S&P Global Ratings

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International Finance Corp.

March 28, 2024

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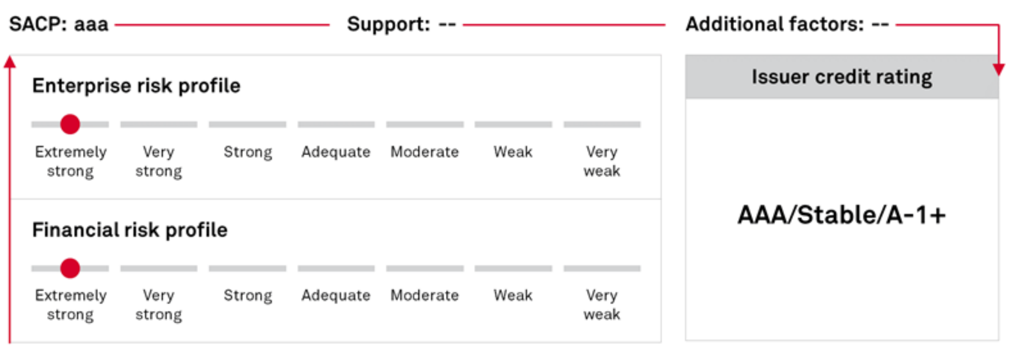
This report does not constitute a rating action.

Ratings Score Snapshot



SACP--Stand-alone credit profile.

Overview

Enterprise risk profile	Financial risk profile
Long track record of fulfilling private-sector-focused mandate and strong countercyclical role.	Robust capitalization and very strong funding and liquidity.
--Shareholders, through the IFC board of governors, approved a US$5.5 billion capital increase in 2018, reflecting our view of strong shareholder support.	--Expected paid-in capital supports larger lending volumes and extremely strong capital adequacy.
--Heightened focus on mobilizing private investment under the WBG Evolution Roadmap underscores IFC's policy importance.	--Loss experience has continued to strengthen amid the pandemic and given limited exposure to the Russia-Ukraine conflict
--Diverse and balanced group of government shareholders and strong risk management practices.	--Diversified funding base and matched-funding policy limit risk.

We believe International Finance Corp. (IFC) shareholders' commitment to private-sector-led development is front and center in the 2023 launch of the Evolution Roadmap. The roadmap envisages an expansion of World Bank Group (WBG)-led development activities to reduce poverty in an environmentally sustainable manner. To that end, WBG leadership considers the mobilization of private capital to be critical given the comparative global scarcity of development funding related to U.N. goals particularly since the start of the pandemic and amid climate challenges. One World Bank Group approach, which places IFC at the center of additional expertise and private-sector resource mobilization, capitalizes and builds on IFC's 3.0 strategy, under which IFC revamped its business model and introduced various organizational changes alongside the April 2018 capital increase.

In addition, we believe IFC's robust countercyclical track record underpins its policy importance. This is exemplified by its response to the pandemic and its increased exposure to International Development Assn. (IDA) loan-eligible countries and those classified by the World Bank as having fragile and conflict-affected situations (FCS). We believe IFC, alongside the European Investment Bank, is a global leader in mobilization, supported by various co-lending platforms and increased risk-mitigating and credit-enhancing products. Under the Evolution Roadmap, we expect innovative approaches to grow--including via a warehouse-enabled securitization platform to support additional private capital with unified loan standards for Paris-aligned impact loans.

IFC's risk-adjusted capital (RAC) ratio of 38.1% as of the fiscal year ended June 2023 (fiscal 2023) and strong liquidity buffers are strengths, in our view. IFC maintains strong capital buffers, supported by incoming capital increase payments and comprehensive risk management policies. While increased lending to IDA loan-eligible and FCS countries could weigh on the RAC ratio, we expect it will remain above the 23% threshold under our financial risk profile. IFC's funding is broadly diversified geographically and by type of investor given the institution's track record of frequent issuance in many markets and currencies.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that IFC will maintain high capital, strong liquidity, and robust risk management policies. We expect IFC will continue to deliver on its mandate as its operational and financial model overhaul in recent years positions it to further mobilize higher levels of private-sector investment and play a central role in the One World Bank strategy to end extreme poverty and boost shared prosperity on a livable planet.

Downside scenario

We could lower the ratings if, in the next two years and contrary to our expectations, relationships with shareholders deteriorate and IFC does not execute its mandate or if we believe its financial and enterprise risks have worsened.

Enterprise Risk Profile

Policy importance: We believe IFC will continue to fulfil its mandate

Established in 1956, IFC is a member of the WBG and one of the oldest multilateral lending institutions, as well as one of the largest by number of shareholders. IFC is a legal entity, separate and distinct from the International Bank for Reconstruction and Development (IBRD), the IDA, the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes. It has its own articles of agreement, share capital, financial structure, management, and staff.

IFC's policy importance is supported by more than six decades of fulfilling its mandate. As a private-sector lender, IFC's mandate is to support market creation. In addition, it is a key player in establishing best practices. Its environmental and social performance standards and its corporate governance methodology are broadly used as global benchmarks.

IFC has implemented accountability mechanisms to ensure environmental and social compliance on related projects, which we view as strong and transparent. IFC lends globally, reducing its vulnerability to local environmental risks. We anticipate that its environmental and social risk exposures will rise as it increases its commitments to IDA-eligible and FCS countries. To counter this, all potential projects are subject to a comprehensive impact measuring and monitoring analysis to gauge developmental outcomes.

We believe IFC’s private-sector focus is strongly backed by the commitment of its shareholders, and the institution will continue to focus on mobilization efforts and IDA loan-eligible and FCS countries. In April 2018, the IFC board of governors adopted resolutions approving a US$5.5 billion capital increase for IFC as part of a US$13 billion paid-in capital increase package for IBRD and IFC. The additional capital is to strengthen IFC's ability to take on greater risks and bring innovative private-sector solutions at scale to IDA loan-eligible and FCS countries, given the World Bank Group's increased focus in these areas.

As of the first quarter of fiscal 2024, IFC had received US$3.1 billion in capital payments from 104 countries. We believe IFC’s stronger focus on creating and opening new markets to support private-sector mobilization through its advisory services, risk mitigation and credit enhancement products, and mobilization platforms reflects its unique role, which is not easily fulfilled by other private-sector-focused institutions or domestic public institutions in IFC's operating countries.

IFC’s successful execution of its 3.0 long-term strategy, representing a deliberate and systematic operating model to support market creation, reinforces and enhances its position in the One World Bank approach, in our view. Since 2017, IFC has reshaped its organization structure. It rolled out new tools and approaches to better align with IFC 3.0 and created upstream units to support closer collaboration with other entities in the WBG to develop bankable projects that address development priorities. Furthermore, IFC made significant changes to its workforce, hiring over 500 employees with more specialized skills and greater field presence, of which over half were dedicated to upstream activity.

We believe IFC has been successful in this strategy--evidenced by an increase in exposure to IDA loan-eligible and FCS countries, growing use of IFC's advisory services and co-lending platforms, and increased risk mitigating and credit enhancement products. IFC is set to play a central role within the WBG Evolution Roadmap Strategy. However, emphasis is on IFC leveraging operational efficiencies by working with IBRD/IDA/MIGA to expand bankable projects through its upstream advisory services/capacities, and then its financial capacity to mobilize private investment.

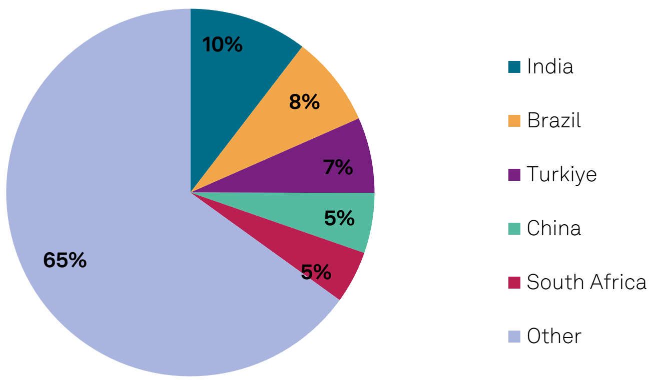
IFC is expanding lending pipelines in the poorest countries and fragile areas. As part of the recent capital increase package, IFC has been charged with additional focus on lending and resource mobilization in IDA loan-eligible and FCS countries. This was accentuated under global implications associated with COVID-19 and Russia’s invasion of Ukraine. For example, IFC has focused on financial and advisory support to Ukraine clients, included enabling access to essential products and exports, and would shift to support reconstruction.

IFC has committed over US$25 billion for pandemic-related programming: a total US$8.4 billion under the Fast Track Covid-19 Facility and US$17 billion outside of the facility. Of the fast track funds, IFC committed that 40% would go to FCS and very low-income countries.

The IDA private-sector window also represents a unique development tool to crowd-in additional lending to IDA loan-eligible and FCS countries. Since the window was created under IDA’s 18th replenishment, it has been allocated US$5.5 billion for IDA loan-eligible and FCS countries. As of June 30, 2023, US$2.8 billion had been approved for IFC of the US$3.8 billion total approvals.

IFC's five largest countries purpose-related exposures

Share of financial guarantees for exposure at risk as of June 30, 2023.



Source: IFC Annual report June 2023 - Financial Highlights

We believe IFC remains a leader in mobilization efforts. In fiscal 2023, IFC's total core mobilization increased to US$15 billion from US$10.6 billion in fiscal 2022. IFC primarily mobilizes private-sector capital through loan participations or parallel loans, where it can act as lead arranger or lender of record, and its advisory support.

IFC's Asset Management Co. invests third-party and IFC capital in its equity investments, having raised a total US$10.1 billion in funds since inception, of which US$7.4 billion has been committed. Through its managed co-lending portfolio program, investors pledge capital up front and IFC identifies eligible loan investments. As of fiscal 2023, 11 global investors have committed about US$12.7 billion.

We believe IFC, alongside the European Investment Bank, is a global leader in mobilization in emerging markets and developing countries. Over the years, IFC has mobilized from third parties 90%-100% of its own account lending--in line with its renewed focus on private-sector development and mobilization to bridge the infrastructure gap in support of the U.N. Sustainable Development Goals 2030 agenda (see “It's Time For A Change: MLIs And Mobilization Of The Private Sector,” Sept. 21, 2018).

IFC is tasked to lead WBG in expanding the universe of bankable projects under the Evolution Roadmap, including with blended finance. Advisory work on upstream project includes the recent emphasis on projects in poorer and vulnerable countries. It is expected to broaden its partners and reach additional institutional investors via the Private-Sector Investment Lab, scale up mobilization funds via Managed Co-lending Portfolio Program One Planet, and raise equity capital via IFC EM Sustainability funds.

As a fully specialized private-sector lender, IFC does not benefit from preferred creditor treatment, which we only apply to sovereign exposures. However, we expect IFC will continue to benefit from preferential treatment by most of the governments of countries it operates in. IFC has been exempt from exchange controls, whereas some commercial debtors have not.

Governance and management expertise: Diverse shareholder base with generally high-ranking governance based on WB indicators

IFC is owned by 186 member countries, the U.S. being the largest shareholder (with 18.2% of voting power), followed by Japan (7.6%), and Germany (5.1%). No major shareholder has withdrawn from IFC, and we don't expect any to do so in the medium term. We believe IFC's shareholder diversity is further enhanced by its robust management expertise and risk practices. IFC has no private-sector shareholding, and shareholders allow multilateral lending institution earnings to be retained, which further supports our assessment.

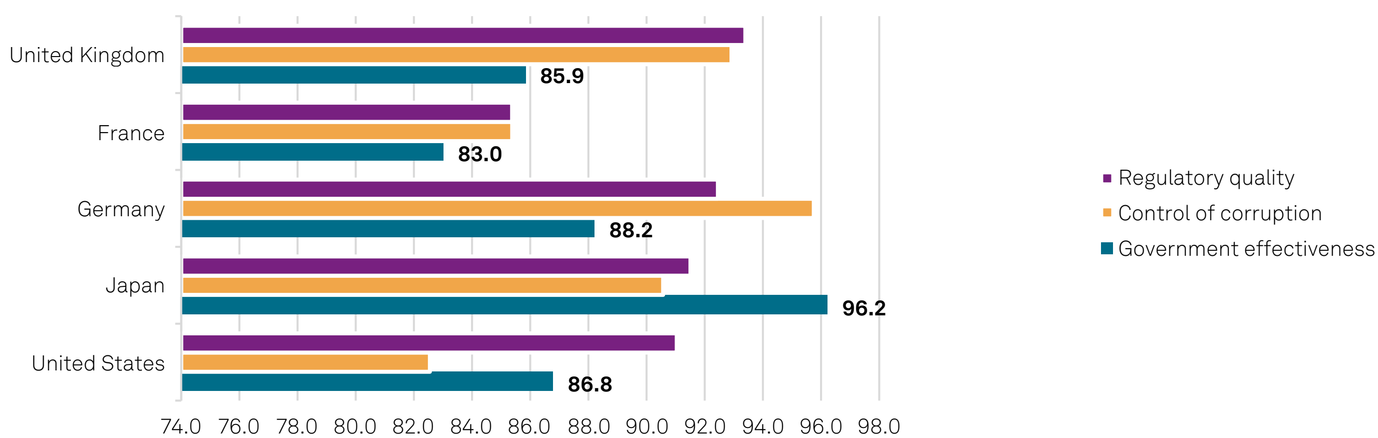
We view IFC's management as strong given its strategic implementation record. Beginning in 2017 under its 3.0 strategy, the institution made important organizational changes, which extended to workforce planning, reorganizing managers and directors, and changing its processes, frameworks, and methods.

In fiscal 2019, IFC completed the restructuring of its operations leadership team, with 15 new directors appointed during the year. In February 2021, the IFC board of directors appointed Makhtar Diop as IFC's new managing director and executive vice president. As part of the Evolution Roadmap, revised corporate scorecards will be formulated across the WBG, as will enhanced joint programs to deliver combined public- and private-sector solutions.

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

IFC's five largest shareholders

Selected World Bank governance indicators



Source: IFC Annual Report and Worldwide governance indcators website

Financial Risk Profile

Capital adequacy: IFC's RAC ratio reflects its substantial capitalization

IFC's RAC ratio stood at 38.1% as of fiscal 2023, incorporating all the parameters as of Feb. 7, 2024. The ratio marginally declined from 38.6% as of fiscal 2022, as the growth in risk-adjusted assets outpaced the increase in capital during the period. The capital base increased to US$35 billion on June 30, 2023, from US$32.8 billion on June 30, 2022, supported by profits of US$672 million compared to net losses of US$464 million during the previous fiscal year.

IFC’s capital position has been supported over recent years by its strategic efforts to streamline its equity investment portfolio, which represented 18.4% of its disbursed portfolio in fiscal 2023, down from 28% in fiscal 2018.

We expect a steady increase in IFC’s disbursed investment portfolio. The disbursed investment portfolio continued to increase in fiscal 2023 to US$52.8 billion from US$45.1 billion at the end of fiscal 2022. At end-September 2023, the portfolio stood at US$54.9 billion.

This is in line with our expectation that the portfolio will increase over the coming years, supported by the organizational changes incorporated earlier and the capital injection (both general and selective) expected to be finalized by April 2025. As of June 2023, 120 countries subscribed US$4.4 billion, of which 100 had paid US$3.0 billion.

IFC has a well-diversified portfolio by country, region. and sector. The outstanding portfolio increased to US$57.5 billion at the end of fiscal 2023, from US$49.5 billion the year before. The portfolio, including loans, equities, and guarantees, has expanded since 2015 and remains well-diversified by country and sector.

The 10 largest country exposures account for 50% of the disbursed portfolio, with the largest share of the disbursed portfolio (44%) going to the finance and insurance sector. India has been IFC's largest country exposure since 2010, accounting for about 10% of both its disbursed and committed portfolio, followed by Brazil and Turkiye, each with about 8%.

Remarkably, given its private-sector focus, IFC's approach limits and reduces the indirect environmental exposure that could arise from its equity investments. Since 2008, the institution has not invested in direct coal financing. As of 2017, it no longer finances upstream oil and gas projects, except under exceptional circumstances.. IFC committed to align 85% of new financial flows beginning July 1, 2023--and 100% beginning July 1, 2025--with the mitigation and adaptation goals of the Paris Agreement. This commitment is consistent with the Joint Multilateral Development Bank Methodological Principles for assessing Paris Alignment.

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

IFC transfers to IDA (after the IDA’s 18th replenishment cycle) have been suspended as part of IFC's capital increase package. IFC's capital position was also supported in part by its change in methodology for calculating designations--which are allocations of retained earnings used for grants, its advisory services, and other funds--now linked to its capital adequacy framework.

In fiscal 2018, IFC introduced a limit to the maximum cumulative amount that can be transferred to IDA of US$300 million, with no more than US$100 million in any given year. In fiscal 2021, transfers to IDA amounted to US$213 million and there have been no transfers since.

Asset quality has remained in line with peers. IFC's loss experience has consistently declined, with nonaccruing loans reaching 2.7% of average loans in fiscal 2023, having peaked at 6.5% in 2016 over recent years. It has shown a declining trend for last three fiscal years.

Regionally, nonperforming loans are concentrated in the Middle East, Africa, and Turkiye & Central Asia. We believe IFC will continue to carefully manage risks and new lending; its special operations unit stands out as a proactive element of risk management culture and expertise.

Total loss reserves were 3.7% of the portfolio at the end of fiscal 2023, down from 4.4% at the end of 2022. Although total reserves against loan losses remained unchanged during the year, the ratio declined due to a larger loan balance for the period. IFC's direct exposure to the

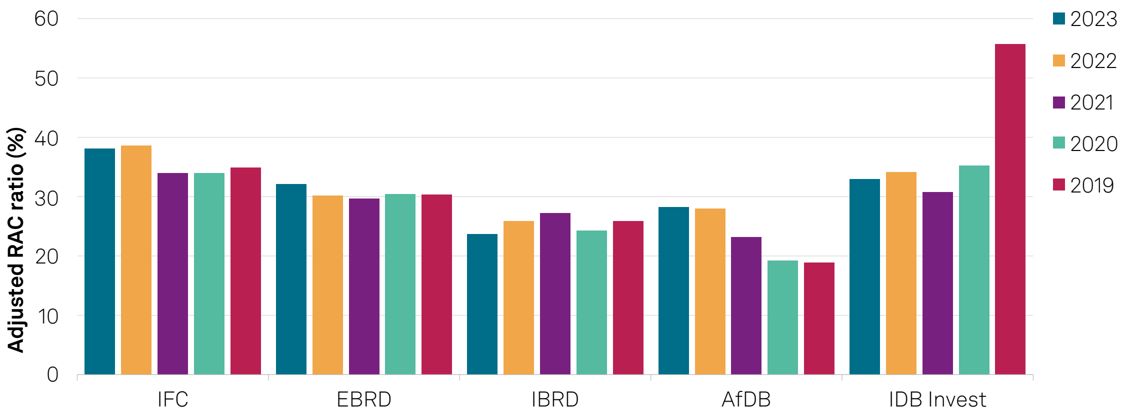
Russia-Ukraine conflict is limited, although a qualitative provision overlay for US$135 million was applied for potential losses as of fiscal 2023.

International Finance Corp.--Risk-adjusted capital framework data: June 2023

(Mil. US$)	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	23,454	2,369	10
Institutions	38,868	26,467	68
Corporate	26,397	37,436	142
Retail			
Securitization	6,931	1,987	29
Other assets	5,259	8,807	167
Total credit risk	100,910	77,066	76
Market risk			
Equity in the banking book	11,870	28,329	239
Trading book market risk			
Total market risk		28,329	
Operational risk			--
Total operational risk		11,777	--
Risk transfer mechanisms			
Risk transfer mechanisms RWA			
RWA before MLI Adjustments		117,172	100
MLI adjustments			
Single name (on corporate exposures)		716	2
Sector (on corporate portfolio)		-3,560	-9
Geographic		-19,261	-19
Preferred creditor treatment (on sovereign exposures)		0	0
Preferential treatment (on FI and corporate exposures)		-7,073	-11
Single name (on sovereign exposures)		0	0
Total MLI adjustments		-29,179	-25
RWA after MLI adjustments		87,993	75
Capital ratio before adjustments		33,561	29
Capital ratio after adjustments		33,561	38

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

IFC risk-adjusted capital ratio peer comparison



2023 data as of end- June. EBRD- -European Bank for Reconstruction and Development. IBRD- -International Bank for Reconstruction and Development. AfDB- -African Development Bank. Source: S&P Global Ratings.

Funding: Diversified funding profile with easy access to markets

IFC's funding program is broadly diversified by geography and investor type, given the institution's frequent issuance in many markets and currencies. IFC is an important issuer in the green bond market, with around US$12.5 billion issued since 2010. It has also played an important role in establishing the social bond market. In addition, IFC leads global efforts on blue bonds, including establishing guidelines to set market standards and facilitate blue bond issuance and loan commitments.

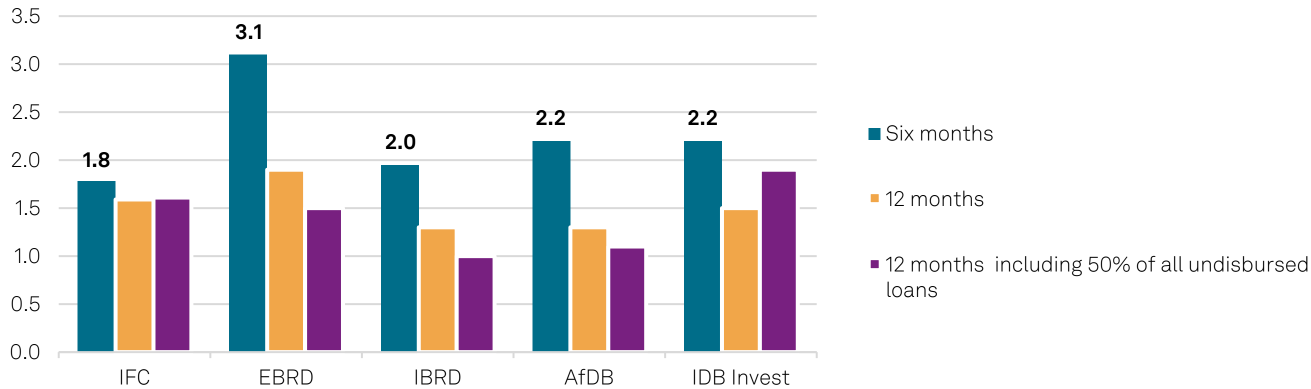
In fiscal 2023, IFC raised US$13.7 billion in medium- and long-term notes across over 20 currencies, although the U.S. dollar remains its primary funding currency, and typically had US$3 billion outstanding in discount notes. IFC follows a matched-funding policy under which loan assets are funded by liabilities with similar interest rate, currency, and maturity characteristics, except for new products approved by the board of directors involving asset-liability mismatches. Use of derivatives allows borrowings and investments in various currencies and interest rate schemes.

Liquidity: Liquidity remains robust

IFC maintains a strong liquid asset cushion, accounting for 43.0% of total adjusted assets and 90.5% of gross debt as of June 30, 2023. Our liquidity ratios indicate IFC would be able to fulfill its mandate as planned for at least one year, even under stressed market conditions, without access to the capital markets.

For fiscal 2023 data and incorporating our updated liquidity haircuts, our 12-month liquidity ratio considering the netted derivatives position was 1.6x with scheduled loan disbursements, while the six-month ratio was 1.8x. We estimate IFC would not need to slow disbursements under a stress scenario, which considers 50% of all undisbursed loans, regardless of the planned disbursement date, as if they were coming due in the next 12 months.

IFC liquidity stress rest ratios peer comparison



Data as of end-June 2022 for AfDB. For all others data as of end-June 2023. EBRD--European Bank for Reconstruction and Development. IBRD--International Bank for Reconstruction and Development. AfDB--African Development Bank. Source: S&P Global Ratings.

Extraordinary Shareholder Support

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

International Finance Corp. selected indicators

	2023	2022	2021	2020	2019
ENTERPRISE PROFILE					
Policy importance					
Total purpose-related exposure (loans, equity, etc.) (mil. $)*	57,111	49,502	49,888	46,686	47,552
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	0	0	0	0	0
Private-sector loans/purpose-related exposures (%)			76	76	71
Gross loan growth (%)	22.74	-0.36	5.77	2.83	3.27
Preferred creditor treatment ratio (%)	N/A	N/A	N/A	N/A	N/A
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)			77	77	77
Concentration of top two shareholders (%)	27	28.2	29.2	27.0	27.0
Eligible callable capital (mil. $)	N/A	N/A	N/A	N/A	N/A

International Finance Corp. selected indicators

	2023	2022	2021	2020	2019
ENTERPRISE PROFILE					
Policy importance					
FINANCIAL RISK PROFILE					
Capital and earnings					
RAC ratio (%)	38.1	38.6	34	34.4	34.9
Net interest income/average net loans (%)	3.6	4.0	4.0	4.1	4.0
Net income/average shareholders' equity (%)	2.0	-1.5	14.9	-6.3	0.4
Impaired loans and advances/total loans (%)	2.7	3.9	6.5	5.4	3.9
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivate payables) (x)	2	2	2	2	2
12 months (net derivate payables) (x)	2	2	2	1	2
12 months (net derivate payables) including 50% of all undisbursed loans (x)	2	2	2	1	2
Funding ratios					
Gross debt/adjusted total assets (%)	47	49	53	58	55
Short-term debt (by remaining maturity)/gross debt (%)	23	24	21	25	25
Static funding gap (with planned disbursements)					
12 months (net derivate payables) (x)	1	2	2	1	1
Summary Balance Sheet					
Total assets (mil. $)	110,547	99,010	105,264	95,800	99,257
Total liabilities (mil. $)	75,509	66,205	74,020	70,618	71,651
Shareholders' equity (mil. $)	35,038	32,805	31,244	25,182	27,606

* Not including committed disbursements. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available.

IFC peer comparison

	International Finance Corp.	European Bank for Reconstruction and Development	International Bank for Reconstruction and Development	African Development Bank	IDB Invest
Issuer credit ratings	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AA+/Stable/A-1+
Total purpose-related exposure ($mil. curr)	57,111	43,741	250,438	31,276	6,633
Preferred creditor treatment ratio (%)	N.M	N.M	0.6	1.8	N.M

IFC peer comparison

	International Finance Corp.	European Bank for Reconstruction and Development	International Bank for Reconstruction and Development	African Development Bank	IDB Invest
Risk adjusted capital ratio (%)	38.1	32.1	23.7	28.2	34.1
Liquidity ratio 12 months (net derivative payables; %)	1.6	1.9	1.3	1.3	1.5
Funding gap 12 months (net derivative payables; %)	1.5	2.7	1.5	1.2	3.0

For IFC, EBRD and IBRD, all data as of end-June 2023. For AfDB, PRE, PCT and RAC ratio as of end-December 2022 and all other data as of end-June 2022. For IDB Invest, PRE, PCT and RAC ratio as of end-December 2022 and all other data as of end-June 2023. Fiscal year-end is June for IFC and IBRD. Source: S&P Global Ratings.

Rating Component Scores

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

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Jan. 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Methodology For Rating Sukuk, Jan. 19, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sovereign Debt 2024: Borrowing Will Hit New Post-Pandemic Highs, Feb. 27, 2024
- How Would MLIs' Participation In Sovereign Debt Restructurings Affect Our Preferred Creditor Treatment And Ratings?, Nov. 28, 2023
- Supranationals Special Edition 2023, Oct. 12, 2023
- Introduction To Supranationals Special Edition 2023, Oct. 11, Oct. 11, 2023
- International Finance Corp. 'AAA/A-1+' Ratings Affirmed; Outlook Remains Stable, Feb. 6, 2023
- A Closer Look At The G-20 Expert Panel Review Of MLIs' Capital Adequacy Frameworks, Oct. 11, 2022

Ratings Detail (as of April 10, 2024)*

International Finance Corp.

Issuer Credit Rating		AAA/Stable/A-1+
Senior Unsecured		A-1+
Senior Unsecured		AAA
Short-Term Debt		A-1+
Issuer Credit Ratings History		
09-Dec-1997	*Foreign Currency*	AAA/Stable/A-1+
05-Apr-1990		AAA/Stable/--
16-Jun-1989		AAA/--/--
27-Dec-2017	*Local Currency*	AAA/Stable/A-1+
09-Nov-1998		--/--/NR
09-Dec-1997		--/--/A-1+

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