR-3 exhibits an adequate financial profile, even though at a weaker level than "CR-1" and "CR-2".
CR-4	BBB		An obligor rated CR-4 exhibits an adequate financial profile. However, adverse economic conditions or changing circumstances are more likely to lead to a deterioration of the obligor's ability to meet its financial obligations.
CR-5	BBB-		An obligor rated CR-5, as the lowest of the investment grade ratings, exhibits an adequate financial profile. However, adverse economic conditions and/or changing circumstances are more likely to lead to a weaker financial profile and a deterioration of the obligor's ability to meet its financial obligations.
CR-6	BB+	Moderate	An obligor rated CR-6, as the first non-investment grade rating, is less vulnerable to default than other non-investment obligors.
CR-7	BB		An obligor rated CR-7 can face major uncertainties. Exposure to negative business, financial, or economic conditions could lead to the obligor's insufficient financial profile and a deterioration of the obligor's ability to meet its financial obligations.
CR-8	BB-		An obligor rated CR-8 faces major ongoing uncertainties. Exposure to negative business, financial, or economic conditions could lead to the obligor's insufficient financial profile and a deterioration of the obligor's ability to meet its financial obligations.
CR-9	B+	Weak	An obligor rated CR-9 is less vulnerable to default than obligors rated 'CR-10' or 'CR-11'. Significantly negative business, financial, or economic conditions will likely weaken the obligor's financial profile and ability to meet its financial obligations.
CR-10	B		An obligor rated CR-10 is more vulnerable to default than obligors rated 'CR-9' but the obligor still has the capacity to meet its financial obligations. Negative business, financial, or economic conditions will likely weaken the obligor's financial profile and ability to meet its financial obligations.
CR-11	B-		An obligor rated CR-11 is more vulnerable to default than obligors rated 'CR-9' or 'CR-10'. The obligor still has the capacity to meet its obligations but slightly negative business, financial, or economic conditions are more likely to weaken the obligor's financial profile and ability to meet its financial obligations than a company rated CR-10.
CR-12	CCC+	Very Weak/ Special Attention	An obligor rated CR-12 faces significant challenges. While such obligors will likely have some positive characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. The obligor is dependent upon favorable business, financial, and economic conditions to meet its financial obligations.
CR-13	CCC	Very Weak/ Substandard	An obligor rated CR-13 is currently vulnerable to default, and is dependent upon significantly favorable business, financial, and economic conditions to meet its financial obligations. In the event of negative business, financial, or economic conditions, the obligor is not likely to meet its financial obligations and rescheduling and/or restructuring is likely to be required.
CR-14	CCC-	Extremely Weak/Doubtful	An obligor rated CR-14 is highly vulnerable to default. It is highly likely that a rescheduling and/or restructuring are required without which a default under IFC's accounting definition would ensue. In some cases, even though default has not occurred yet, cash flow may be insufficient to service debt in full.
CR-15	Worse than CCC- and D	Imminent Default /Default	An obligor rated CR-15 is currently extremely vulnerable to nonpayment and there are indications that the next payment will not be made before meeting IFC's accounting definition of default.
D			An obligor rated D is in payment default according to IFC's definition of default.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E – LOANS AND GUARANTEES (continued)

The following table presents the loans disbursed by credit quality indicator based on risk rating and origination year as of June 30, 2024 and June 30, 2023 and gross write-offs for the year ended June 30, 2024. The origination year is based on the commitment date that represents the date that the decision was made to extend credit and IFC entered into a legally binding agreement with the borrower. All subsequent loan disbursements, as well as loan modifications, extensions, and renewals for an associated loan commitment are reported based on the original commitment date:

June 30, 2024												
(US\$ in millions)		Loans at Amortized cost basis by Risk class										
Originated during the year ended June 30,	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Sub-standard	Extremely Weak/ Doubtful	Imminent Default/ Default	Total Contracts	Gross write-offs	
2024	\$ —	\$ 119	\$ 3,519	\$ 2,785	\$ 1,409	\$ 147	\$ 20	\$ 22	\$ 9	\$ 8,030	\$ —	
2023	—	460	2,161	3,306	2,127	110	6	123	—	8,293	—	
2022	—	356	1,423	2,049	1,270	225	—	31	98	5,452	36	
2021	—	—	1,286	1,878	944	8	13	—	8	4,137	—	
2020	69	—	911	897	393	209	77	161	9	2,726	1	
Prior	66	158	1,146	1,018	2,351	388	189	97	449	5,862	58	
<b>Total</b>	<b>\$ 135</b>	<b>\$ 1,093</b>	<b>\$ 10,446</b>	<b>\$ 11,933</b>	<b>\$ 8,494</b>	<b>\$ 1,087</b>	<b>\$ 305</b>	<b>\$ 434</b>	<b>\$ 573</b>	<b>\$ 34,500</b>	<b>\$ 95</b>	
Revolving loans	—	—	—	1,222	55	30	—	—	—	12	1,319	
Revolving Contracts Converted to Term Contracts	—	—	22	—	34	—	—	—	—	—	56	
<b>Total disbursed loans</b>	<b>\$ 135</b>	<b>\$ 1,093</b>	<b>\$ 10,468</b>	<b>\$ 13,155</b>	<b>\$ 8,583</b>	<b>\$ 1,117</b>	<b>\$ 305</b>	<b>\$ 434</b>	<b>\$ 585</b>	<b>\$ 35,875</b>		
Unamortized deferred loan origination fees, net and other										(146)		
<b>Loans at amortized cost</b>											<b>\$ 35,729</b>	
June 30, 2023												
(US\$ in millions)		Loans at Amortized cost basis by Risk class										
Originated during the year ended June 30,	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default	Total Contracts	Gross write-offs	
2023	\$ —	\$ 590	\$ 1,525	\$ 2,475	\$ 1,559	\$ 72	\$ 20	\$ 4	\$ —	\$ 6,245	—	
2022	—	470	1,186	2,255	1,471	143	—	62	—	5,587	—	
2021	—	66	1,456	2,608	1,409	145	21	—	10	5,715	—	
2020	69	—	1,129	1,196	586	257	59	91	6	3,393	—	
2019	—	127	295	832	782	182	18	52	52	2,340	—	
Prior	40	222	885	1,454	2,241	427	166	189	643	6,267	—	
<b>Total</b>	<b>\$ 109</b>	<b>\$ 1,475</b>	<b>\$ 6,476</b>	<b>\$ 10,820</b>	<b>\$ 8,048</b>	<b>\$ 1,226</b>	<b>\$ 284</b>	<b>\$ 398</b>	<b>\$ 711</b>	<b>\$ 29,547</b>		
Revolving Loans	—	—	—	1,569	86	—	25	—	—	—	1,680	
Revolving contracts converted to Term contracts	—	—	7	10	—	—	—	—	—	—	17	
<b>Total disbursed loans</b>	<b>\$ 109</b>	<b>\$ 1,475</b>	<b>\$ 6,483</b>	<b>\$ 12,399</b>	<b>\$ 8,134</b>	<b>\$ 1,226</b>	<b>\$ 309</b>	<b>\$ 398</b>	<b>\$ 711</b>	<b>\$ 31,244</b>		
Unamortized deferred loan origination fees, net and other										(127)		
<b>Loans at amortized cost</b>											<b>\$ 31,117</b>	

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E – LOANS AND GUARANTEES (continued)

Following is a summary of IFC's loans at amortized cost by credit quality indicator, geographic region, and industry sector, as of June 30, 2024 and June 30, 2023 :

(US\$ in millions)	June 30, 2024										Total
	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default		
<b>Geographic Region</b>											
Africa	\$ —	\$ 7	\$ 638	\$ 2,470	\$ 3,564	\$ 534	\$ 181	\$ 219	\$ 161	\$ 7,774	
Asia and Pacific	69	520	4,229	2,844	2,163	62	—	3	43	9,933	
Latin America and the Caribbean, and Europe	—	55	5,031	4,757	1,318	264	85	207	180	11,897	
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	19	225	2,113	1,538	257	39	5	201	4,397	
Other	66	492	345	971	—	—	—	—	—	1,874	
<b>Total geographic region</b>	<b>\$ 135</b>	<b>\$ 1,093</b>	<b>\$ 10,468</b>	<b>\$ 13,155</b>	<b>\$ 8,583</b>	<b>\$ 1,117</b>	<b>\$ 305</b>	<b>\$ 434</b>	<b>\$ 585</b>	<b>\$ 35,875</b>	
Unamortized deferred loan origination fees, net and other										(146)	
<b>Loans at amortized cost</b>										<b>\$ 35,729</b>	

(US\$ in millions)	June 30, 2024										Total
	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default		
<b>Industry Sector</b>											
Manufacturing, agribusiness and services	\$ 135	\$ 301	\$ 3,973	\$ 5,467	\$ 1,725	\$ 370	\$ 64	\$ 88	\$ 311	\$ 12,434	
Financial markets	—	737	4,800	6,205	4,146	92	39	25	41	16,085	
Infrastructure and natural resources	—	55	1,695	1,483	2,712	655	185	321	229	7,335	
Disruptive technologies and funds	—	—	—	—	—	—	17	—	4	21	
<b>Total industry sector</b>	<b>\$ 135</b>	<b>\$ 1,093</b>	<b>\$ 10,468</b>	<b>\$ 13,155</b>	<b>\$ 8,583</b>	<b>\$ 1,117</b>	<b>\$ 305</b>	<b>\$ 434</b>	<b>\$ 585</b>	<b>\$ 35,875</b>	
Unamortized deferred loan origination fees, net and other										(146)	
<b>Loans at amortized cost</b>										<b>\$ 35,729</b>	

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE E – LOANS AND GUARANTEES (continued)**

(US\$ in millions)	June 30, 2023										Total
	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default		
<b>Geographic Region</b>											
Africa	\$ —	\$ 25	\$ 394	\$ 1,992	\$ 3,303	\$ 313	\$ 205	\$ 137	\$ 209	\$ 6,578	
Asia and Pacific	69	460	3,284	3,250	2,019	192	6	18	78	9,376	
Latin America and the Caribbean, and Europe	—	517	2,515	4,255	1,497	356	98	215	170	9,623	
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	—	179	1,537	1,315	365	0	28	254	3,678	
Other	40	473	111	1,365	—	—	—	—	—	1,989	
<b>Total geographic region</b>	<b>\$ 109</b>	<b>\$ 1,475</b>	<b>\$ 6,483</b>	<b>\$ 12,399</b>	<b>\$ 8,134</b>	<b>\$ 1,226</b>	<b>\$ 309</b>	<b>\$ 398</b>	<b>\$ 711</b>	<b>\$31,244</b>	
Unamortized deferred loan origination fees, net and other										(127)	
<b>Loans at amortized cost</b>										<b>\$31,117</b>	

(US\$ in millions)	June 30, 2023										Total
	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default		
<b>Industry Sector</b>											
Manufacturing, agribusiness and services	\$ 109	\$ 770	\$ 2,992	\$ 4,147	\$ 1,685	\$ 339	\$ 223	\$ 145	\$ 322	\$ 10,732	
Financial markets	—	638	2,626	6,676	3,686	155	28	36	52	13,897	
Infrastructure and natural resources	—	67	865	1,576	2,763	732	58	217	333	6,611	
Disruptive technologies and funds	—	—	—	—	—	—	—	—	—	4	4
<b>Total industry sector</b>	<b>\$ 109</b>	<b>\$ 1,475</b>	<b>\$ 6,483</b>	<b>\$ 12,399</b>	<b>\$ 8,134</b>	<b>\$ 1,226</b>	<b>\$ 309</b>	<b>\$ 398</b>	<b>\$ 711</b>	<b>\$31,244</b>	
Unamortized deferred loan origination fees, net and other										(127)	
<b>Loans at amortized cost</b>										<b>\$31,117</b>	

**Modifications for Borrowers Experiencing Financial Difficulties**

IFC adopted ASU 2022-02 *Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures* effective July 1, 2023. All related disclosures for the year ended June 30, 2024 are provided on a prospective basis in accordance with the ASU. These disclosures do not include loan modifications and the effects related to suspension and standstill agreements where principal and interest payments are temporarily suspended. As of June 30, 2024 amortized cost of these loans amounted to \$71 million.

Loans are modified through changes in interest rates, repayment schedules, and maturity date, in addition to reductions of loan principal and waiver of accrued interest. For loans at amortized cost, the following table presents information related to modifications for borrowers experiencing financial difficulties, per major modification types (including interest rate reduction, other-than-insignificant

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E – LOANS AND GUARANTEES (continued)

payment delay, principal forgiveness, and term extension or a combination of these modifications), by geographic region and industry sector during the year ended June 30, 2024.

For the year ended June 30, 2024

(US\$ in millions)	Interest Rate Reduction, Term Extension and Payment Delay	Payment Delay	Term Extension and Payment Delay	Total Loan Modification <sup>a</sup>	% of total loans	Total loans by region and industry
<b>Africa</b>						
Manufacturing, agribusiness and services	\$ 3	\$ 1	\$ 13	\$ 17	0.8 %	\$ 2,197
Infrastructure and natural resources	—	—	29	29	1.5	1,994
Total Africa	<u>3</u>	<u>1</u>	<u>42</u>	<u>46</u>	<u>0.6</u>	<u>7,774</u>
<b>Asia and Pacific</b>						
Manufacturing, agribusiness and services	—	11	—	11	0.4	2,942
Infrastructure and natural resources	—	—	6	6	0.4	1,591
Total Asia and Pacific	<u>—</u>	<u>11</u>	<u>6</u>	<u>17</u>	<u>0.2</u>	<u>9,933</u>
<b>Latin America and the Caribbean, and Europe</b>						
Manufacturing, agribusiness and services	73	24	—	97	2.0	4,939
Financial markets	0	0	4	4	0.1	4,639
Infrastructure and natural resources	15	72	6	93	4.0	2,302
Total Latin America and the Caribbean, and Europe	<u>88</u>	<u>96</u>	<u>10</u>	<u>194</u>	<u>1.6</u>	<u>11,897</u>
<b>Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>						
Infrastructure and natural resources	—	25	60	85	6.7	1,265
Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	<u>—</u>	<u>25</u>	<u>60</u>	<u>85</u>	<u>1.9</u>	<u>4,397</u>
<b>Total</b>	<b>\$ 91</b>	<b>\$ 133</b>	<b>\$ 118</b>	<b>\$ 342</b>	<b>1.0 %</b>	<b>\$ 35,875</b>

<sup>a</sup> Includes all components of amortized cost except unamortized fees which are considered insignificant.

The following table summarizes the financial effect of loan modifications for borrowers experiencing financial difficulty by geographic region and industry sector for the year ended June 30, 2024.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE E – LOANS AND GUARANTEES (continued)

(US\$ in millions)	For the Year ended June 30, 2024				
	Interest Rate Reduction	Term Extension	Principal Forgive-ness	Other than Insignificant Payment Delay	
	Weighted Average Interest Rate Reduction %	Weighted Average Months Extended	Principal Forgiven	Amount Delayed	Weighted Average Months Delayed
<b>Africa</b>					
Manufacturing, agribusiness and services	1.7 %	64	\$ 5	\$ 39	44
Infrastructure and natural resources	—	42	3	8	12
<b>Total Africa</b>	<b>1.7</b>	<b>106</b>	<b>8</b>	<b>47</b>	<b>56</b>
<b>Asia and Pacific</b>					
Manufacturing, agribusiness and services	—	—	—	8	6
Infrastructure and natural resources	—	36	—	33	36
<b>Total Asia and Pacific</b>	<b>—</b>	<b>36</b>	<b>—</b>	<b>41</b>	<b>42</b>
<b>Latin America and the Caribbean, and Europe</b>					
Manufacturing, agribusiness and services	8.4	91	—	106	26
Financial markets	—	12	—	4	12
Infrastructure and natural resources	2.4	152	15	16	177
<b>Total Latin America and the Caribbean, and Europe</b>	<b>10.8</b>	<b>255</b>	<b>15</b>	<b>126</b>	<b>215</b>
<b>Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>					
Infrastructure and natural resources	—	36	—	67	34
<b>Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan</b>	<b>—</b>	<b>36</b>	<b>—</b>	<b>67</b>	<b>34</b>
<b>Total disbursed loans</b>	<b>12.5 %</b>	<b>433</b>	<b>\$ 23</b>	<b>\$ 281</b>	<b>347</b>

For loans at amortized cost, the following table presents an aging analysis of loan modifications made for borrowers experiencing financial difficulty from July 1, 2023 through June 30, 2024, presented by geographic region and industry sector as of June 30, 2024.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE E – LOANS AND GUARANTEES (continued)**

(US\$ in millions)	June 30, 2024			
	Current	Up to 30 days past due	Greater than 90 days past due	Total <sup>a</sup>
Africa				
Manufacturing, agribusiness and services	\$ 11	\$ 3	\$ 3	\$ 17
Infrastructure and natural resources	<u>29</u>	—	—	29
Total Africa	<u>40</u>	3	3	46
Asia and Pacific				
Manufacturing, agribusiness and services	—	11	—	11
Infrastructure and natural resources	<u>6</u>	—	—	6
Total Asia and Pacific	<u>6</u>	11	—	17
Latin America and the Caribbean, and Europe				
Manufacturing, agribusiness and services	73	—	24	97
Financial markets	4	—	—	4
Infrastructure and natural resources	<u>93</u>	—	—	93
<b>Total Latin America and the Caribbean, and Europe</b>	<u>170</u>	—	24	194
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan				
Infrastructure and natural resources	<u>61</u>	—	24	85
Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	<u>61</u>	—	24	85
<b>Total</b>	<b><u>\$ 277</u></b>	<b><u>\$ 14</u></b>	<b><u>\$ 51</u></b>	<b><u>\$ 342</u></b>

<sup>a</sup> Includes all components of amortized cost except unamortized fees which are considered insignificant.

The following table presents loans that had a payment default during the year ended June 30, 2024 after they had been modified to borrowers experiencing financial difficulty from July 1, 2023 through June 30, 2024, by geographic region and industry sector. Payment default is defined as loans that are 60 or more days past due as of June 30, 2024.

(US\$ in millions)	For the year ended June 30, 2024			
	Interest Rate Reduction, Term Extension and Payment Delay	Payment Delay	Total Loan Modification <sup>a</sup>	
Africa				
Manufacturing, agribusiness and services	\$ 3	—	\$ 3	3
Total Africa	<u>3</u>	—	—	3
Latin America and the Caribbean, and Europe				
Manufacturing, agribusiness and services	—	24	24	24
Total Latin America and the Caribbean, and Europe	—	24	24	24
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan				
Infrastructure and natural resources	—	25	25	25
Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	25	25	25
<b>Total</b>	<b><u>\$ 3</u></b>	<b><u>\$ 49</u></b>	<b><u>\$ 52</u></b>	

<sup>a</sup> Includes all components of amortized cost except unamortized fees which are considered insignificant.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E – LOANS AND GUARANTEES (continued)

#### Troubled Debt Restructurings Disclosures Prior to the Adoption of ASU 2022-02

Loans are modified through changes in interest rates, repayment schedules, and maturity date, in addition to reductions of loan principal and waiver of accrued interest. The following table presents information related to loan modifications, including past due amounts capitalized and written off, during the years ended June 30, 2023 and June 30, 2022 that are considered Troubled Debt Restructurings (TDRs), prior to the adoption of ASU 2022-02, as defined by the previous accounting guidance in effect at that time:

(US\$ in millions)	For the year ended June 30,				
	2023	2022			
	Number of TDRs	Amount	Number of TDRs	Amount	
Loans modified as TDRs	20	\$ 568	31	\$ 792	

Loan at amortized cost modifications considered TDRs during the years ended June 30, 2023 and June 30, 2022 is summarized by geographic region and industry sector as follows:

(US\$ in millions)	For the year ended June 30, 2023			
	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Total Loan modifications considered TDRs <sup>a</sup>
	Number of TDRs	Amount	Number of TDRs	Amount
<b>Geographic Region</b>				
Africa	\$ 151	\$ —	\$ —	\$ 151
Asia and Pacific	70	9	14	93
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	—	160	160
Latin America and the Caribbean, and Europe	—	5	159	164
<b>Total</b>	<b>\$ 221</b>	<b>\$ 14</b>	<b>\$ 333</b>	<b>\$ 568</b>

(US\$ in millions)	For the year ended June 30, 2022			
	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Total Loan modifications considered TDRs <sup>a</sup>
	Number of TDRs	Amount	Number of TDRs	Amount
<b>Geographic Region</b>				
Africa	\$ 112	\$ —	\$ 53	\$ 165
Asia and Pacific	106	—	24	130
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	46	240	286
Latin America and the Caribbean, and Europe	98	21	92	211
<b>Total</b>	<b>\$ 316</b>	<b>\$ 67</b>	<b>\$ 409</b>	<b>\$ 792</b>

a Includes all components of amortized cost except unamortized fees which are considered insignificant.

Following is a summary of loans that defaulted during the years ended June 30, 2023 and June 30, 2022 that had been modified in a troubled debt restructuring within 12 months prior to the date of default:

(US\$ in millions, except for number of loans)	For the year ended June 30,	
	2023	2022
Loan amount	\$ 137	\$ 43
Number of Loans	12	7

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE E – LOANS AND GUARANTEES (continued)

### ***Collateral-Dependent Loans***

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following tables summarize the amortized cost of collateral dependent loans <sup>a</sup> by collateral type, geographic region and industry sector as of June 30, 2024 and June 30, 2023 :

(US\$ in millions)	June 30, 2024			June 30, 2023		
	Property, Land and Equipment	Others	Total	Property, Land and Equipment	Others	Total
<b>Geographic Region</b>						
Africa	\$ 1	\$ —	\$ 1	\$ 2	\$ —	\$ 2
Asia and Pacific	11	—	11	—	—	—
Latin America and the Caribbean, and Europe	7	5	12	3	6	9
<b>Total</b>	<b>\$ 19</b>	<b>\$ 5</b>	<b>\$ 24</b>	<b>\$ 5</b>	<b>\$ 6</b>	<b>\$ 11</b>

(US\$ in millions)	June 30, 2024			June 30, 2023		
	Property, Land and Equipment	Others	Total	Property, Land and Equipment	Others	Total
<b>Industry Sector</b>						
Manufacturing, agribusiness and services	\$ 15	\$ —	\$ 15	\$ 3	\$ —	\$ 3
Financial markets	—	5	5	—	6	6
Infrastructure and natural resources	4	—	4	2	—	2
<b>Total</b>	<b>\$ 19</b>	<b>\$ 5</b>	<b>\$ 24</b>	<b>\$ 5</b>	<b>\$ 6</b>	<b>\$ 11</b>

a Includes all components of amortized cost except unamortized fees which are considered insignificant.

### ***Guarantees***

IFC extends financial guarantee facilities to its clients to provide full or partial credit enhancement for their debt securities and trade obligations. Under the terms of IFC's guarantees, IFC agrees to assume responsibility for the client's financial obligations in the event of default by the client, where default is defined as failure to pay when payment is due. Guarantees entered into by IFC generally have maturities consistent with those of the loan portfolio. Guarantees signed as of June 30, 2024 totaled \$6.3 billion (\$5.1 billion as of June 30, 2023). Guarantees of \$4.8 billion were outstanding (i.e., not called) as of June 30, 2024 (\$4.4 billion as of June 30, 2023). These amounts represent the maximum amount of undiscounted future payments that IFC could be required to make under these guarantees and are not included in IFC's consolidated balance sheets.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE F – DEBT SECURITIES

Income from debt securities, including net realized gains on debt securities and associated derivatives for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 comprises the following:

(US\$ in millions)	For the year ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Interest income	\$ 790	\$ 442	\$ 297
Dividends	1	1	5
Net realized gains on debt securities and associated derivatives <sup>a</sup>	20	75	112
<b>Total income from debt securities, including realized gains on debt securities and associated derivatives</b>	<b>\$ 811</b>	<b>\$ 518</b>	<b>\$ 414</b>

<sup>a</sup> Includes realized gains on debt securities under the Fair Value Option \$1 million, \$4 million, and \$74 million for the years ended June 30, 2024, June 30, 2023, and June 30, 2022, respectively.

Debt securities accounted for as available-for-sale as of June 30, 2024 and June 30, 2023 comprise:

(US\$ in millions)	June 30, 2024				
	Amortized cost	Unrealized gains <sup>a</sup>	Unrealized losses <sup>a</sup>	Reserve for credit losses	Fair value
Corporate debt securities	\$ 839	\$ 1	\$ (118)	\$ (24)	\$ 698
Preferred shares	28	1	(2)	(10)	17
Asset-backed securities	95	3	(2)	—	96
<b>Total</b>	<b>\$ 962</b>	<b>\$ 5</b>	<b>\$ (122)</b>	<b>\$ (34)</b>	<b>\$ 811</b>

<sup>a</sup> Includes net foreign exchange losses of \$121 million as of June 30, 2024.

(US\$ in millions)	June 30, 2023				
	Amortized cost	Unrealized gains <sup>a</sup>	Unrealized losses <sup>a</sup>	Reserve for credit losses	Fair value
Corporate debt securities	\$ 1,304	\$ 16	\$ (194)	\$ (13)	\$ 1,113
Preferred shares	28	1	(1)	(8)	20
Asset-backed securities	300	2	(62)	—	240
<b>Total</b>	<b>\$ 1,632</b>	<b>\$ 19</b>	<b>\$ (257)</b>	<b>\$ (21)</b>	<b>\$ 1,373</b>

<sup>a</sup> Includes net foreign exchange losses of \$221 million as of June 30, 2023.

The table below presents the amortized cost, unrealized losses, and fair value of available-for-sale debt securities that are in an unrealized loss position without credit losses aggregated by major security type as of June 30, 2024 and June 30, 2023. The reserve for credit losses is not included herein and is presented separately in the reserve for credit losses on debt securities roll-forward table.

(US\$ in millions)	June 30, 2024			June 30, 2023		
	Amortized Costs	Unrealized Losses <sup>a</sup>	Fair value	Amortized Costs	Unrealized Losses <sup>a</sup>	Fair value
Corporate debt securities	\$ 560	\$ (110)	\$ 450	\$ 857	\$ (194)	\$ 663
Preferred shares	10	(2)	8	9	(1)	8
Asset-backed securities	10	(2)	8	225	(62)	163
<b>Total</b>	<b>\$ 580</b>	<b>\$ (114)</b>	<b>\$ 466</b>	<b>\$ 1,091</b>	<b>\$ (257)</b>	<b>\$ 834</b>

<sup>a</sup> Includes net foreign exchange losses of \$118 million as of June 30, 2024 and \$217 million as of June 30, 2023.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE F – DEBT SECURITIES (continued)**

The following table shows the unrealized losses and fair value of available-for-sale debt securities as of June 30, 2024 and June 30, 2023 by length of time that individual securities had been in a continuous loss position where the fair value of securities declined below their cost basis:

(US\$ in millions)	June 30, 2024							
	Less than 12 months		12 months or greater		Total			
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses		
Corporate debt securities	\$ —	\$ —	\$ 450	\$ (110)	\$ 450	\$ (110)		
Preferred shares	—	—	8	(2)	8	(2)		
Asset-backed securities	—	—	8	(2)	8	(2)		
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 466</b>	<b>\$ (114)</b>	<b>\$ 466</b>	<b>\$ (114)</b>		

(US\$ in millions)	June 30, 2023							
	Less than 12 months		12 months or greater		Total			
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses		
Corporate debt securities	\$ —	\$ —	\$ 663	\$ (194)	\$ 663	\$ (194)		
Preferred shares	7	—	1	(1)	8	(1)		
Asset-backed securities	—	—	163	(62)	163	(62)		
<b>Total</b>	<b>\$ 7</b>	<b>\$ —</b>	<b>\$ 827</b>	<b>\$ (257)</b>	<b>\$ 834</b>	<b>\$ (257)</b>		

Corporate debt securities comprise investments in bonds and notes. Fair value associated with corporate debt securities is primarily attributable to movements in the credit default swap spread curve applicable to the issuer, and also impacted by movements in the risk-free rates and foreign exchange rates. Based upon IFC's assessment of expected credit losses, a reserve for credit losses is made for securities where the issuer is not expected to make all contractual principal and interest payments.

Preferred shares comprise investments in preferred equity investments that are redeemable at the option of IFC or mandatorily redeemable by the issuer. Unrealized losses associated with preferred shares are primarily driven by changes in discount rates associated with changes in credit spreads or interest rates, minor changes in exchange rates and comparable market valuations in the applicable sector. Based upon IFC's assessment of expected credit losses, a reserve for credit losses is made for securities where IFC does not expect to recover the cost basis of these securities.

Asset-backed securities comprise investments in bonds and notes that are collateralized by self-liquidating financial assets that allow IFC to receive payments that depend primarily on cash flow from those assets.

The tables below present a roll-forward by major security type for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 of the reserve for credit losses on debt securities accounted for as available-for-sale held at the period end:

(US\$ in millions)	For the year ended													
	June 30, 2024			June 30, 2023			June 30, 2022							
	Corporate Debt Securities	Preferred shares	Total	Corporate Debt Securities	Preferred shares	Total	Corporate Debt Securities	Preferred shares	Total					
<b>Beginning balance</b>	<b>\$ 13</b>	<b>\$ 8</b>	<b>\$ 21</b>	<b>\$ 11</b>	<b>\$ 3</b>	<b>\$ 14</b>	<b>\$ —</b>	<b>\$ 3</b>	<b>\$ 3</b>					
Provision for losses	11	2	13	2	5	7	11	3	14					
Write-offs	—	—	—	—	—	—	—	(3)	(3)					
<b>Ending balance</b>	<b>\$ 24</b>	<b>\$ 10</b>	<b>\$ 34</b>	<b>\$ 13</b>	<b>\$ 8</b>	<b>\$ 21</b>	<b>\$ 11</b>	<b>\$ 3</b>	<b>\$ 14</b>					

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE F – DEBT SECURITIES (continued)

As of June 30, 2024, debt securities with contractual maturities that are accounted for as available-for-sale have contractual maturities during the years ending June 30, 2025 through June 30, 2029 and thereafter, as follows:

(US\$ in millions)	2025	2026	2027	2028	2029	Thereafter	Total
Corporate debt securities	\$ 260	\$ 62	\$ 253	\$ 132	\$ 3	\$ 9	\$ 719
Asset-backed securities	58	21	15	—	—	—	94
<b>Total disbursed portfolio of debt securities with contractual maturities</b>	<b>\$ 318</b>	<b>\$ 83</b>	<b>\$ 268</b>	<b>\$ 132</b>	<b>\$ 3</b>	<b>\$ 9</b>	<b>\$ 813</b>

As of June 30, 2023, debt securities with contractual maturities that are accounted for as available-for-sale have contractual maturities during the years ending June 30, 2024 through June 30, 2028 and thereafter, as follows:

(US\$ in millions)	2024	2025	2026	2027	2028	Thereafter	Total
Corporate debt securities	\$ 288	\$ 395	\$ 63	\$ 255	\$ 133	\$ 11	\$ 1,145
Asset-backed securities	144	58	21	15	—	—	238
<b>Total disbursed portfolio of debt securities with contractual maturities</b>	<b>\$ 432</b>	<b>\$ 453</b>	<b>\$ 84</b>	<b>\$ 270</b>	<b>\$ 133</b>	<b>\$ 11</b>	<b>\$ 1,383</b>

The expected maturity of asset-backed securities may differ from the contractual maturity, as reported above, due to prepayment features. In addition, IFC has \$28 million of redeemable preferred shares and other debt securities with undefined maturities (\$28 million – June 30, 2023).

The currency composition and weighted average contractual rate of debt securities with contractual maturities that are accounted for as available-for-sale are summarized below:

(US\$ in millions, except for ratios)	June 30, 2024			June 30, 2023		
	Amount	Weighted average contractual rate (%)	Amount	Weighted average contractual rate (%)		
Euro	\$ 331	% 6.6	\$ 417	% 5.9		
US dollar	178	7.5	457	7.8		
Indian rupee	176	8.0	275	8.0		
Colombian peso	104	13.1	187	14.5		
South African Rand	20	11.3	22	11.3		
West African CFA franc	4	6.0	—	—		
Turkish lira	—	—	21	14.7		
C.F.A. Francs BCEAO	—	—	4	6.0		
<b>Total disbursed portfolio of debt securities with contractual maturities</b>	<b>\$ 813</b>	<b>% 8.1</b>	<b>\$ 1,383</b>	<b>% 8.3</b>		

After the effect of interest rate swaps and currency swaps, IFC's debt securities that are accounted for as available-for-sale are primarily denominated in variable rate U.S. dollars.

#### **Nonaccruing debt securities**

The disbursed and outstanding balances of debt securities on which the accrual of interest has been discontinued amounted to \$53 million at June 30, 2024 (\$59 million – June 30, 2023). The interest income on such debt securities for the year ended June 30, 2024, June 30, 2023 and June 30, 2022 is summarized as follows:

(US\$ in millions)	For the year ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Interest income not recognized on nonaccruing debt securities	\$ 9	\$ 1	\$ 3
Interest income recognized on debt securities in nonaccrual status related to current and prior years, on a cash basis	1	—	1

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE G – EQUITY INVESTMENTS AND ASSOCIATED DERIVATIVES

Income from equity investments and associated derivatives for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 comprises the following:

(US\$ in millions)	For the year ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Unrealized (losses) on equity investments and associated derivatives <sup>a</sup>	\$ (231)	\$ (134)	\$ (617)
Realized gains on equity investments and associated derivatives, net	245	161	642
Gains on equity investments and associated derivatives, net	14	27	25
Dividends	115	162	180
Custody, fees and other	13	2	3
<b>Total income from equity investments and associated derivatives</b>	<b>\$ 142</b>	<b>\$ 191</b>	<b>\$ 208</b>

<sup>a</sup> Includes unrealized gains and losses related to equity securities still held as of June 30, 2024, net gains of \$156 million for the year ended June 30, 2024 (net gains of \$115 million - June 30, 2023 and net losses of \$42 million - June 30, 2022).

Equity investments include several private equity funds that invest primarily in emerging markets across a range of sectors and that are accounted for at fair value under the Fair Value Option. The fair values of these funds have been determined using the net asset value of IFC's ownership interest in partners' capital as a practical expedient and totaled \$5.7 billion as of June 30, 2024 (\$5.2 billion as of June 30, 2023). These investments cannot be redeemed. Distributions will be received from these funds as the underlying assets are liquidated or distributed, the timing of which is uncertain. As of June 30, 2024, the maximum unfunded commitments subject to capital calls for these funds were \$1.9 billion (\$1.6 billion as of June 30, 2023). As of June 30, 2024, IFC invested \$483 million (\$505 million as of June 30, 2023) as a limited partner in funds managed by AMC. Amounts previously distributed by the AMC Funds may be callable through the life of the respective fund. The sale of IFC's limited partner interests in these funds needs prior consent from the other limited partners.

## NOTE H – INVESTMENT TRANSACTIONS COMMITTED BUT NOT DISBURSED OR UTILIZED

Loan, equity and debt security commitments signed but not yet disbursed, and guarantee and client risk management facilities signed but not yet utilized are summarized below:

(US\$ in millions)	June 30, 2024	June 30, 2023
<b>Investment transactions committed but not disbursed:</b>		
Loans, equity investments and debt securities	\$ 13,324	\$ 11,090
<b>Investment transactions committed but not utilized:</b>		
Guarantees	1,544	747
Client risk management facilities	183	202
<b>Total investment transactions committed but not disbursed or utilized</b>	<b>\$ 15,051</b>	<b>\$ 12,039</b>

The disbursements of investment transactions committed but not disbursed or utilized are generally subject to fulfillment of conditions of disbursement.

## NOTE I – LOAN PARTICIPANTS

Loan participations signed as commitments for which disbursement has not yet been made and loan participations disbursed and outstanding which are serviced by IFC for participants are as follows:

(US\$ in millions)	June 30, 2024	June 30, 2023
Loan participations signed as commitments but not disbursed	\$ 1,231	\$ 785
Loan participations disbursed and outstanding which are serviced by IFC	7,504	7,784

The notes to consolidated financial statements are an integral part of these statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE J — RECEIVABLES AND OTHER ASSETS**

Receivables and other assets are summarized below:

(US\$ in millions)	June 30, 2024	June 30, 2023
Accrued income on derivative instruments	\$ 1,397	\$ 1,131
Pension and other post-retirement benefits receivable from IBRD	774	704
Accrued interest income on loans	658	524
Receivables from sales of securities	557	791
Post-retirement contribution reserve fund	344	385
Assets under retirement benefit plans	293	246
Accrued interest income on time deposits and securities	261	243
Fixed assets	1,429	1,346
Less: Accumulated depreciation	<u>(871)</u>	<u>(819)</u>
Fixed assets, net	558	527
Deferred charges and other assets	1,330	1,294
<b>Total receivables and other assets</b>	<b>\$ 6,172</b>	<b>\$ 5,845</b>

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE K — BORROWINGS

### **Market borrowings and associated derivatives**

IFC diversifies its borrowings by currency, country, source, and maturity to provide flexibility and cost-effectiveness. For the year ended June 30, 2024, IFC borrowed in 22 currencies. The currency composition on IFC's market borrowings (excluding borrowings from IDA), before swaps, net of unamortized premiums and discounts, are summarized below:

(US\$ in millions, except for %)	June 30, 2024		June 30, 2023	
	Amount	As a % of Total	Amount	As a % of Total
<b>Medium and long term (MLT) borrowings</b>				
U.S. dollar	\$ 23,204	37.0 %	\$ 21,639	36.0 %
Australian dollar	12,028	19.2	10,434	17.3
Pounds sterling	7,352	11.7	5,703	9.5
Mexican peso	4,432	7.1	5,221	8.7
Canadian dollar	2,374	3.8	2,073	3.4
Others	11,018	17.6	12,136	20.2
<b>Principal at face value - MLT</b>	60,408	96.3 %	57,206	95.1 %
Short-term borrowings	2,308	3.7	2,967	4.9
<b>Principal at face value - Total</b>	62,716	100 %	60,173	100 %
Unamortized discounts, net	(3,140)		(3,433)	
Fair value adjustments	(3,991)		(4,540)	
<b>Carrying amount of market borrowings</b>	<b>\$ 55,585</b>		<b>\$ 52,200</b>	

The interest rate composition on IFC's market borrowings (excluding borrowings from IDA), before swaps, are summarized below:

(US\$ in millions, except for %)	June 30, 2024		June 30, 2023	
	Amount	Weighted average cost (%)	Amount	Weighted average cost (%)
<b>MLT borrowings</b>				
Fixed rate	\$ 56,612	3.3 %	\$ 52,606	3.0 %
Variable rate	3,796	4.7	4,600	5.1
<b>Principal at face value - MLT</b>	60,408		57,206	
Short-term borrowings - Fixed rate	2,308	5.0	2,967	4.1
<b>Principal at face value - Total</b>	62,716		60,173	
Unamortized discounts, net	(3,140)		(3,433)	
Fair value adjustments	(3,991)		(4,540)	
<b>Carrying amount of market borrowings</b>	<b>\$ 55,585</b>		<b>\$ 52,200</b>	

The weighted average remaining maturity of IFC's market borrowings was 5.0 years at June 30, 2024 (5.4 years – June 30, 2023). Actual maturities may differ from contractual maturities due to the existence of call features in certain of IFC's borrowings. IFC's short-term Discount Note Program has maturities ranging from overnight to one year. The amount outstanding under the program at June 30, 2024 was \$2.3 billion (\$3.0 billion – June 30, 2023).

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE K – BORROWINGS (continued)

#### *Borrowings from IDA*

Borrowings outstanding from IDA are summarized below:

	June 30, 2024					
	IDA Borrowings		Interest rate swap notional principal payable (receivable)		Net currency obligation	
	Principal amount	Weighted average cost (%)	Notional amount	Weighted average cost (%)	Notional amount	Weighted average cost (%)
(US\$ in millions, except for ratios)						
U.S. dollar	\$ 185	1.8	\$ 185	5.6	\$ 185	5.6
			(185)	(1.8)		
<b>Total IDA borrowings outstanding</b>	<b>\$ 185</b>		<b>\$ —</b>		<b>\$ 185</b>	<b>5.6</b>
Fair value adjustments	(15)					
<b>Carrying amount of IDA borrowings</b>	<b>\$ 170</b>					

	June 30, 2023					
	IDA Borrowings		Interest rate swap notional principal payable (receivable)		Net currency obligation	
	Principal amount	Weighted average cost (%)	Notional amount	Weighted average cost (%)	Notional amount	Weighted average cost (%)
(US\$ in millions, except for ratios)						
U.S. dollar	\$ 262	1.8	\$ 262	5.5	\$ 262	5.5
			(262)	(1.8)		
<b>Total IDA borrowings outstanding</b>	<b>\$ 262</b>		<b>\$ —</b>		<b>\$ 262</b>	<b>5.5</b>
Fair value adjustments	(19)					
<b>Carrying amount of IDA borrowings</b>	<b>\$ 243</b>					

The weighted average remaining maturity of borrowings from IDA was 3.6 years at June 30, 2024 (3.4 years – June 30, 2023).

IFC uses derivatives, reported at fair value, to manage the currency risk and the interest rate risk on its borrowings. The nominal payable amount on the currency and interest rate swaps on market borrowings are shown in the table below:

(US\$ in millions)	June 30, 2024	June 30, 2023
Currency swaps	\$ 35,906	\$ 34,278
Interest rate swaps	23,742	22,197

The following table summarizes IFC's borrowing portfolio after derivatives:

(US\$ in millions)	June 30, 2024	June 30, 2023
Borrowings	\$ 55,755	\$ 52,443
Currency and interest rate swap (assets)	(183)	(2,795)
Currency and interest rate swap liabilities	6,648	10,032
<b>Borrowings after swaps</b>	<b>\$ 62,220</b>	<b>\$ 59,680</b>

After the effect of interest rate and currency swaps, IFC's borrowings generally reprice within one year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE K – BORROWINGS** (continued)

#### **Maturity of borrowings**

As of June 30, 2024, the principal amounts repayable on borrowings outstanding in all currencies during the years ending June 30, 2025, through June 30, 2029, and thereafter are summarized below:

(US\$ in millions)	2025	2026	2027	2028	2029	Thereafter	Total
Borrowings from market sources	\$ 10,151	\$ 12,951	\$ 11,964	\$ 5,339	\$ 6,374	\$ 13,629	\$ 60,408
Short-term borrowings from market and other sources	2,308	—	—	—	—	—	2,308
Borrowings from IDA	61	34	12	11	11	56	185
<b>Total borrowings, gross</b>	<b>\$ 12,520</b>	<b>\$ 12,985</b>	<b>\$ 11,976</b>	<b>\$ 5,350</b>	<b>\$ 6,385</b>	<b>\$ 13,685</b>	<b>\$ 62,901</b>
Unamortized discounts, net							(3,140)
Fair value adjustments							(4,006)
<b>Carrying amount of borrowings</b>							<b>\$ 55,755</b>

As of June 30, 2023, the principal amounts repayable on borrowings outstanding in all currencies during the years ending June 30, 2024, through June 30, 2028, and thereafter are summarized below:

(US\$ in millions)	2024	2025	2026	2027	2028	Thereafter	Total
Borrowings from market sources	\$ 9,042	\$ 9,706	\$ 12,543	\$ 7,016	\$ 5,248	\$ 13,652	\$ 57,207
Short-term borrowings from market and other sources	2,967	—	—	—	—	—	2,967
Borrowings from IDA	77	61	34	12	11	67	262
<b>Total borrowings, gross</b>	<b>\$ 12,086</b>	<b>\$ 9,767</b>	<b>\$ 12,577</b>	<b>\$ 7,028</b>	<b>\$ 5,259</b>	<b>\$ 13,719</b>	<b>\$ 60,436</b>
Unamortized discounts, net							(3,433)
Fair value adjustments							(4,560)
<b>Carrying amount of borrowings</b>							<b>\$ 52,443</b>

### **NOTE L — PAYABLES AND OTHER LIABILITIES**

Payables and other liabilities are summarized below:

(US\$ in millions)	June 30, 2024	June 30, 2023
Accounts payable, accrued expenses and other liabilities	\$ 1,457	\$ 1,378
Payables for unsettled security trades	1,415	1,002
Accrued charges on derivative instruments	1,256	1,089
Accrued charges on borrowings	920	785
Liabilities under post-employment benefit plan	734	710
Deferred income	126	91
Liabilities under retirement benefit plans	93	112
Secured borrowings and short sold securities	62	73
<b>Total payables and other liabilities</b>	<b>\$ 6,063</b>	<b>\$ 5,240</b>

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE M – CAPITAL TRANSACTIONS**

Following the Spring Meetings in April 2018, a financing package was endorsed by the Board of Governors that included a three-step capital raising process: conversion of a portion of retained earnings into paid-in capital, a Selective Capital Increase (SCI) and General Capital Increase (GCI) that would provide up to \$5.5 billion in additional paid-in capital. The GCI and SCI Resolutions were adopted and became effective on April 16, 2020. In April 2023 the deadline for the SCI subscription and payment was extended to April 16, 2025. The GCI subscription deadline, initially extended to April 16, 2024 in April 2023, was further extended to April 16, 2025 in April 2024, thereby aligning with the original deadline for GCI payment.

The authorized capital stock was increased by the creation of 16,999,998 additional shares each having a par value of \$1,000 after converting a portion of the retained earnings into paid-in capital. The authorized capital stock was increased by 919,998 and 4,579,995 shares of capital stock each having a par value of \$1,000 as per the SCI and GCI respectively. The authorized capital stock as of June 30, 2024 and June 30, 2023 consists of 25,079,991 shares of \$1,000 par value each.

As of June 30, 2024, 135 countries have subscribed a total of \$4.5 billion and payments of \$3.7 billion were received from 109 countries. During the year ended June 30, 2024, 16 countries subscribed a total of \$165 million (GCI of \$134 million and SCI of \$31 million) and payments of \$624 million were received from 59 countries. For the years ended June 30, 2023 and June 30, 2022, \$328 million and \$803 million were subscribed and \$847 million and \$987 million of payments were received, respectively.

Under IFC's Articles of Agreement, in the event a member withdraws from IFC, IFC and the member may negotiate on the repurchase of the member's capital stock on such terms as may be appropriate under the circumstances. Such agreement may provide, among other things, for a final settlement of all obligations of the member to IFC. If such an agreement is not made within six months after the member withdraws or such other time as IFC and the member may agree, the repurchase price of the member's capital stock shall be the value thereof shown by the books of IFC on the day when the member withdraws. The repurchase of capital stock is subject to certain conditions including payments in installments, at such times and in such available currency or currencies as IFC reasonably determines, taking into account the financial position of IFC. IFC's Articles of Agreement also provide for the withdrawing member to repay losses on loans and equity investments in excess of reserve provided on the date of withdrawal.

### **NOTE N – OTHER INCOME**

Other income for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 comprise the following:

(US\$ in millions)	For the year ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Investments gains (losses) on PEBP assets	\$ 63	\$ 55	\$ (17)
Post-retirement Contributions Reserve Fund (PCRF) income	30	15	1
Fees collected from clients	18	16	13
Other reimbursable arrangements	11	9	14
Others	66	48	33
<b>Total Other Income</b>	<b>\$ 188</b>	<b>\$ 143</b>	<b>\$ 44</b>

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE O – RETAINED EARNINGS DESIGNATIONS AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

### ***Designated retained earnings***

IFC designates its retained earnings to support the following Upstream and Advisory Services:

**Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS)** – FMTAAS supports the delivery of Upstream and Advisory related activities, primarily in non-IDA/Fragile and FCS countries.

**Creating Markets Advisory Window (CMAW)** – CMAW supports the delivery of Upstream and Advisory related activities in eligible IDA and FCS countries with the aim of addressing the complex challenge of building a pipeline of bankable private sector projects in these markets.

**Small and Medium Enterprise (SME) Ventures** – SME Ventures covers program, administrative, legal, and consulting expenses in connection with IFC's private equity program for financing of SMEs.

The components of designated retained earnings and related expenditures are summarized below:

(US\$ in millions)	Funding Mechanism for Technical Assistance and Advisory Services	Creating Markets Advisory Window	Small and Medium Enterprise Ventures	Total Designated Retained Earnings
<b>As of June 30, 2021</b>	\$ 42	\$ 151	\$ 14	\$ 207
<b>Year ended June 30, 2022</b>				
Designations of retained earnings	72	89	—	161
Expenditures against designated retained earnings	(36)	(33)	(1)	(70)
<b>As of June 30, 2022</b>	<b>\$ 78</b>	<b>\$ 207</b>	<b>\$ 13</b>	<b>\$ 298</b>
<b>Year ended June 30, 2023</b>				
Designations of retained earnings	6	—	—	6
Expenditures against designated retained earnings	(36)	(46)	(1)	(83)
<b>As of June 30, 2023</b>	<b>\$ 48</b>	<b>\$ 161</b>	<b>\$ 12</b>	<b>\$ 221</b>
<b>Year ended June 30, 2024</b>				
Designations of retained earnings	60	—	—	60
Expenditures against designated retained earnings	(50)	(68)	(1)	(119)
<b>As of June 30, 2024</b>	<b>\$ 58</b>	<b>\$ 93</b>	<b>\$ 11</b>	<b>\$ 162</b>

On August 3, 2023 the Board of Directors approved a designation of \$60 million to FMTAAS. This designation was approved by the Board of Governors on October 13, 2023.

### ***Accumulated other comprehensive income***

The components of accumulated other comprehensive income as of June 30, 2024 and June 30, 2023 are summarized as follows:

(US\$ in millions)	June 30, 2024	June 30, 2023
Net unrealized losses on available-for-sale debt securities	\$ (117)	\$ (238)
Net unrealized gains on borrowings at fair value under the Fair Value Option due to changes in instrument-specific credit risk	414	340
Unrecognized net actuarial gains and unrecognized prior service costs on benefit plans	660	530
<b>Total accumulated other comprehensive income</b>	<b>\$ 957</b>	<b>\$ 632</b>

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE P – NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS ACCOUNTED FOR AT FAIR VALUE**

Net unrealized gains and losses on non-trading financial instruments accounted for at fair value for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 comprise:

(US\$ in millions)	For the year ended		
	June 30, 2024	June 30, 2023	June 30, 2022
<b>Unrealized gains and losses on loans, debt securities and associated derivatives:</b>			
Unrealized gains (losses) on loans under the Fair Value Option	\$ 74	\$ 9	\$ (95)
Unrealized (losses) gains on derivatives associated with loans	(102)	172	389
Unrealized gains (losses) on debt securities under the Fair Value Option	206	(55)	(532)
Unrealized gains on derivatives associated with debt securities	4	49	115
<b>Total net unrealized gains (losses) on loans, debt securities and associated derivatives</b>	<b>182</b>	<b>175</b>	<b>(123)</b>
<b>Unrealized gains and losses on borrowings from market, IDA and associated derivatives:</b>			
Unrealized (losses) gains on market borrowings accounted for at fair value	(623)	265	3,795
Unrealized gains (losses) on derivatives associated with market borrowings	573	(320)	(3,928)
Unrealized (losses) gains on borrowings from IDA accounted for at fair value	(4)	5	27
<b>Total net unrealized losses on borrowings from market, IDA and associated derivatives</b>	<b>(54)</b>	<b>(50)</b>	<b>(106)</b>
<b>Net unrealized gains and losses on non-trading financial instruments accounted for at fair value</b>	<b>\$ 128</b>	<b>\$ 125</b>	<b>\$ (229)</b>

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE Q – DERIVATIVES

IFC enters into transactions in various derivative instruments for financial risk management purposes in connection with its principal business activities, including lending, investing in debt securities, equity investments, client risk management, borrowing, liquid asset management and asset and liability management. None of these derivative instruments are designated as accounting hedges under ASC Topic 815.

The following table summarizes IFC's use of derivatives in its various financial portfolios:

Portfolio	Derivative instruments used	Purpose / Risk being managed
<b>Risk Management purposes:</b>		
Investments <sup>a</sup>	Currency swaps, currency forward contracts, interest rate swaps, options, swaptions and futures contracts, to-be-announced (TBA) securities	Manage currency and interest rate risk
Loans	Currency swaps and interest rate swaps	Manage currency risk and interest rate risk between loans and borrowings
Borrowings	Currency swaps and interest rate swaps	Manage currency risk and interest rate risk between loans and borrowings
Other asset/liability management	Currency swaps and interest rate swaps	Manage currency risk and duration of IFC's equity
Other purposes:		
Client operations	Currency swaps, currency forward contracts and interest rate swaps	Assist clients in managing risks

a Excludes options and warrant agreements that are accounted for as derivatives associated with IFC's equity investments.

The fair value of derivative instrument assets and liabilities by risk type as of June 30, 2024 and June 30, 2023 is summarized as follows:

(US\$ in millions)	June 30, 2024	June 30, 2023
<b>Derivative assets</b>		
Interest rate	\$ 656	\$ 843
Foreign exchange	244	225
Interest rate and currency	1,907	4,465
Equity	96	124
Credit and other	51	65
<b>Total derivative assets</b>	<b>\$ 2,954</b>	<b>\$ 5,722</b>
<b>Derivative liabilities</b>		
Interest rate	\$ 2,067	\$ 2,245
Foreign exchange	67	217
Interest rate and currency	5,201	8,706
Equity	10	10
Credit and other	11	17
<b>Total derivative liabilities</b>	<b>\$ 7,356</b>	<b>\$ 11,195</b>

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE Q – DERIVATIVES (continued)

The effect of derivative instrument contracts on the consolidated statements of operations for the years ended June 30, 2024, June 30, 2023 and June 30, 2022 is summarized as follows:

(US\$ in millions)	<b>Consolidated Statements of Operations location</b>	For the year ended		
		June 30, 2024	June 30, 2023	June 30, 2022
Interest rate	Income (loss) from loans and guarantees, including realized gains and losses on loans and associated derivatives	\$ 104	\$ 54	\$ (25)
	Income (loss) from debt securities, including realized gains and losses on debt securities and associated derivatives	41	20	(13)
	(Loss) income from liquid asset trading activities	(26)	56	73
	Charges on borrowings	(691)	(407)	243
	Other income	23	18	17
	Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	46	(248)	(1,263)
Foreign exchange	Income (loss) from liquid asset trading activities	737	(62)	2,223
	Foreign currency transaction gains (losses) on non-trading activities	3	(12)	8
	Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	(6)	7	(3)
Interest rate and currency	Loss from loans and guarantees, including realized gains and losses on loans and associated derivatives	(6)	(9)	(217)
	Loss from debt securities, including realized gains and losses on debt securities and associated derivatives	(43)	(109)	(64)
	Income (loss) from liquid asset trading activities	125	(209)	575
	Charges on borrowings	(878)	(372)	781
	Foreign currency transaction gains (losses) on non-trading activities	244	(285)	(2,180)
	Other income	3	3	2
Equity	Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	444	108	(2,144)
	(Losses) gains from equity investments and associated derivatives	(27)	43	(43)
	Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	—	(1)	(13)
	Total	\$ 85	\$ (1,372)	\$ (2,046)
Other derivative contracts	Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	(8)	33	(3)

The income related to each derivative risk category includes realized and unrealized gains and losses.

As of June 30, 2024, the outstanding volume, measured by U.S. dollar equivalent notional, of interest rate contracts was \$69.3 billion (\$74.5 billion as of June 30, 2023), foreign exchange contracts was \$17.2 billion (\$20.7 billion as of June 30, 2023) and interest rate and currency contracts was \$58.4 billion (\$53.6 billion as of June 30, 2023).

At June 30, 2024, there were 115 derivative instrument contracts related to IFC's equity investment portfolio and 33 other derivative contracts, recognized as derivative assets or liabilities under ASC Topic 815 (129 equity risk and 27 other contracts as of June 30, 2023).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE R – FAIR VALUE MEASUREMENTS

ASC 820 defines fair value as the price that would be received to sell an asset or transfer a liability (i.e., an exit price) in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date assuming the transaction occurs in the entity's principal (or most advantageous) market. IFC categorizes its financial instruments into three levels based on the established fair value hierarchy. For more information regarding the fair value hierarchy and how IFC measures fair value, see Note A – Summary of Significant Accounting Policies. Readers are cautioned in using these data for purposes of evaluating the financial condition of IFC as the fair values of the individual financial instruments do not represent the fair value of IFC taken as a whole.

IFC utilized, where available, comparator, sector and country information, in addition to discounted cash flow models, in valuing its equity investment portfolio as of June 30, 2024. Debt securities and loans accounted for at fair value that do not have available market prices were primarily valued using discounted cash flow approaches and reflected spreads at June 30, 2024.

For the following instruments, the significant unobservable inputs and its relationship to the fair valuation movement are listed below:

Instrument	Significant Unobservable Input	Changes in Unobservable Input Results In
IFC Local Currency Borrowings	IFC Yield Curve	Decrease in Fair Value
Interest Rate Swaps (hedging loans and liquid assets)	Yield Curve Points	Increase in Fair Value
Interest Rate Swaps (hedging borrowings)	Yield Curve Points	Decrease in Fair Value
Currency Swaps (hedging loans and liquid assets)	Yield Curve and Exchange Rates	Increase in Fair Value
Currency Swaps (hedging borrowings)	Yield Curve and Exchange Rates	Decrease in Fair Value
Debt Securities and Loans	Discount Rates, Credit Default Spreads Valuation Multiple, Recovery Rates	Decrease in Fair Value Increase in Fair Value
Equity Securities and Equity Related Derivatives	Cost of equity, discounts for lack of marketability, weighted average cost of capital Growth rates, return on assets, perpetual growth rates, EV/EBITDA, price to book value and other valuation multiples and volatilities	Decrease in Fair Value Increase in Fair Value

The methodologies used and key assumptions made to estimate fair values as of June 30, 2024 and June 30, 2023, are summarized below.

**Liquid assets** – The primary pricing source for the liquid assets is valuations obtained from external pricing services (vendor prices). The most liquid securities in the liquid asset portfolio are U.S. Treasuries. U.S. Treasuries and U.S. Government agency bonds are classified as Level 1. The remaining liquid assets valued using vendor prices are classified as Level 2 or Level 3 based on the results of IFC's evaluation of the vendor's pricing methodologies and individual security facts and circumstances. Most vendor prices use some form of matrix pricing methodology to derive the inputs for projecting cash flows or to derive prices. When vendor prices are not available, liquid assets are valued internally by IFC using executable or indicative dealer quotes from the market and these are classified as Level 2 or Level 3 depending on the degree that the inputs are observable in the market.

The critical factors in valuing liquid assets in both Level 2 and Level 3 are the estimation of cash flows and yield. Other significant inputs for valuing corporate securities, quasi-government securities and sovereign or sovereign-guaranteed securities include reported trades, broker/dealer quotes, benchmark securities, option adjusted spread curve, volatilities, and other reference data. In addition to these inputs, valuation models for securitized or collateralized securities use collateral performance inputs, such as weighted average coupon rate, weighted average maturity, conditional prepayment rate, constant default rate, vintage, and credit enhancements.

There were no liquid assets classified as Level 3 as of June 30, 2024 and June 30, 2023.

**Loans and debt securities** – Loans and debt securities in IFC's investment portfolio that do not have available market prices are primarily valued using discounted cash flow approaches. The majority of loans measured at fair value are classified as Level 3. Certain loans contain embedded conversion and/or income participation features. If not bifurcated as standalone derivatives, these features are considered in determining the loans' fair value based on the quoted market prices or other calculated values of the equity investments into which the loans are convertible and the discounted cash flows of the income participation features. The significant unobservable inputs used in the fair value measurement of loans and debt securities are discount rates, credit default swap spreads, and expected recovery rates. The valuation techniques and significant unobservable inputs for loans and debt securities classified as Level 3 as of June 30, 2024 and as of June 30, 2023 are presented below.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE R – FAIR VALUE MEASUREMENTS (continued)

June 30, 2024

(US\$ in millions)	Valuation technique	Fair value	Significant inputs	Range (%)	Weighted average (%)
Debt securities - preferred shares	Discounted cash flows	\$ 14	Discount rate	10.7 - 16.0	12.4
	Market comparables	47	Valuation multiples <sup>a</sup>		
	Recent transactions	158			
	Other techniques	19			
Total preferred shares		238			
Other loans and debt securities	Discounted cash flows	7,550	Credit default swap spreads	0.0 - 20.5	2.7
			Expected recovery rates	0.0 - 95.0	44.1
	Recent transactions	1,677			
	Other techniques	416			
Total other loans and debt securities		9,643			
<b>Total</b>		<b>\$ 9,881</b>			

<sup>a</sup> Includes valuation techniques with multiple significant inputs, therefore the range and weighted average are not provided.

June 30, 2023

(US\$ in millions)	Valuation technique	Fair value	Significant inputs	Range (%)	Weighted average (%)
Debt securities – preferred shares	Discounted cash flows	\$ 15	Discount rate	10.6 - 16.0	12.0
	Market comparables	44	Valuation multiples <sup>a</sup>		
	Recent transactions	121			
	Other techniques	28			
Total preferred shares		208			
Other loans and debt securities	Discounted cash flows	5,886	Credit default swap spreads	0.4 - 20.2	3.3
			Expected recovery rates	0.0 - 75.0	44.7
	Recent transactions	1,825			
	Other techniques	411			
Total other loans and debt securities		8,122			
<b>Total</b>		<b>\$ 8,330</b>			

<sup>a</sup> Includes valuation techniques with multiple significant inputs, therefore the range and weighted average are not provided.

**Borrowings** – Fair values derived by determining the present value of estimated future cash flows using appropriate discount rates and option specific models where appropriate are classified as Level 2. Fair values derived from market source pricing are also classified as Level 2. The significant inputs used in valuing borrowings classified as Level 2 are presented below:

Classes	Significant Inputs
Structured bonds	Foreign exchange rate and inter-bank yield curves, IFC's credit curve and swaption volatility matrix, foreign exchange rate volatility, equity spot price, volatility and dividend yield.
Unstructured bonds	Inter-bank yield curve and IFC's credit curve.

As of June 30, 2024, IFC had bond issuances with a total fair value of \$83 million classified as level 3 in Azerbaijani manat, Bangladeshi taka, Jamaican dollar, Serbian dinar and Uzbekistan sum where the significant unobservable inputs were yield curve data (\$228 million as of June 30, 2023). As of June 30, 2024, the weighted average effective interest rate on medium and long-term borrowings carried at amortized cost was 8.0% (7.3% as of June 30, 2023) and the effective interest rate on short-term borrowings carried at amortized cost was 5.0% (4.1% as of June 30, 2023).

**Derivative instruments** — The various classes of derivative instruments include interest rate contracts, foreign exchange contracts, interest rate and currency contracts, equity contracts and other derivative contracts. Certain over the counter derivatives in the liquid

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE R – FAIR VALUE MEASUREMENTS** (continued)

asset portfolio priced in-house are classified as Level 2, while certain over-the-counter derivatives priced using external manager prices are classified as Level 3. Fair values for derivative instruments are derived by determining the present value of estimated future cash flows using appropriate discount rates and option specific models where appropriate.

The significant inputs used in valuing the various classes of derivative instruments classified as Level 2 and significant unobservable inputs for derivative instruments classified as Level 3 as of June 30, 2024 and June 30, 2023 are presented below:

Level 2 derivatives	Significant Inputs
Interest rate	Inter-bank yield curves, foreign exchange basis curve and yield curves specified to index floating rates.
Foreign exchange	Foreign exchange rate, inter-bank yield curves and foreign exchange basis curve.
Interest rate and currency	Foreign exchange rate, inter-bank yield curves, foreign exchange basis curve and yield curves specified to index floating rates.

(US\$ in millions)

June 30, 2024

Level 3 derivatives	Type	Fair value	Significant inputs	Range (%)	Weighted average (%)
Equity related derivatives	Fixed strike price options	\$ —	Volatilities	24.3 - 28.1	27.8
	Variable strike price options	86	Contractual strike price <sup>a</sup>		
Interest rate and currency swap assets	Vanilla swaps	120	Yield curve points, exchange rates		
Interest rate and currency swap liabilities	Vanilla swaps	(7)	Yield curve points, exchange rates		
<b>Total</b>		<b>\$ 199</b>			

a In case of valuation techniques with multiple significant inputs, the range and weighted average are not provided.

(US\$ in millions)

June 30, 2023

Level 3 derivatives	Type	Fair value	Significant inputs	Range (%)	Weighted average (%)
Equity related derivatives	Fixed strike price options	\$ 1	Volatilities	28.1 - 44.3	44.3
	Variable strike price options	113	Contractual strike price <sup>a</sup>		
Interest rate and currency swap assets	Vanilla swaps	74	Yield curve points, exchange rates		
Interest rate and currency swap liabilities	Vanilla swaps	(10)	Yield curve points, exchange rates		
<b>Total</b>		<b>\$ 178</b>			

a In case of valuation techniques with multiple significant inputs, the range and weighted average are not provided.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE R – FAIR VALUE MEASUREMENTS (continued)

**Equity investments** – Equity investments valued using quoted prices in active markets are classified as Level 1. Equity investments classified as Level 2 are valued using quoted prices in inactive markets. Equity investments classified as Level 3 are primarily valued using discounted cash flow and market comparable approaches. The significant unobservable inputs include cost of equity, weighted average cost of capital, asset growth rate, return on assets, perpetual growth rate, price to book and market multiples. The valuation techniques and significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy for equity investments that were measured at fair value through net income as of June 30, 2024 and June 30, 2023 are presented below.

(US\$ in millions)		June 30, 2024			
Sector	Valuation technique	Fair value	Significant inputs	Range	Weighted average (%)
Banking and other financial institutions	Discounted cash flows	\$ 317	Cost of equity (%) Asset growth rate (%) Return on assets (%) Perpetual growth rate (%)	12.2 - 34.4 (8.6) - 56.6 (0.6) - 6.2 3.0 - 15.0	15.2 4.5 1.9 5.4
	Market comparables	509	Price to book value EV/Sales Other valuation multiples <sup>a</sup>	0.3 - 4.9 2.1 - 11.2	2.9 7.4
	Listed price (adjusted)	237	Discount for lack of marketability (%)	20.0 - 30.0	27.6
	Recent transactions	634			
	Other techniques	132			
	Associated options <sup>b</sup>	46			
Total banking and other financial institutions		1,875			
Funds	Recent transactions	123			
	Market comparables	2			
	Other techniques	85			
Total funds		210			
Others	Discounted cash flows	942	Weighted average cost of capital (%) Cost of equity (%)	7.9 - 26.1 10.8 - 23.9	11.8 15.3
	Market comparables	645	EV/Sales EV/EBITDA	0.7 - 19.1 6.2 - 22.0	5.4 12.6
			Price to book value	0.6 - 2.2	1.5
			Other valuation multiples <sup>a</sup>		
	Recent transactions	480			
	Other techniques	96			
	Associated options <sup>b</sup>	103			
Total others		2,266			
<b>Total</b>		<b>\$ 4,351</b>			

<sup>a</sup> Includes price/earnings ratio and price/sales ratio, the range and weighted average are not provided due to the immaterial amounts.

<sup>b</sup> Fair values for associated options are derived by determining the present value of estimated future cash flows using appropriate discount rates and option specific models where appropriate.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE R – FAIR VALUE MEASUREMENTS (continued)**

(US\$ in millions)		June 30, 2023			
Sector	Valuation technique	Fair value	Significant inputs	Range	Weighted average (%)
Banking and other financial institutions	Discounted cash flows	\$ 517	Cost of equity (%) Asset growth rate (%) Return on assets (%) Perpetual growth rate (%)	11.0 - 26.0 (1.5) - 56.6 0.3 - 8.7 2.5 - 13.0	13.7 8.6 2 5.2
	Market comparables	400	Price to book value EV/Sales	0.3 - 1.5 1.5 - 15.4	1.3 9.6
	Listed price (adjusted)	199	Discount for lack of marketability (%)	*	35.0
	Recent transactions	380			
	Other techniques	180			
	Associated options <sup>b</sup>	31			
Total banking and other financial institutions		<u>1,707</u>			
Funds	Recent transactions	106			
	Other techniques	53			
Total funds		<u>159</u>			
Others	Discounted cash flows	896	Weighted average cost of capital (%) Cost of equity (%)	7.2 - 29.8 9.7 - 25.5	11.5 14.9
	Market comparables	746	EV/Sales EV/EBITDA	0.7 - 20.3 4.2 - 22.0	4.2 14
			Price to book value	0.6 - 2.4	1.8
			Other valuation multiples <sup>a</sup>		
	Recent transactions	521			
	Other techniques	81			
	Associated options <sup>b</sup>	91			
Total others		<u>2,335</u>			
<b>Total</b>		<b><u>\$ 4,201</u></b>			

\* No range is provided as all of the projects that use this valuation technique are with the same institution and have the same discount percentage.

a Includes price/earnings ratio and price/sales ratio, the range and weighted average are not provided due to the immaterial amounts.

b Fair values for associated options are derived by determining the present value of estimated future cash flows using appropriate discount rates and option specific models where appropriate.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE R – FAIR VALUE MEASUREMENTS (continued)

### **Fair value of assets and liabilities**

Estimated fair values of IFC's financial assets and liabilities and off-balance sheet financial instruments at June 30, 2024 and June 30, 2023 are summarized below:

(US\$ in millions)	June 30, 2024		June 30, 2023	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Cash and due from banks, time deposits, trading securities and securities purchased under resale agreements and receivable for cash collateral pledged	\$ 40,314	\$ 40,314	\$ 47,478	\$ 47,478
<b>Investments:</b>				
Loans at amortized cost, net of reserve against losses	34,648	35,711	29,908	30,369
Loans accounted for at fair value under the Fair Value Option	1,789	1,789	1,506	1,506
Total loans	<u>36,437</u>	<u>37,500</u>	<u>31,414</u>	<u>31,875</u>
Equity investments accounted for at fair value	11,121 <sup>a</sup>	11,118	10,778 <sup>a</sup>	10,776
Debt securities accounted for at fair value as available-for-sale	811	811	1,373	1,373
Debt securities accounted for at fair value under the Fair Value Option	10,378	10,378	7,937	7,937
Total debt securities	<u>11,189</u>	<u>11,189</u>	<u>9,310</u>	<u>9,310</u>
<b>Total investments</b>	<b><u>\$ 58,747</u></b>	<b><u>\$ 59,807</u></b>	<b><u>\$ 51,502</u></b>	<b><u>\$ 51,961</u></b>
<b>Derivative assets:</b>				
Borrowings-related	183	183	2,795	2,795
Liquid asset portfolio-related and other	365	365	433	433
Investment-related	1,978	1,978	1,977	1,977
Client risk management-related	428	428	517	517
<b>Total derivative assets</b>	<b><u>\$ 2,954</u></b>	<b><u>\$ 2,954</u></b>	<b><u>\$ 5,722</u></b>	<b><u>\$ 5,722</u></b>
Other investment-related financial assets	—	2	—	3
<b>Financial liabilities</b>				
Securities sold under repurchase agreements and payable for cash collateral received	\$ 1,541	\$ 1,541	\$ 6,631	\$ 6,631
Market, IBRD, IDA and other borrowings outstanding	55,755	55,754	52,443	52,433
<b>Derivative liabilities:</b>				
Borrowings-related	6,648	6,648	10,032	10,032
Liquid asset portfolio-related and other	77	77	241	241
Investment-related	312	312	523	523
Client risk management-related	319	319	399	399
<b>Total derivative liabilities</b>	<b><u>\$ 7,356</u></b>	<b><u>\$ 7,356</u></b>	<b><u>\$ 11,195</u></b>	<b><u>\$ 11,195</u></b>

<sup>a</sup> Includes \$3 million as of June 30, 2024 (\$2 million as of June 30, 2023) of equity investments primarily accounted for under the cost recovery method, no fair value measurement is provided since the recovery of invested capital is uncertain.

The fair value of loan commitments amounted to \$39 million as of June 30, 2024 (\$39 million as of June 30, 2023). Fair values of loan commitments are based on present value of loan commitment fees.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE R – FAIR VALUE MEASUREMENTS (continued)

### *Fair value hierarchy*

As required by ASC 820, financial assets and financial liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement. The following tables provide information as of June 30, 2024 and June 30, 2023, about IFC's financial assets and financial liabilities measured at fair value on a recurring basis:

(US\$ in millions)	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Time deposits with maturities greater than three months <sup>a</sup>	\$ —	\$ 751	\$ —	\$ 751
Trading securities:				
Asset-backed securities	—	5,058	—	5,058
Corporate debt securities <sup>b</sup>	—	2,429	—	2,429
Government obligations	16,784	4,284	—	21,068
Total trading securities	16,784	11,771	—	28,555
Loans	—	113	1,671	1,784
Loans measured at net asset value <sup>c</sup>				5
Total Loans (outstanding principal balance \$1,851)	—	113	1,671	1,789
Equity investments:				
Banking and other financial institutions	603	16	1,875	2,494
Funds	—	12	210	222
Others	480	6	2,266	2,752
Equity investments measured at net asset value <sup>c</sup>				5,650
Total equity investments	1,083	34	4,351	11,118
Debt securities:				
Corporate debt securities	—	2,437	7,170	9,607
Preferred shares	—	—	238	238
Asset-backed securities	—	—	802	802
Debt securities measured at net asset value <sup>c</sup>				542
Total debt securities	—	2,437	8,210	11,189
Derivative assets:				
Interest rate	—	656	—	656
Foreign exchange	—	244	—	244
Interest rate and currency	—	1,787	120	1,907
Equity and other	—	—	96	96
Credit and Other derivative contracts	—	51	—	51
Total derivative assets	—	2,738	216	2,954
<b>Total assets at fair value</b>	<b>\$ 17,867</b>	<b>\$ 17,844</b>	<b>\$ 14,448</b>	<b>\$ 56,356</b>
Borrowings: <sup>d</sup>				
Structured bonds	\$ —	\$ 4,309	\$ —	\$ 4,309
Unstructured bonds	—	48,827	83	48,910
Total borrowings (outstanding principal balance \$60,365)	—	53,136	83	53,219
Derivative liabilities:				
Interest rate	—	2,067	—	2,067
Foreign exchange	—	67	—	67
Interest rate and currency	—	5,194	7	5,201
Equity and other	—	—	10	10
Credit and Other derivative contracts	—	11	—	11
Total derivative liabilities	—	7,339	17	7,356
<b>Total liabilities at fair value</b>	<b>\$ —</b>	<b>\$ 60,475</b>	<b>\$ 100</b>	<b>\$ 60,575</b>

<sup>a</sup> Time deposits with maturities greater than three months are carried at cost, which approximates fair value and are considered to be level 2.

<sup>b</sup> Includes securities priced at par plus accrued interest, which approximates fair value.

<sup>c</sup> In accordance with ASC 820, investments that are measured at fair value using net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in consolidated balance sheets.

<sup>d</sup> Includes discount notes (not under the short-term Discount Note Program), with original maturities greater than one year, with principal due at maturity of \$5.6 billion, with a fair value of \$1.7 billion as of June 30, 2024.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE R – FAIR VALUE MEASUREMENTS (continued)

(US\$ in millions)	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Time Deposits with maturities greater than three months <sup>a</sup>	\$ —	\$ 2,467	\$ —	\$ 2,467
Trading securities:				
Asset-backed securities	—	5,232	—	5,232
Corporate debt securities <sup>b</sup>	—	4,022	—	4,022
Government obligations	17,042	4,724	—	21,766
Total trading securities	<u>17,042</u>	<u>13,978</u>	—	31,020
Loans	—	—	1,488	1,488
Loans measured at net asset value <sup>c</sup>				18
Total Loans (outstanding principal balance \$1,642)	<u>—</u>	<u>—</u>	1,488	1,506
Equity investments:				
Banking and other financial institutions	662	17	1,707	2,386
Funds	—	16	159	175
Others	681	1	2,335	3,017
Equity investments measured at net asset value <sup>c</sup>				5,198
Total equity investments	<u>1,343</u>	<u>34</u>	4,201	10,776
Debt securities:				
Corporate debt securities	—	1,839	5,911	7,750
Preferred shares	—	—	208	208
Asset-backed securities	—	55	723	778
Debt securities measured at net asset value <sup>c</sup>				574
Total debt securities	<u>—</u>	<u>1,894</u>	6,842	9,310
Derivative assets:				
Interest rate	—	843	—	843
Foreign exchange	—	225	—	225
Interest rate and currency	—	4,391	74	4,465
Equity and other	—	—	124	124
Credit and Other derivative contracts	—	65	—	65
Total derivative assets	<u>—</u>	<u>5,524</u>	198	5,722
<b>Total assets at fair value</b>	<b>\$ 18,385</b>	<b>\$ 23,897</b>	<b>\$ 12,729</b>	<b>\$ 60,801</b>
Borrowings: <sup>d</sup>				
Structured bonds	\$ —	\$ 4,073	\$ —	\$ 4,073
Unstructured bonds	—	44,815	228	45,043
Total borrowings (outstanding principal balance \$52,174)	<u>—</u>	<u>48,888</u>	228	49,116
Derivative liabilities:				
Interest rate	—	2,245	—	2,245
Foreign exchange	—	217	—	217
Interest rate and currency	—	8,696	10	8,706
Equity and other	—	—	10	10
Credit and Other derivative contracts	—	17	—	17
Total derivative liabilities	<u>—</u>	<u>11,175</u>	20	11,195
<b>Total liabilities at fair value</b>	<b>\$ —</b>	<b>\$ 60,063</b>	<b>\$ 248</b>	<b>\$ 60,311</b>

<sup>a</sup> Time deposits with maturities greater than three months are carried at cost, which approximates fair value and are considered to be level 2.

<sup>b</sup> Includes securities priced at par plus accrued interest, which approximates fair value.

<sup>c</sup> In accordance with ASC 820, investments that are measured at fair value using net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in consolidated balance sheets.

<sup>d</sup> Includes discount notes (not under the short-term Discount Note Program), with original maturities greater than one year, with principal due at maturity of \$5.8 billion, with a fair value of \$1.8 billion as of June 30, 2023.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE R – FAIR VALUE MEASUREMENTS (continued)

The following tables present the changes in the carrying value of IFC's Level 3 financial assets and financial liabilities for the years ended June 30, 2024, June 30, 2023, and June 30, 2022.

For the year ended June 30, 2024

(US\$ in millions)	Balance as of July 1, 2023	Net gains (losses) (realized and unrealized) included in Net income	Other comprehensive income	Purchases, issuances, sales, settlements and others	Transfers into Level 3 <sup>a</sup>	Transfers out of Level 3 <sup>b</sup>	Balance as of June 30, 2024	Net unrealized gains (losses) included in net income (loss) related to assets / liabilities held at year end	Net unrealized gains (losses) included in other comprehensive income (loss) related to assets / liabilities held at year end
<b>Loans</b>	<b>\$ 1,488</b>	<b>\$ 74</b>	<b>\$ —</b>	<b>\$ 227</b>	<b>\$ —</b>	<b>\$ (118)</b>	<b>\$ 1,671</b>	<b>\$ 55</b>	<b>\$ —</b>
<b>Equity investments:</b>									
Banking and other financial institutions	1,707	85	—	83	12	(12)	1,875	106	—
Funds	159	20	—	31	—	—	210	7	—
Others	2,335	(154)	—	112	5	(32)	2,266	(228)	—
<b>Total equity investments</b>	<b>4,201</b>	<b>(49)</b>	<b>—</b>	<b>226</b>	<b>17</b>	<b>(44)</b>	<b>4,351</b>	<b>(115)</b>	<b>—</b>
<b>Debt securities:</b>									
Corporate debt securities	5,911	(51)	49	1,639	1,157	(1,535)	7,170	(14)	15
Preferred shares	208	33	(2)	(1)	—	—	238	7	—
Asset-backed securities	723	(79)	61	43	54	—	802	(16)	(1)
<b>Total debt securities</b>	<b>6,842</b>	<b>(97)</b>	<b>108</b>	<b>1,681</b>	<b>1,211</b>	<b>(1,535)</b>	<b>8,210</b>	<b>(23)</b>	<b>14</b>
<b>Derivative assets:</b>									
Interest rate and currency	74	27	—	39	—	(20)	120	63	—
Equity and other	124	(18)	—	(10)	—	—	96	1	—
<b>Total derivative assets</b>	<b>198</b>	<b>9</b>	<b>—</b>	<b>29</b>	<b>—</b>	<b>(20)</b>	<b>216</b>	<b>64</b>	<b>—</b>
<b>Total assets at fair value</b>	<b>\$ 12,729</b>	<b>\$ (63)</b>	<b>\$ 108</b>	<b>\$ 2,163</b>	<b>\$ 1,228</b>	<b>\$ (1,717)</b>	<b>\$ 14,448</b>	<b>\$ (19)</b>	<b>\$ 14</b>
<b>Borrowings:</b>									
Unstructured bonds	\$ (228)	\$ 14	\$ —	\$ (48)	\$ (4)	\$ 183	\$ (83)	\$ 14	\$ —
<b>Total borrowings</b>	<b>(228)</b>	<b>14</b>	<b>—</b>	<b>(48)</b>	<b>(4)</b>	<b>183</b>	<b>(83)</b>	<b>14</b>	<b>—</b>
<b>Derivative liabilities:</b>									
Interest rate and currency	(10)	(6)	—	(5)	(1)	15	(7)	(6)	—
Equity and other	(10)	—	—	—	—	—	(10)	—	—
<b>Total derivative liabilities</b>	<b>(20)</b>	<b>(6)</b>	<b>—</b>	<b>(5)</b>	<b>(1)</b>	<b>15</b>	<b>(17)</b>	<b>(6)</b>	<b>—</b>
<b>Total liabilities at fair value</b>	<b>\$ (248)</b>	<b>\$ 8</b>	<b>\$ —</b>	<b>\$ (53)</b>	<b>\$ (5)</b>	<b>\$ 198</b>	<b>\$ (100)</b>	<b>\$ 8</b>	<b>\$ —</b>

a Transfers into Level 3 are due to lack of observable market data resulting from a decrease in market activity for these securities as of June 30, 2024.

b Transfers out of Level 3 are due to availability of observable market data resulting from an increase in market activity for these securities that were part of July 1, 2023 beginning balance as of June 30, 2024.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE R – FAIR VALUE MEASUREMENTS (continued)**

	For the year ended June 30, 2023										
	(US\$ in millions)	Balance as of July 01, 2022	Net gains (losses) (realized and unrealized) included in			Purchases, issuances, sales, settlements and others	Transfers into Level 3 <sup>a</sup>	Transfers out of Level 3 <sup>b</sup>	Balance as of June 30, 2023	Net unrealized gains (losses) included in net income (loss) related to assets / liabilities held at year end	Net unrealized gains (losses) included in other comprehensive income (loss) related to assets / liabilities held at year end
			Net income (loss)	Other comprehensive income							
<b>Trading securities:</b>											
Asset-backed securities	\$ —	\$ 1	\$ —	\$ 55	\$ (56)	\$ —	\$ —	\$ —	\$ —	\$ —	
Corporate debt securities	7	—	—	—	—	(7)	—	—	—	—	
Government and agency obligations	172	(1)	—	97	—	(268)	—	—	—	—	
<b>Total trading securities</b>	<b>179</b>	<b>—</b>	<b>—</b>	<b>152</b>	<b>—</b>	<b>(331)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
Loans	1,303	30	—	101	54	—	1,488	17	—	—	
<b>Equity investments:</b>											
Banking and other financial institutions	1,573	28	—	68	55	(17)	1,707	12	—	—	
Funds	43	12	—	104	—	—	159	5	—	—	
Others	2,448	(23)	—	(137)	47	—	2,335	(145)	—	—	
<b>Total equity investments</b>	<b>4,064</b>	<b>17</b>	<b>—</b>	<b>35</b>	<b>102</b>	<b>(17)</b>	<b>4,201</b>	<b>(128)</b>	<b>—</b>	<b>—</b>	
<b>Debt securities:</b>											
Corporate debt securities	4,070	(106)	105	2,218	574	(950)	5,911	88	3	—	
Preferred shares	184	49	(54)	29	—	—	208	(17)	(4)	—	
Asset-backed securities	817	4	5	(103)	—	—	723	13	8	—	
<b>Total debt securities</b>	<b>5,071</b>	<b>(53)</b>	<b>56</b>	<b>2,144</b>	<b>574</b>	<b>(950)</b>	<b>6,842</b>	<b>84</b>	<b>7</b>	<b>—</b>	
<b>Derivative assets:</b>											
Interest rate and currency	35	(7)	—	55	12	(21)	74	65	—	—	
Equity and other	77	53	—	(6)	—	—	124	58	—	—	
<b>Total derivative assets</b>	<b>112</b>	<b>46</b>	<b>—</b>	<b>49</b>	<b>12</b>	<b>(21)</b>	<b>198</b>	<b>123</b>	<b>—</b>	<b>—</b>	
<b>Total assets at fair value</b>	<b>\$ 10,729</b>	<b>\$ 40</b>	<b>\$ 56</b>	<b>\$ 2,481</b>	<b>\$ 742</b>	<b>\$ (1,319)</b>	<b>\$ 12,729</b>	<b>\$ 96</b>	<b>\$ 7</b>	<b>—</b>	
<b>Borrowings:</b>											
Unstructured bonds	\$ (232)	\$ (12)	\$ 1	\$ (121)	\$ (4)	\$ 140	\$ (228)	\$ (12)	\$ 1	—	
<b>Total borrowings</b>	<b>(232)</b>	<b>(12)</b>	<b>1</b>	<b>(121)</b>	<b>(4)</b>	<b>140</b>	<b>(228)</b>	<b>(12)</b>	<b>1</b>	<b>—</b>	
<b>Derivative liabilities:</b>											
Interest rate and currency	(34)	15	—	(2)	(4)	15	(10)	(2)	—	—	
Equity and other	(4)	(6)	—	—	—	—	(10)	(6)	—	—	
<b>Total derivative liabilities</b>	<b>(38)</b>	<b>9</b>	<b>—</b>	<b>(2)</b>	<b>(4)</b>	<b>15</b>	<b>(20)</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	
<b>Total liabilities at fair value</b>	<b>\$ (270)</b>	<b>\$ (3)</b>	<b>\$ 1</b>	<b>\$ (123)</b>	<b>\$ (8)</b>	<b>\$ 155</b>	<b>\$ (248)</b>	<b>\$ (20)</b>	<b>\$ 1</b>	<b>—</b>	

a Transfers into Level 3 are due to lack of observable market data resulting from a decrease in market activity for these securities as of June 30, 2023.

b Transfers out of Level 3 are due to availability of observable market data resulting from an increase in market activity for these securities that were part of July 1, 2022 beginning balance as of June 30, 2023.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE R – FAIR VALUE MEASUREMENTS (continued)

	For the year ended June 30, 2022								
	Balance as of July 01, 2021	Net gains (losses) (realized and unrealized) included in Net income (loss)	Other comprehensive income	Purchases, issuances, sales, settlements and others	Transfers into Level 3 <sup>a</sup>	Transfers out of Level 3 <sup>b</sup>	Balance as of June 30, 2022	Net unrealized gains (losses) included in net income (loss) related to assets / liabilities held at year end	Net unrealized gains (losses) included in other comprehensive income (loss) related to assets / liabilities held at year end
(US\$ in millions)									
<b>Trading securities:</b>									
Asset-backed securities	\$ —	\$ —	\$ —	\$ 30	\$ —	\$ (30)	\$ —	\$ —	\$ —
Corporate debt securities	—	(4)	—	120	—	(109)	7	(1)	—
Government and agency obligations	271	9	—	126	—	(234)	172	(10)	—
<b>Total trading securities</b>	<b>271</b>	<b>5</b>	<b>—</b>	<b>276</b>	<b>—</b>	<b>(373)</b>	<b>179</b>	<b>(11)</b>	<b>\$ —</b>
Loans	1,313	(122)	—	171	—	(59)	1,303	(122)	—
<b>Equity investments:</b>									
Banking and other financial institutions	1,663	62	—	(152)	—	—	1,573	(65)	—
Funds	16	(4)	—	31	—	—	43	(6)	—
Others	2,989	36	—	(233)	—	(344)	2,448	(16)	—
<b>Total equity investments</b>	<b>4,668</b>	<b>94</b>	<b>—</b>	<b>(354)</b>	<b>—</b>	<b>(344)</b>	<b>4,064</b>	<b>(87)</b>	<b>—</b>
<b>Debt securities:</b>									
Corporate debt securities	3,985	(425)	(153)	318	884	(539)	4,070	(335)	(165)
Preferred shares	483	(99)	(19)	(181)	—	—	184	17	8
Asset-backed securities	892	(72)	(35)	32	—	—	817	(68)	(44)
<b>Total debt securities</b>	<b>5,360</b>	<b>(596)</b>	<b>(207)</b>	<b>169</b>	<b>884</b>	<b>(539)</b>	<b>5,071</b>	<b>(386)</b>	<b>(201)</b>
<b>Derivative assets:</b>									
Interest rate and currency	26	12	—	9	10	(22)	35	27	—
Equity and other	133	(57)	—	1	—	—	77	(57)	—
<b>Total derivative assets</b>	<b>159</b>	<b>(45)</b>	<b>—</b>	<b>10</b>	<b>10</b>	<b>(22)</b>	<b>112</b>	<b>(30)</b>	<b>—</b>
<b>Total assets at fair value</b>	<b>\$ 11,771</b>	<b>\$ (664)</b>	<b>\$ (207)</b>	<b>\$ 272</b>	<b>\$ 894</b>	<b>\$ (1,337)</b>	<b>\$ 10,729</b>	<b>\$ (636)</b>	<b>\$ (201)</b>
<b>Borrowings:</b>									
Unstructured bonds	\$ (90)	\$ 3	\$ —	\$ (214)	\$ (44)	\$ 113	\$ (232)	\$ 3	\$ —
<b>Total borrowings</b>	<b>(90)</b>	<b>3</b>	<b>—</b>	<b>(214)</b>	<b>(44)</b>	<b>113</b>	<b>(232)</b>	<b>3</b>	<b>—</b>
<b>Derivative liabilities:</b>									
Interest rate and currency	(10)	4	—	(17)	(21)	10	(34)	(23)	—
Equity and other	(5)	1	—	—	—	—	(4)	1	—
<b>Total derivative liabilities</b>	<b>(15)</b>	<b>5</b>	<b>—</b>	<b>(17)</b>	<b>(21)</b>	<b>10</b>	<b>(38)</b>	<b>(22)</b>	<b>—</b>
<b>Total liabilities at fair value</b>	<b>\$ (105)</b>	<b>\$ 8</b>	<b>\$ —</b>	<b>\$ (231)</b>	<b>\$ (65)</b>	<b>\$ 123</b>	<b>\$ (270)</b>	<b>\$ (19)</b>	<b>\$ —</b>

<sup>a</sup> Transfers into Level 3 are due to lack of observable market data resulting from a decrease in market activity for these securities as of June 30, 2022.

<sup>b</sup> Transfers out of Level 3 are due to availability of observable market data resulting from an increase in market activity for these securities that were part of July 1, 2021 beginning balance as of June 30, 2022.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE R – FAIR VALUE MEASUREMENTS (continued)

The following tables present gross purchases, sales, issuances and settlements related to the changes in the carrying value of IFC's Level 3 financial assets and financial liabilities for the years ended June 30, 2024, June 30, 2023, and June 30, 2022.

(US\$ in millions)	For the year ended June 30, 2024				
	Purchases	Sales	Issuances	Settlements and others	Net
Loans	—	—	454	(227)	227
<b>Equity investments:</b>					
Banking and other financial institutions	176	(84)	—	(9)	83
Funds	234	—	—	(203)	31
Others	428	(329)	—	13	112
Total equity investments	838	(413)	—	(199)	226
<b>Debt securities:</b>					
Corporate debt securities	2,454	—	—	(815)	1,639
Preferred shares	33	(20)	—	(14)	(1)
Asset-backed securities	339	—	—	(296)	43
Total debt securities	2,826	(20)	—	(1,125)	1,681
<b>Derivative assets:</b>					
Interest rate and currency	—	—	39	—	39
Equity and other	—	—	—	(10)	(10)
Total derivative assets	—	—	39	(10)	29
<b>Total assets at fair value</b>	<b>\$ 3,664</b>	<b>\$ (433)</b>	<b>\$ 493</b>	<b>\$ (1,561)</b>	<b>\$ 2,163</b>
<b>Borrowings:</b>					
Unstructured bonds	\$ —	\$ —	\$ (48)	\$ —	\$ (48)
Total borrowings	—	—	(48)	—	(48)
<b>Derivative liabilities:</b>					
Interest rate and currency	—	—	(5)	—	(5)
Total derivative liabilities	—	—	(5)	—	(5)
<b>Total liabilities at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (53)</b>	<b>\$ —</b>	<b>\$ (53)</b>

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE R – FAIR VALUE MEASUREMENTS** (continued)

(US\$ in millions)	For the year ended June 30, 2023				
	Purchases	Sales	Issuances	Settlements and others	Net
<b>Trading securities:</b>					
Asset-backed securities	\$ 67	\$ —	\$ —	\$ (12)	\$ 55
Government and agency obligations	97	—	—	—	97
Total trading securities	164	—	—	(12)	152
Loans	—	(37)	297	(159)	101
<b>Equity investments:</b>					
Banking and other financial institutions	116	(61)	—	13	68
Funds	146	(1)	—	(41)	104
Others	203	(416)	—	76	(137)
Total equity investments	465	(478)	—	48	35
<b>Debt securities:</b>					
Corporate debt securities	3,141	(2)	—	(921)	2,218
Preferred shares	112	(78)	—	(5)	29
Asset-backed securities	148	—	—	(251)	(103)
Total debt securities	3,401	(80)	—	(1,177)	2,144
<b>Derivative assets:</b>					
Interest rate and currency	—	—	53	2	55
Equity and other	—	—	—	(6)	(6)
Total derivative assets	—	—	53	(4)	49
<b>Total assets at fair value</b>	<b>\$ 4,030</b>	<b>\$ (595)</b>	<b>\$ 350</b>	<b>\$ (1,304)</b>	<b>\$ 2,481</b>
<b>Borrowings:</b>					
Unstructured bonds	\$ —	\$ —	\$ (121)	\$ —	\$ (121)
Total borrowings	—	—	(121)	—	(121)
<b>Derivative liabilities:</b>					
Interest rate and currency	—	—	(4)	2	(2)
Total derivative liabilities	—	—	(4)	2	(2)
<b>Total liabilities at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (125)</b>	<b>\$ 2</b>	<b>\$ (123)</b>

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE R – FAIR VALUE MEASUREMENTS (continued)**

(US\$ in millions)	For the year ended June 30, 2022				
	Purchases	Sales	Issuances	Settlements and others	Net
<b>Trading securities:</b>					
Asset-backed securities	\$ 44	\$ —	\$ —	\$ (14)	\$ 30
Corporate debt securities	240	(120)	—	—	120
Government and agency obligations	220	—	—	(94)	126
<b>Total trading securities</b>	<b>504</b>	<b>(120)</b>	<b>—</b>	<b>(108)</b>	<b>276</b>
Loans	—	—	296	(125)	171
<b>Equity investments:</b>					
Banking and other financial institutions	112	(259)	—	(5)	(152)
Funds	119	(7)	—	(81)	31
Others	367	(434)	—	(166)	(233)
<b>Total equity investments</b>	<b>598</b>	<b>(700)</b>	<b>—</b>	<b>(252)</b>	<b>(354)</b>
<b>Debt securities:</b>					
Corporate debt securities	1,143	—	—	(825)	318
Preferred shares	—	(124)	—	(57)	(181)
Asset-backed securities	168	—	—	(136)	32
<b>Total debt securities</b>	<b>1,311</b>	<b>(124)</b>	<b>—</b>	<b>(1,018)</b>	<b>169</b>
<b>Derivative assets:</b>					
Interest rate and currency	—	—	6	3	9
Equity and other	—	—	—	1	1
<b>Total derivative assets</b>	<b>—</b>	<b>—</b>	<b>6</b>	<b>4</b>	<b>10</b>
<b>Total assets at fair value</b>	<b>\$ 2,413</b>	<b>\$ (944)</b>	<b>\$ 302</b>	<b>\$ (1,499)</b>	<b>\$ 272</b>
<b>Borrowings:</b>					
Unstructured bonds	\$ —	\$ —	\$ (214)	\$ —	\$ (214)
<b>Total borrowings</b>	<b>—</b>	<b>—</b>	<b>(214)</b>	<b>—</b>	<b>(214)</b>
<b>Derivative liabilities:</b>					
Interest rate and currency	—	—	(20)	3	(17)
<b>Total derivative liabilities</b>	<b>—</b>	<b>—</b>	<b>(20)</b>	<b>3</b>	<b>(17)</b>
<b>Total liabilities at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (234)</b>	<b>\$ 3</b>	<b>\$ (231)</b>

The following table summarizes the line items on the consolidated statements of operations where gains and losses are reported by major types of financial assets and financial liabilities:

Instruments	Line item on the consolidated statements of operations
Trading securities	Income from liquid asset trading activities
Loans	Income from Loans and guarantees including realized gains and losses on loans and associated derivatives
Equity investments	Income from equity investments and associated derivatives
Debt securities	Income from debt securities and realized gains and losses on debt securities and associated derivatives
Non-trading financial instruments	Net unrealized gains and losses on non-trading financial instruments accounted for at fair value

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE S – SEGMENT REPORTING

For management purposes, IFC's business comprises three segments: investment services, treasury services, and upstream and advisory services. The investment services segment consists primarily of lending and investing in debt and equity securities. Operationally, the treasury services segment consists of the borrowing, liquid asset management, asset and liability management and client risk management activities. Upstream and advisory services includes providing advisory services to government and private sector clients to create markets and mobilize private capital, and engages in early stage project development activities to develop bankable investment projects. Consistent with internal reporting, net income or expense from asset and liability management and client risk management activities in support of investment services is allocated from the treasury segment to the investment services segment.

The performance of investment services, treasury services and upstream and advisory services is assessed by senior management on the basis of net income for each segment, return on assets, and return on capital employed. Upstream and advisory services are primarily assessed based on the level and adequacy of its funding sources (See Note U). IFC's management reporting system and policies are used to determine revenues and expenses attributable to each segment. Consistent with internal reporting, administrative expenses are allocated to each segment based largely upon personnel costs and segment headcounts. Transactions between segments are immaterial and, thus, are not a factor in reconciling to the consolidated data.

The assets of the investment, treasury, and upstream and advisory services segments are detailed in Notes D, C, and U, respectively. An analysis of IFC's major components of income and expense by business segment for the years ended June 30, 2024, June 30, 2023 and June 30, 2022, is provided below:

(US\$ in millions)	For the year ended June 30, 2024			
	Investment services	Treasury services	Upstream and Advisory services	Total
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	\$ 3,204	\$ —	\$ —	\$ 3,204
Provision for losses on loans, off-balance sheet credit exposures and other receivables	(9)	—	—	(9)
Income from equity investments and associated derivatives	142	—	—	142
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	811	—	—	811
Provision for losses on available-for-sale debt securities	(12)	—	—	(12)
Income from liquid asset trading activities	—	2,391	—	2,391
Charges on borrowings	(2,284)	(1,531)	—	(3,815)
Upstream and Advisory services income	—	—	268	268
Service fees and other income	319	—	—	319
Administrative expenses	(1,329)	(48)	(139)	(1,516)
Upstream and Advisory services expenses	—	—	(339)	(339)
Other, net	17	2	9	28
Foreign currency transaction losses on non-trading activities	(115)	—	—	(115)
<b>Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value</b>	<b>744</b>	<b>814</b>	<b>(201)</b>	<b>1,357</b>
Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	182	(54)	—	128
<b>Net income (loss)</b>	<b>\$ 926</b>	<b>\$ 760</b>	<b>\$ (201)</b>	<b>\$ 1,485</b>

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE S – SEGMENT REPORTING (continued)**

(US\$ in millions)	For the year ended June 30, 2023			
	Investment services	Treasury services	Upstream and Advisory services	Total
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	\$ 2,290	\$ —	\$ —	\$ 2,290
Provision for losses on loans, off-balance sheet credit exposures and other receivables	(22)	—	—	(22)
Income from equity investments and associated derivatives	191	—	—	191
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	518	—	—	518
Provision for losses on available-for-sale debt securities	(7)	—	—	(7)
Income from liquid asset trading activities	—	1,464	—	1,464
Charges on borrowings	(1,375)	(1,223)	—	(2,598)
Upstream and Advisory services income	—	—	247	247
Service fees and other income	271	—	—	271
Administrative expenses	(1,201)	(53)	(176)	(1,430)
Upstream and Advisory services expenses	—	—	(317)	(317)
Other, net	15	3	8	26
Foreign currency transaction losses on non-trading activities	(86)	—	—	(86)
<b>Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value</b>	<b>594</b>	<b>191</b>	<b>(238)</b>	<b>547</b>
Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	175	(50)	—	125
<b>Net income (loss)</b>	<b>\$ 769</b>	<b>\$ 141</b>	<b>\$ (238)</b>	<b>\$ 672</b>
For the year ended June 30, 2022				
(US\$ in millions)	Investment services	Treasury services	Upstream and Advisory services	Total
Income from loans and guarantees, including realized gains and losses on loans associated derivatives	\$ 1,156	\$ —	\$ —	\$ 1,156
Provision for losses on loans, off-balance sheet credit exposures and other receivables	(126)	—	—	(126)
Income from equity investments and associated derivatives	208	—	—	208
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	414	—	—	414
Provision for losses on available-for-sale debt securities	(14)	—	—	(14)
Loss from liquid asset trading activities	—	(413)	—	(413)
Charges on borrowings	(194)	(108)	—	(302)
Upstream and Advisory services income	—	—	233	233
Service fees and other income	186	—	—	186
Administrative expenses <sup>a</sup>	(1,187)	(50)	(204)	(1,441)
Upstream and Advisory services expenses	—	—	(287)	(287)
Other, net	55	4	16	75
Foreign currency transaction gains on non-trading activities	76	—	—	76
<b>Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value</b>	<b>574</b>	<b>(567)</b>	<b>(242)</b>	<b>(235)</b>
Net unrealized losses non-trading financial instruments accounted for at fair value	(123)	(106)	—	(229)
<b>Net income (loss)</b>	<b>\$ 451</b>	<b>\$ (673)</b>	<b>\$ (242)</b>	<b>\$ (464)</b>

a. Starting January 2023, upstream and advisory organizational units in IFC regional industry departments have been fully integrated to deliver holistic solutions to enable new investment opportunities for IFC and others, enhance the development impact and operational performance of existing IFC investments, and improve the enabling environment to open new markets for private sector investments. As a result, upstream administrative expenses of \$70 million reported in the Investment Services segment were reclassified to Upstream and Advisory services segment.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE T – VARIABLE INTEREST ENTITIES

### **Significant variable interests**

IFC has identified investments in 234 VIEs which are not consolidated by IFC but in which it is deemed to hold significant variable interests at June 30, 2024 (227 investments – June 30, 2023).

The majority of these VIEs do not involve securitizations or other types of structured financing. IFC is usually the minority investor in these VIEs. These VIEs are mainly: (a) investment funds, where the general partner or fund manager does not have substantive equity at risk, which IFC does not consolidate because it does not have the power to direct the activities of the VIEs that most significantly impact their economic performance and (b) entities whose total equity investment is considered insufficient to permit such entity to finance its activities without additional subordinated financial support or whose activities are so narrowly defined by contracts that equity investors are considered to lack decision making ability, which IFC does not consolidate because it does not have the power to control the activities that most significantly impact their economic performance. IFC's involvement with these VIEs includes investments in equity interests and senior or subordinated interests, guarantees and risk management arrangements.

IFC's maximum exposure to loss as a result of its investments in these VIEs was \$6.5 billion at June 30, 2024 (\$5.3 billion – June 30, 2023). IFC's maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on IFC's consolidated balance sheets (maximum funded exposure) but also potential losses associated with undisbursed commitments (maximum unfunded exposure). The maximum funded exposure represents the balance sheets carrying value of IFC's investment in the VIE and reflects the initial amount of cash invested in the VIE, adjusted for principal payments received, increases or declines in fair value and any impairment in value recognized in earnings. The maximum exposure of unfunded positions represents the remaining committed but undisbursed amount.

The carrying values and the maximum exposure of IFC's investment in these VIEs at June 30, 2024 and June 30, 2023 are as follows:

Nonconsolidated VIEs (US\$ in millions)	June 30, 2024		June 30, 2023	
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
<b>Assets</b>				
Investments				
Loans <sup>a</sup>	\$ 1,136	\$ 1,271	\$ 1,355	\$ 1,527
Equity Investments	2,402	3,514	1,399	2,426
Debt Securities	1,682	1,731	1,333	1,408
<b>Liabilities</b>				
Derivative Liabilities <sup>b</sup>	\$ (62)	\$ (62)	\$ (89)	\$ (89)
<b>Other Off-Balance Sheet Arrangements</b>				
Guarantees	Not Applicable	\$ 39	Not Applicable	\$ 55

a The presented carrying value of the loans does not include the associated loan loss reserve of \$58 million and \$63 million as of June 30, 2024 and June 30, 2023, respectively.

b Represents Client Risk Management arrangements.

IFC transacted with a VIE, of which IFC is the primary beneficiary, to construct an office building at 2100 K Street on land owned by IFC adjacent to its current office premise. IFC commenced occupying the building in March 2019. The building and land, totaling \$108 million are included in "Receivables and other assets" on IFC's consolidated balance sheets.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE U – UPSTREAM AND ADVISORY

IFC continues to address increasingly complex development challenges and is enhancing its creating markets strategy by undertaking both Upstream and Advisory activities. Specifically, IFC provides advisory services to government and private sector clients to create markets and mobilize private capital, and engages in early stage project development activities to develop bankable investment projects. IFC also works in collaboration with the World Bank to provide policy advice and develop activities that help create markets and support future transactions in multiple industries, especially in IDA eligible countries and FCS. IFC funds this business line by a combination of cash received from IFC shareholders' development agencies and other development partners, IFC's operations via retained earnings and operating budget allocations, as well as fees received from the recipients of the services.

As of June 30, 2024, undisbursed donor funds of \$575 million (\$574 million as of June 30, 2023) were included in other assets. As the undisbursed donor funds are refundable, a corresponding liability is recorded in other liabilities. IFC's advisory services funding of \$360 million (\$327 million as of June 30, 2023) was included in other assets.

Upstream and advisory services income for the year ended June 30, 2024 was \$268 million (\$247 million and \$233 million for the year ended June 30, 2023 and June 30, 2022, respectively). Upstream and advisory services expenses for the year ended June 30, 2024 amounted to \$339 million (\$317 million and \$287 million for the year ended June 30, 2023 and June 30, 2022, respectively), including \$220 million sourced from government and other development partners for the year ended June 30, 2024 (\$234 million and \$217 million for the year ended June 30, 2023 and June 30, 2022, respectively). The funds received from government and other development partners were also recognized as advisory services income in IFC's consolidated statements of operations.

### NOTE V – PENSION AND OTHER POST-RETIREMENT BENEFITS

IBRD, IFC and MIGA participate in the defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (PEBP) (collectively "the Pension Plans") that cover substantially all WBG employees, retirees and their beneficiaries. The SRP provides pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

IFC uses a June 30th measurement date for its pension and other post-retirement benefit plans. All costs, assets, and liabilities associated with the Pension Plans are allocated among IBRD, IFC, and MIGA based upon their employees' respective participation in the Pension Plans. IDA, IFC, and MIGA reimburse IBRD for their proportionate share of any contributions made to the Pension Plans by IBRD. Contributions to the Pension Plans are calculated as a percentage of salary.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP allocated to IFC for the years ended June 30, 2024, June 30, 2023 and June 30, 2022. For the years ended June 30, 2024, June 30, 2023 and June 30, 2022, the service cost of \$204 million (\$255 million and \$339 million) are included in "Administrative expenses", respectively. The components of net periodic pension cost, other than the service cost component, are included in "Other, net" in the consolidated statements of operations.

(US\$ in millions)	For the year ended June 30,								
	SRP			RSBP			PEBP		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
<b>Pension Plan Benefit costs</b>									
Service cost	\$ 141	\$ 179	\$ 239	\$ 34	\$ 42	\$ 55	\$ 29	\$ 34	\$ 45
<b>Other components</b>									
Interest cost	254	236	167	37	37	28	34	33	23
Expected return on plan assets	(292)	(290)	(270)	(58)	(56)	(52)	—	—	—
Amortization of unrecognized prior service cost	1	1	1	—	3	3	2	1	1
Amortization of unrecognized net actuarial (gains) losses	—	—	—	(15)	(6)	—	—	—	22
Sub total	(37)	(53)	(102)	(36)	(22)	(21)	36	34	46
<b>Net periodic pension cost</b>	<b>\$ 104</b>	<b>\$ 126</b>	<b>\$ 137</b>	<b>\$ (2)</b>	<b>\$ 20</b>	<b>\$ 34</b>	<b>\$ 65</b>	<b>\$ 68</b>	<b>\$ 91</b>

The following table summarizes the Projected Benefit Obligations (PBO), fair value of plan assets, and funded status associated with the SRP, RSBP and PEBP for IFC for the years ended June 30, 2024 and June 30, 2023. Since the assets for the PEBP are not held in an irrevocable trust separate from the assets of IBRD, they do not qualify for off-balance sheet accounting and are therefore included in IBRD's investment portfolio. IFC has recognized a receivable (prepaid asset) from IBRD and a payable (liability) to IBRD equal to the amount required to support the PEBP. The assets of the PEBP are mostly invested in fixed income, equity instruments and other fund investments.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE V – PENSION AND OTHER POST-RETIREMENT BENEFITS (continued)

(US\$ in millions)	SRP		RSBP		PEBP	
	2024	2023	2024	2023	2024	2023
<b>Projected benefit obligations</b>						
Beginning of year	\$ 5,277	\$ 5,426	\$ 765	\$ 842	\$ 710	\$ 739
Service cost	141	179	34	42	29	34
Interest cost	254	236	37	37	34	33
Net entity transfers	(25)	7	(3)	1	—	—
Participant contributions	62	58	5	5	3	3
Benefits paid	(181)	(171)	(18)	(16)	(15)	(13)
Actuarial (gain) loss	10	(458)	(33)	(146)	(27)	(86)
End of year	<u>5,538</u>	<u>5,277</u>	<u>787</u>	<u>765</u>	<u>734</u>	<u>710</u>
<b>Fair value of plan assets</b>						
Beginning of year	5,165	4,926	1,011	948	—	—
Net entity transfers	(25)	7	(3)	1	—	—
Participant contributions	62	58	5	5	—	—
Actual return on assets	371	298	72	60	—	—
Employer contributions	53	47	13	13	—	—
Benefits paid	(181)	(171)	(18)	(16)	—	—
End of year	<u>5,445</u>	<u>5,165</u>	<u>1,080</u>	<u>1,011</u>	—	—
<b>Funded status <sup>a</sup></b>	<b>(93)</b>	<b>(112)</b>	<b>293</b>	<b>246</b>	<b>(734)</b>	<b>(710)</b>
<b>Accumulated benefit obligations</b>	<b>\$ 5,106</b>	<b>\$ 4,867</b>	<b>\$ 787</b>	<b>\$ 765</b>	<b>\$ 665</b>	<b>\$ 647</b>

a Negative funded status is included in "Payables and other liabilities" and positive funded status is included in "Receivables and other assets" on the Balance Sheets.

As of June 30, 2024, the RSBP was overfunded by \$293 million. The SRP was underfunded by \$93 million and the PEBP, after reflecting IFC's share of assets which are included in the Pension and Other Post-retirement Benefits receivable from IBRD (\$774 million), was overfunded by \$40 million.

During the fiscal years ended June 30, 2024 and June 30, 2023, there were no amendments made to the retirement benefit plans.

The following tables present the amounts included in Accumulated Other Comprehensive Income relating to Pension and Other Post-retirement Benefits:

### Amounts included in Accumulated other comprehensive income at June 30, 2024:

(US\$ in millions)	SRP	RSBP	PEBP	Total
Net actuarial gain	\$ (270)	\$ (338)	\$ (57)	\$ (665)
Prior service cost	1	2	2	5
Net amount recognized in accumulated other comprehensive income	<u>\$ (269)</u>	<u>\$ (336)</u>	<u>\$ (55)</u>	<u>\$ (660)</u>

### Amounts included in Accumulated other comprehensive income at June 30, 2023:

(US\$ in millions)	SRP	RSBP	PEBP	Total
Net actuarial gain	\$ (202)	\$ (306)	\$ (30)	\$ (538)
Prior service cost	2	2	4	8
Net amount recognized in accumulated other comprehensive income	<u>\$ (200)</u>	<u>\$ (304)</u>	<u>\$ (26)</u>	<u>\$ (530)</u>

### Assumptions

The actuarial assumptions used are based on financial market interest rates, inflation expectations, past experience, and Management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations.

The expected long-term rate of return for the SRP assets is a weighted average of the expected long-term (10 years or more) returns for the various asset classes, weighted by the portfolio allocation. Asset class returns are developed using a forward-looking building block approach and are not strictly based on historical returns. Equity returns are generally developed as the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of expected

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE V – PENSION AND OTHER POST-RETIREMENT BENEFITS** (continued)

inflation, real bond yield, duration-adjusted change in yields and risk premium/spread (as appropriate). Other asset class returns are derived from their relationship to equity and bond markets. The expected long-term rate of return for the RSBP is computed using procedures similar to those used for the SRP. The discount rate used in determining the benefit obligation is selected by reference to the year end yield of AA corporate bonds.

Actuarial gains and losses occur when actual results are different from expected results. Amortization of these unrecognized gains and losses will be included in income if, at the beginning of the fiscal year, they exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If required, the unrecognized gains and losses are amortized over the expected average remaining service lives of the employee group.

The following tables present the weighted-average assumptions used in determining the projected benefit obligations for the years ended June 30, 2024 and June 30, 2023 and the net periodic pension costs for the years ended June 30, 2024, June 30, 2023 and June 30, 2022:

### ***Weighted average assumptions used to determine projected benefit obligations***

(In percent, except years)	SRP		RSBP		PEBP	
	2024	2023	2024	2023	2024	2023
Discount rate	5.30	4.90	5.40	4.90	5.30	4.90
Rate of compensation increase	5.20	5.10			5.20	5.10
Health care growth rates – at end of fiscal year			5.40	5.40		
Ultimate health care growth rate			4.40	4.20		
Year in which ultimate rate is reached			2031	2031		
Interest crediting rate	5.40	5.20	n.a	n.a	5.40	5.20

### ***Weighted average assumptions used to determine net periodic pension cost***

(In percent, except years)	SRP				RSBP				PEBP	
	2024	2023	2022	2024	2023	2022	2024	2023	2022	
Discount rate	4.90	4.40	2.70	4.90	4.50	2.80	4.90	4.50	2.80	
Expected return on plan assets	5.70	5.90	5.40	5.70	5.90	5.40				
Rate of compensation increase	5.10	5.30	4.80				5.10	5.30	4.80	
Health care growth rates – at end of fiscal year				5.40	5.80	5.40				
Ultimate health care growth rate				4.20	4.40	3.90				
Year in which ultimate rate is reached				2031	2031	2031				
Interest crediting rate	5.20	5.40	4.90	n.a	n.a	n.a	5.20	5.40	4.90	

The medical cost trend rate can significantly affect the reported post-retirement benefit income or costs and benefit obligations for the RSBP. For the fiscal year ended June 30, 2024 and June 30, 2023, the net actuarial gains were primarily due to an increase in the value of the plan assets in excess of expected asset returns which was partially offset by the actuarial losses attributable to the increase in inflation assumptions and demographic experience. For the fiscal year ended June 30, 2023, the actuarial gains were primarily due to an increase in the discount rates.

### ***Investment Strategy***

The investment policies establish the framework for investment of the plan assets based on long-term investment objectives and the trade-offs inherent in seeking adequate investment returns within acceptable risk parameters. A key component of the investment policy is to establish a Strategic Asset Allocation (SAA) representing the policy portfolio (i.e., policy mix of assets) around which the SRP and RSBP (the Plans) are invested. The SAA is derived using a mix of quantitative analysis that incorporates expected returns and volatilities by asset class as well as correlations across the asset classes, and qualitative considerations such as the liquidity needs of the Plans. The SAA for the Plans is reviewed in detail and reset about every three to five years, with more frequent reviews and changes if and as needed based on market conditions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE V – PENSION AND OTHER POST-RETIREMENT BENEFITS (continued)**

The key long-term objective is to generate asset performance that is reasonable in relation to the growth rate of the underlying liabilities and the assumed sponsor contribution rates, without taking undue risks. Given the relatively long investment horizons of the SRP and RSBP, and the relatively modest liquidity needs over the short-term to pay benefits and meet other cash requirements, the focus of the investment strategy is on generating sustainable long-term investment returns through a globally diversified set of strategies including fixed income, public and private equity and real assets. The most recent review of the SAA was completed and approved in April 2024 with an effective date of July 1, 2024. The new SAA slightly increased the Credit Strategy allocation from 6% to 7% and Real Assets from 13% to 15% while marginally reducing the Public Equities allocation from 31% to 29% and Market Neutral Hedge Funds from 10% to 9%. The changes will improve the forward-looking risk/return profile over the next 10 years.

The following table presents the policy asset allocation at June 30, 2024 and the actual asset allocations at June 30, 2024 and June 30, 2023 by asset category for the SRP and RSBP.

	SRP		RSBP	
	Policy Allocation 2024 (%)	Actual Allocation %	Policy Allocation 2024 (%)	Actual Allocation %
2024	2023	2024	2023	
<b>Asset class</b>				
Public equity	29	22	22	29
Fixed income & cash	20	19	16	20
Private equity	20	27	28	20
Real assets <sup>a</sup>	15	14	14	15
Market neutral hedge funds	9	9	11	9
Credit strategy	7	8	8	7
Other <sup>b</sup>	—	1	1	—
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>a</sup> Includes public and private real estate, infrastructure and timber.

<sup>b</sup> Includes authorized investments that are outside the policy allocations primarily in hedge funds.

### **Significant concentrations of risk in plan assets**

The assets of the SRP and RSBP are diversified across a variety of asset classes. Investments in these asset classes are further diversified across funds, managers, strategies, geographies and sectors, to limit the impact of any individual investment. In spite of such level of diversification, equity market risk remains the primary source of the overall return volatility of the Plans. As of June 30, 2024, the largest exposure to a single counterparty was 10% and 12% of the Plan assets in SRP and RSBP, respectively (9% and 11%, respectively – June 30, 2023).

### **Risk management practices**

Managing investment risk is an integral part of managing the assets of the Plans. Asset diversification is central to the overall investment strategy and risk management approach for the Plans. Absolute risk indicators such as the overall return volatility and drawdown of the Plans are the primary measures used to define the risk tolerance level and establish the overall level of investment risk. In addition, the level of active risk (defined as the annualized standard deviation of portfolio returns relative to those of the policy portfolio) is closely monitored and managed on an ongoing basis.

Market risk is regularly monitored at the absolute level, as well as at the relative levels with respect to the investment policy, manager benchmarks, and liabilities of the Plans. Stress tests are performed periodically using relevant market scenarios to assess the impact of extreme market events.

Monitoring of performance (at both manager and asset class levels) against benchmarks, and compliance with investment guidelines, are carried out on a regular basis which provides helpful information for assessing the impact on the portfolios caused by market risk factors. Risk management for different asset classes is tailored to their specific characteristics and is an integral part of the external managers' due diligence and monitoring processes.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE V – PENSION AND OTHER POST-RETIREMENT BENEFITS** (continued)

Credit risk is monitored on a regular basis and assessed for possible credit event impacts. The liquidity position of the Plans is analyzed at regular intervals and periodically tested using various stress scenarios to ensure that the Plans have sufficient liquidity to meet all cash flow requirements. In addition, the long-term cash flow needs of the Plans are considered during the SAA exercise and are one of the main drivers in determining maximum allocation to the illiquid investment vehicles. The Plans mitigate operational risk by maintaining a system of internal controls along with other checks and balances at various levels.

### **Fair value measurements and disclosures**

All plan assets are measured at fair value on a recurring basis. The following tables present the fair value hierarchy of major categories of plan assets as of June 30, 2024 and June 30, 2023:

(US\$ in millions)	June 30, 2024					
	SRP			RSBP		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Debt securities</b>						
Discount notes and time deposits	\$ 2	\$ 8	\$ 10	\$ 1	\$ 2	\$ 3
Securities purchased under resale agreements	46	—	46	9	—	9
Government and agency securities	534	58	592	128	11	139
Corporate and convertible bonds	—	77	77	—	17	17
Asset-backed securities	—	35	35	—	8	8
Mortgage-backed securities	—	87	87	—	19	19
<b>Total debt securities</b>	<b>582</b>	<b>265</b>	<b>847</b>	<b>138</b>	<b>57</b>	<b>195</b>
<b>Equity securities</b>						
US common stocks	147	—	147	25	—	25
Non-US common stocks	421	—	421	76	—	76
Mutual funds	—	—	—	—	—	—
Real estate investment trusts (REITs)	37	—	37	6	—	6
<b>Total equity securities</b>	<b>605</b>	<b>—</b>	<b>605</b>	<b>107</b>	<b>—</b>	<b>107</b>
<b>Other funds at NAV<sup>a</sup></b>						
Commingled funds	—	—	790	—	—	155
Private equity funds	—	—	1,470	—	—	276
Private credit	—	—	449	—	—	84
Hedge funds	—	—	538	—	—	103
Real asset funds (including real estate, infrastructure and timber)	—	—	726	—	—	155
<b>Total other funds</b>	<b>—</b>	<b>—</b>	<b>3,973</b>	<b>—</b>	<b>—</b>	<b>773</b>
Derivative assets/ liabilities	2	—	2	—	—	—
<b>Other assets/ liabilities<sup>b</sup>, net</b>	<b>—</b>	<b>—</b>	<b>18</b>	<b>—</b>	<b>—</b>	<b>5</b>
<b>Total Assets</b>	<b>\$ 1,189</b>	<b>\$ 265</b>	<b>\$ 5,445</b>	<b>\$ 245</b>	<b>\$ 57</b>	<b>\$ 1,080</b>

<sup>a</sup> Investments measured at fair value using NAV as a practical expedient have not been included under the fair value hierarchy.

<sup>b</sup> Includes receivables and payables carried at amounts that approximate fair value.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE V – PENSION AND OTHER POST-RETIREMENT BENEFITS (continued)

(US\$ in millions)	June 30, 2023					
	SRP			RSBP		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Debt securities</b>						
Discount notes and time deposits	\$ 1	\$ 5	\$ 6	\$ 1	\$ 2	\$ 3
Securities purchased under resale agreements	6	—	6	3	—	3
Government and agency securities	502	71	573	118	19	137
Corporate and convertible bonds	—	65	65	—	14	14
Asset-backed securities	—	39	39	—	9	9
Mortgage-backed securities	—	63	63	—	13	13
<b>Total debt securities</b>	<b>509</b>	<b>243</b>	<b>752</b>	<b>122</b>	<b>57</b>	<b>179</b>
<b>Equity securities</b>						
US common stocks	52	—	52	16	—	16
Non-US common stocks	330	—	330	60	—	60
Real estate investment trusts (REITs)	28	—	28	5	—	5
<b>Total equity securities</b>	<b>410</b>	<b>—</b>	<b>410</b>	<b>81</b>	<b>—</b>	<b>81</b>
<b>Other funds at NAV<sup>a</sup></b>						
Commingled funds	—	—	741	—	—	131
Private equity funds	—	—	1,440	—	—	275
Private credit	—	—	432	—	—	80
Hedge funds	—	—	618	—	—	112
Real asset funds (including real estate, infrastructure and timber)	—	—	700	—	—	146
<b>Total other funds</b>	<b>—</b>	<b>—</b>	<b>3,931</b>	<b>—</b>	<b>—</b>	<b>744</b>
<b>Derivative assets/ liabilities</b>	<b>(2)</b>	<b>(1)</b>	<b>(3)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other assets/ liabilities<sup>b</sup>, net</b>	<b>—</b>	<b>—</b>	<b>75</b>	<b>—</b>	<b>—</b>	<b>7</b>
<b>Total Assets</b>	<b>\$ 917</b>	<b>\$ 242</b>	<b>\$ 5,165</b>	<b>\$ 203</b>	<b>\$ 57</b>	<b>\$ 1,011</b>

<sup>a</sup> Investments measured at fair value using NAV as a practical expedient have not been included under the fair value hierarchy.

<sup>b</sup> Includes receivables and payables carried at amounts that approximate fair value.

### Valuation methods and assumptions

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of Plan assets. Investment amounts in the asset categories shown in the table above may be different from the asset category allocation shown in the Investment Strategy section of the note. Asset classes in the table above are grouped by the characteristics of the investments held. The asset class break-down in the Investment Strategy section is based on Management's view of the economic exposures after considering the impact of derivatives and certain trading strategies.

### Debt securities

Debt securities include discount notes, securities purchased under resale agreements, U.S. treasuries and agencies, debt obligations of foreign governments, sub-sovereigns and debt obligations in corporations of domestic and foreign issuers. Debt securities also include investments in ABS such as collateralized mortgage obligations and MBS. These securities are valued by independent pricing vendors at quoted market prices for the same or similar securities, where available. If quoted market prices are not available, fair values are based on discounted cash flow models using market-based parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. Some debt securities are valued using techniques which require significant unobservable inputs. The selection of these inputs may involve some judgment. Management believes its estimates of fair value are reasonable given its processes for obtaining securities prices from multiple independent third-party vendors, ensuring that valuation models are reviewed and validated, and applying its approach consistently from period to period. Unless quoted prices are available, money market instruments and securities purchased under resale agreements are reported at face value which approximates fair value.

### Equity securities

Equity securities (including Real Estate Investment Trusts) represent investments in entities in various industries and countries. Investments in public equity listed on securities exchanges are valued at the last reported sale price on the last business day of the fiscal year.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE V – PENSION AND OTHER POST-RETIREMENT BENEFITS** (continued)

### *Commingled funds*

Commingled funds are typically collective investment vehicles, such as trusts that are reported at NAV as provided by the investment manager or sponsor of the fund based on the valuation of underlying investments.

### *Private equity funds*

Private equity funds include investments primarily in leveraged buyouts, growth capital, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. Many of these funds are in the investment phase of their life cycle. Private Equity investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, taking into consideration the latest audited financial statements of the funds.

### *Private credit funds*

Private credit funds include investments primarily in direct lending and opportunistic credit funds. Direct lending funds provide private financing to performing medium-size companies primarily owned by private equity sponsors. Opportunistic credit strategies (including distressed debt and multi-strategy funds) have flexible mandates to invest across both public and private markets globally. Private credit investments do not have a readily determinable fair value and are reported at NAV provided by the fund managers, taking into consideration the latest audited financial statements of the funds.

### *Real asset funds (including real estate and infrastructure)*

Real asset funds include investments in core real estate, non-core real estate investments (such as debt, value add, and opportunistic equity investments) and infrastructure. Real asset investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, taking into consideration the latest audited financial statements of the funds.

### *Hedge funds*

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. Hedge Funds include investments in equity, event driven, fixed income, multi strategy and macro relative value strategies. These investments do not have a readily determinable fair market value and are reported at NAV provided by external managers or fund administrators (based on the valuations of underlying investments) monthly, taking into consideration the latest audited financial statements of the funds.

Investments in hedge funds and commingled funds can typically be redeemed at NAV within the near term while investments in private equity and most real estate are inherently long term and illiquid in nature with a quarter lag in reporting by the fund managers. Since the reporting of those asset classes is done with a lag, management estimates are based on the latest available information considering underlying market fundamentals and significant events through the balance sheets date.

### *Investment in derivatives*

Investment in derivatives such as equity or bond futures, swaps, options and currency forwards are used to achieve a variety of objectives that include hedging interest rates and currency risks, gaining desired market exposure of a security, an index or currency exposure and rebalancing the portfolio. Over-the-counter derivatives are reported using valuations based on discounted cash flow methods incorporating observable market inputs.

### ***Estimated future benefits payments***

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation:

(US\$ in millions)	SRP	RSBP	PEBP
July 1, 2024 – June 30, 2025	\$ 205	\$ 16	\$ 23
July 1, 2025 – June 30, 2026	220	17	25
July 1, 2026 – June 30, 2027	236	19	27
July 1, 2027 – June 30, 2028	254	21	30
July 1, 2028 – June 30, 2029	271	23	32
July 1, 2029 – June 30, 2034	1,619	149	203

### ***Expected contributions***

IFC's contribution to the SRP and RSBP varies from year to year, as determined by the PFC, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP by IFC during the fiscal year beginning July 1, 2024 is \$45 million and \$11 million, respectively.

The notes to consolidated financial statements are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE W – OFFSETTING ASSETS AND LIABILITIES

IFC does not present derivative assets and liabilities or amounts due or owed under resale, repurchase and securities lending transactions related to contracts entered into with the same counterparty under a legally enforceable netting agreement on a net basis on its consolidated balance sheets. The following table provides the gross and net positions of IFC's derivative contracts, resale, repurchase and securities lending agreements considering amounts and collateral held or pledged in accordance with enforceable counterparty credit support and netting agreements described below. The gross and net positions include derivative assets of \$199 million and derivative liabilities of \$388 million as of June 30, 2024, related to derivative contracts that are not subject to counterparty credit support or netting agreements. Collateral amounts are included only to the extent of the related net derivative fair values or net resale, repurchase and securities lending agreements amounts.

(US\$ in millions)	June 30, 2024			
	Gross amount of assets presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
		Financial instruments	Collateral received	Net amount
<b>Assets</b>				
Derivative assets	\$ 4,351 <sup>a</sup>	\$ 2,439	\$ 468 <sup>c</sup>	\$ 1,444
<b>Total assets</b>	<b>\$ 4,351</b>	<b>\$ 2,439</b>	<b>\$ 468</b>	<b>\$ 1,444</b>

(US\$ in millions)	June 30, 2024			
	Gross amount of liabilities presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
		Financial instruments	Collateral pledged	Net amount
<b>Liabilities</b>				
Derivative liabilities	\$ 8,612 <sup>b</sup>	\$ 2,439	\$ 4,521	\$ 1,652
Repurchase and securities lending agreements	1,051	1,050	—	1
<b>Total liabilities</b>	<b>\$ 9,663</b>	<b>\$ 3,489</b>	<b>\$ 4,521</b>	<b>\$ 1,653</b>

(US\$ in millions)	June 30, 2023			
	Gross amount of assets presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
		Financial instruments	Collateral received	Net amount
<b>Assets</b>				
Derivative assets	\$ 6,853 <sup>a</sup>	\$ 5,474	\$ 169 <sup>c</sup>	\$ 1,210
<b>Total assets</b>	<b>\$ 6,853</b>	<b>\$ 5,474</b>	<b>\$ 169</b>	<b>\$ 1,210</b>

(US\$ in millions)	June 30, 2023			
	Gross amount of liabilities presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
		Financial instruments	Collateral pledged	Net amount
<b>Liabilities</b>				
Derivative liabilities	\$ 12,283 <sup>b</sup>	\$ 5,474	\$ 5,159	\$ 1,650
Repurchase and securities lending agreements	6,483	6,476	—	7
<b>Total liabilities</b>	<b>\$ 18,766</b>	<b>\$ 11,950</b>	<b>\$ 5,159</b>	<b>\$ 1,657</b>

<sup>a</sup> Includes accrued income of \$1.4 billion and \$1.1 billion as of June 30, 2024 and June 30, 2023, respectively.

<sup>b</sup> Includes accrued charges of \$1.3 billion and \$1.1 billion as of June 30, 2024 and June 30, 2023, respectively.

<sup>c</sup> Includes cash collateral of \$468 million and \$168 million as of June 30, 2024 and June 30, 2023, respectively. The remaining amounts of collateral received consist of off-balance-sheet U.S. Treasury securities reported in the above table at fair value.

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE W – OFFSETTING ASSETS AND LIABILITIES** (continued)

IFC's derivative contracts with market counterparties are entered into under standardized master agreements published by the International Swaps and Derivatives Association (ISDA) Agreements. ISDA Agreements provide for a single lump sum settlement amount upon the early termination of transactions following a default or termination event whereby amounts payable by the non-defaulting party to the other party may be applied to reduce any amounts that the other party owes the non-defaulting party. This setoff effectively reduces any amount payable by the non-defaulting party to the defaulting party.

IFC's ISDA Agreements are appended by a Credit Support Annex (CSA) that provides for the receipt, and in some cases, posting, of collateral in the form of cash, U.S. Treasury securities or U.K. gilts to reduce mark-to-market exposure among derivative market counterparties. IFC recognizes cash collateral received and a corresponding liability on its balance sheets for the obligation to return it. Securities received as collateral are not recognized on IFC's balance sheets. Since October 2023, IFC started posting securities as collateral. IFC recognizes a receivable on its balance sheets for its rights to cash collateral posted. In accordance with the CSAs, IFC may rehypothecate securities received as collateral, subject to the obligation to return such collateral and any related distributions received. In the event of a counterparty default, IFC may exercise certain rights and remedies, including the right to set off any amounts payable by the counterparty against any collateral held by IFC and the right to liquidate any collateral held. As of June 30, 2024 and June 30, 2023, no collateral was rehypothecated under securities lending agreements. The table below summarizes IFC's collateral pledged and received under CSAs as of June 30, 2024, and June 30, 2023:

(US\$ in millions)	June 30, 2024	June 30, 2023
Cash collateral received	\$ 498	\$ 185
Securities collateral received (fair value)	—	1
Cash collateral pledged	1,220	5,170
Trading securities pledged (fair value)	3,378	—

Under certain CSA's IFC is not required to pledge collateral unless its credit rating is downgraded from its current AAA/Aaa. The aggregate fair value of derivatives containing such a credit risk-linked contingent feature in a net liability position was \$91 million as of June 30, 2024 (\$93 million as of June 30, 2023). As of June 30, 2024, IFC had no collateral posted under these agreements. If IFC's credit rating were to be downgraded from its current AAA/Aaa to AA+/Aa1 or below, then collateral in the amount of \$63 million would be required to be posted against net liability positions with counterparties as of June 30, 2024 (\$78 million as of June 30, 2023).

IFC's resale, repurchase and securities lending transactions are entered into with counterparties under industry standard master netting agreements which generally provide the right to offset amounts owed one another with respect to multiple transactions under such master netting agreement and to liquidate the purchased or borrowed securities in the event of counterparty default. IFC had no securities held as collateral under these master netting agreements as of June 30, 2024 and June 30, 2023.

The following table presents an analysis of IFC's repurchase agreements by (1) class of collateral pledged and (2) their remaining contractual maturity as of June 30, 2024 and June 30, 2023:

(US\$ in millions)	Remaining Contractual Maturity of the Agreements — June 30, 2024					Total
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days		
<b>Repurchase agreements</b>						
U.S. Treasury securities	\$ —	\$ 191	\$ 331	\$ 529	\$ 1,051	
<b>Total Repurchase agreements</b>	<b>\$ —</b>	<b>\$ 191</b>	<b>\$ 331</b>	<b>\$ 529</b>	<b>\$ 1,051</b>	
				Plus cash collateral payable		498
				Less: accrued interest on cash collateral and repos, net.		(8)
				<b>Securities sold under repurchase agreements and payable for cash collateral received</b>		<b>\$ 1,541</b>

The notes to consolidated financial statements are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE W – OFFSETTING ASSETS AND LIABILITIES** (continued)

(US\$ in millions)	Remaining Contractual Maturity of the Agreements — June 30, 2023				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
<b>Repurchase agreements</b>					
U.S. Treasury securities	\$ —	\$ 1,479	\$ 3,530	\$ 1,474	\$ 6,483
<b>Total Repurchase agreements</b>	<b>\$ —</b>	<b>\$ 1,479</b>	<b>\$ 3,530</b>	<b>\$ 1,474</b>	<b>\$ 6,483</b>
			Plus cash collateral payable		185
			Less: accrued interest on cash collateral and repos, net.		\$ (37)
			<b>Securities sold under repurchase agreements and payable for cash collateral received</b>		<b>\$ 6,631</b>

As of both June 30, 2024 and June 30, 2023, IFC has no repurchase-to-maturity transactions nor securities lending transactions outstanding.

### **NOTE X – CONTINGENCIES**

From time to time, IFC may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. The outcome of any existing legal action, in which IFC has been named as a defendant or co-defendant, as of and for the fiscal year ended June 30, 2024, is not expected to have a material adverse effect on IFC's financial position, results of operations or cash flows.

The notes to consolidated financial statements are an integral part of these statements.

# INVESTMENT PORTFOLIO

# STATEMENT OF CUMULATIVE GROSS COMMITMENTS

## (at June 30, 2024)

Cumulative Commitments<sup>1</sup> (US\$ thousands)

### Investment Portfolio

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
<b>Africa</b>					
	Algeria	15	303,557	5,557	309,114
	Angola	12	1,115,087	0	1,115,087
	Benin	16	382,514	0	382,514
	Botswana	9	102,952	0	102,952
	Burkina Faso	33	1,541,083	0	1,541,083
	Burundi	11	68,648	7,500	76,148
	Cabo Verde	9	65,941	0	65,941
	Cameroon	47	1,081,199	471,500	1,552,699
	Central African Republic	1	9,880	0	9,880
	Chad	13	170,314	13,900	184,214
	Comoros	1	14,888	0	14,888
	Congo, Democratic Republic of	37	807,086	143,800	950,886
	Congo, Republic of	12	164,432	25,000	189,432
	Côte d'Ivoire	88	1,623,509	175,275	1,798,783
	Djibouti	2	9,290	0	9,290
	Egypt, Arab Republic of	152	5,922,853	1,133,389	7,056,242
	Eritrea	1	949	0	949
	Eswatini	9	47,779	0	47,779
	Ethiopia	27	982,657	46,336	1,028,993
	Gabon	7	342,668	110,000	452,668
	Gambia, The	10	47,270	0	47,270
	Ghana	96	3,559,204	913,750	4,472,954
	Guinea	26	705,750	191,000	896,750
	Guinea-Bissau	5	9,156	0	9,156
	Kenya	151	5,121,472	278,936	5,400,408
	Lesotho	2	454	0	454
	Liberia	15	283,660	0	283,660
	Madagascar	31	525,449	21,000	546,449
	Malawi	24	300,692	9,500	310,192
	Mali	39	383,483	40,000	423,483
	Mauritania	18	241,093	79,503	320,595
	Mauritius	21	510,203	96	510,299
	Morocco	65	1,859,972	526,934	2,386,905
	Mozambique	36	615,717	136,913	752,630
	Namibia	10	198,391	0	198,391
	Niger	8	97,612	0	97,612
	Nigeria	149	23,789,869	1,578,005	25,367,874
	Rwanda	28	359,611	10,000	369,611
	São Tomé and Príncipe	2	2,051	0	2,051

1. Includes long-term and short-term investment commitments.

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
	Senegal	61	1,042,871	177,194	1,220,065
	Seychelles	8	49,443	12,000	61,443
	Sierra Leone	14	223,622	25,000	248,622
	Somalia	2	975	0	975
	South Africa	132	7,185,105	190,025	7,375,130
	South Sudan	2	8,750	0	8,750
	Sudan	6	27,268	6,489	33,757
	Tanzania	73	1,391,697	15,541	1,407,237
	Togo	23	459,426	0	459,426
	Tunisia	38	637,334	427,228	1,064,561
	Uganda	60	684,944	86,788	771,732
	Zambia	51	546,883	20,286	567,169
	Zimbabwe	51	284,262	99,000	383,262
	Regional Investments: Africa	201	6,396,690	82,182	6,478,872

### Central Asia and Türkiye

Kazakhstan	40	1,859,079	302,933	2,162,012
Kyrgyz Republic	19	177,826	0	177,826
Tajikistan	23	238,363	0	238,363
Türkiye	236	23,492,494	4,235,087	27,727,581
Turkmenistan	1	35,000	0	35,000
Uzbekistan	34	997,640	22,900	1,020,540
Regional Investments: Central Asia and Türkiye	3	60,000	0	60,000

### East Asia and the Pacific

Cambodia	21	813,991	660,727	1,474,719
China	357	14,835,293	2,735,933	17,571,226
Fiji	12	57,493	2,500	59,993
Indonesia	159	6,492,207	3,149,331	9,641,538
Kiribati	1	1,798	0	1,798
Korea, Republic of	53	1,208,449	195,700	1,404,149
Lao People's Democratic Republic	16	132,202	10,000	142,202
Malaysia	13	204,868	5,389	210,258
Mongolia	22	1,437,739	976,428	2,414,167
Myanmar	32	874,352	20,000	894,352
Papua New Guinea	13	412,139	25,000	437,139
Philippines	129	4,478,604	718,470	5,197,073
Samoa	8	22,097	0	22,097
Solomon Islands	3	55,000	0	55,000
Thailand	103	4,255,877	1,763,419	6,019,297
Timor-Leste	3	8,000	0	8,000
Tonga	1	6,787	0	6,787
Vanuatu	4	18,104	0	18,104
Viet Nam	94	13,622,872	756,706	14,379,578
Regional Investments: East Asia and the Pacific	90	2,728,909	0	2,728,909

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
<b>Europe</b>					
	Albania	23	562,391	78,613	641,004
	Armenia	23	832,509	0	832,509
	Azerbaijan	27	619,654	212,930	832,584
	Belarus	21	809,388	18,000	827,388
	Bosnia and Herzegovina	33	358,576	10,578	369,154
	Bulgaria	32	1,090,476	183,647	1,274,123
	Croatia	24	1,130,465	228,199	1,358,664
	Georgia	34	1,270,321	49,825	1,320,146
	Kosovo	11	93,601	0	93,601
	Moldova	18	285,454	45,000	330,454
	Montenegro	7	100,203	0	100,203
	North Macedonia	17	304,463	25,000	329,463
	Poland	63	1,510,866	135,317	1,646,183
	Romania	70	5,528,633	867,489	6,396,122
	Russian Federation	194	8,797,461	2,523,372	11,320,833
	Serbia	47	2,165,216	369,723	2,534,939
	Ukraine	69	3,880,379	976,251	4,856,630
	Regional Investments: Europe	73	4,819,248	349,773	5,169,021
<b>Latin America and the Caribbean</b>					
	Antigua and Barbuda	1	30,000	0	30,000
	Argentina	213	8,520,810	6,161,343	14,682,152
	Barbados	7	29,025	0	29,025
	Belize	4	33,066	11,000	44,066
	Bolivia	33	627,030	155,500	782,530
	Brazil	356	28,110,105	10,141,753	38,251,858
	Chile	84	4,876,516	1,578,155	6,454,671
	Colombia	168	6,843,121	1,748,198	8,591,319
	Costa Rica	37	1,928,795	104,709	2,033,504
	Dominica	1	700	0	700
	Dominican Republic	39	1,038,822	241,850	1,280,672
	Ecuador	32	2,160,235	197,740	2,357,975
	El Salvador	23	2,408,259	256,000	2,664,259
	Grenada	2	8,000	0	8,000
	Guatemala	33	3,588,034	230,000	3,818,034
	Guyana	8	76,417	0	76,417
	Haiti	17	146,735	26,000	172,735
	Honduras	29	2,426,121	142,901	2,569,022
	Jamaica	25	557,846	194,244	752,090
	Mexico	267	10,522,525	2,985,750	13,508,274
	Nicaragua	28	1,780,985	206,036	1,987,021
	Panama	37	2,916,237	153,300	3,069,537
	Paraguay	20	2,040,349	53,000	2,093,349
	Peru	85	3,329,061	1,062,099	4,391,161
	St. Lucia	5	80,422	35,000	115,422
	Suriname	1	4,066	0	4,066
	Trinidad and Tobago	19	433,654	235,000	668,654
	Uruguay	22	475,842	120,000	595,842

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
	Venezuela, Republica Bolivariana de	39	897,230	703,791	1,601,021
	Regional Investments: Latin America and the Caribbean	112	3,001,074	350,000	3,351,074
<b>Middle East</b>					
	Afghanistan	10	249,254	0	249,254
	Bahrain	2	340,271	0	340,271
	Iran, Islamic Republic of	11	63,343	8,199	71,542
	Iraq	21	1,368,985	486,270	1,855,255
	Jordan	75	2,539,508	725,617	3,265,125
	Lebanon	43	6,323,413	230,430	6,553,843
	Oman	7	319,853	57,000	376,853
	Pakistan	160	10,623,657	759,249	11,382,906
	Saudi Arabia	13	726,277	0	726,277
	Syrian Arab Republic	4	24,732	0	24,732
	United Arab Emirates	20	485,252	30,000	515,252
	West Bank and Gaza	29	570,606	10,000	580,606
	Yemen, Republic of	17	281,004	96,105	377,109
	Regional Investments: Middle East	35	1,537,775	3,000	1,540,775
<b>South Asia</b>					
	Bangladesh	82	8,661,165	199,120	8,860,286
	Bhutan	6	54,517	0	54,517
	India	611	24,168,394	1,743,640	25,912,033
	Maldives	10	293,250	8,500	301,750
	Nepal	34	573,221	63,520	636,741
	Sri Lanka	54	2,036,973	128,616	2,165,588
	Regional Investments: South Asia	12	312,023	15,000	327,023
<b>Worldwide</b>					
	Australia	2	975	0	975
	Cyprus	8	32,181	645	32,827
	Czechia	18	455,176	245,588	700,764
	Estonia	11	137,806	11,855	149,661
	Finland	4	1,233	1,915	3,148
	Greece	15	998,689	40,131	1,038,821
	Hungary	34	790,041	70,335	860,376
	Israel	1	10,500	0	10,500
	Italy	1	960	0	960
	Latvia	7	80,967	35,000	115,967
	Lithuania	11	95,041	9,309	104,350
	Portugal	7	51,811	11,000	62,811
	Slovak Republic	7	115,544	0	115,544
	Slovenia	13	292,535	47,383	339,918
	Spain	5	19,043	1,685	20,728
	Regional Investments: Worldwide	229	30,804,668	539,134	31,343,802
	Other <sup>2</sup>	9	367,868	1,400	369,268
		<b>7,621</b>	<b>369,693,745</b>	<b>61,386,880</b>	<b>431,080,625</b>

2. Of this amount, \$9.8 million (\$8.4 million for IFC and \$1.4 million for participant's account) represents investments made at a time when the authorities on Taiwan represented China in the International Finance Corporation. The balance represents investments in Taiwan, China and Hong Kong SAR, China.

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