essential

#privatesector
matters for
development

OPPORTUNITY
CAPITAL
GROWTH
IMPACT

IFC Financials 2015

TABLE OF CONTENTS

2 MANAGEMENT'S DISCUSSION AND ANALYSIS

34 CONSOLIDATED FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS

104 INVESTMENT PORTFOLIO – CUMULATIVE GROSS COMMITMENTS BY REGION

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. EXECUTIVE SUMMARY

International Finance Corporation (IFC or the Corporation) is the largest global development institution focused on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines its policies. IFC is a member of the World Bank Group (WBG)[1] 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.

The WBG has set two goals as endorsed by the Board of Governors in April 2013, to guide WBG action:

› To end extreme poverty—reduce the percentage of people living on less than $1.25 a day to 3% by 2030; and

› To boost shared prosperity—foster income growth of the bottom 40% of the population in every developing country.

IFC's overall strategy remains focused on contributing to the WBG strategy and goals.

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 and equity investments, with smaller debt securities and guarantee portfolios. IFC also plays an active and direct role in mobilizing additional funding from other investors and lenders through a variety of means. Such means principally comprise: loan participations, parallel loans, sales of loans, the non-IFC portion of structured finance transactions which meet core mobilization criteria, the non-IFC portion of commitments in IFC's initiatives, and the non-IFC investment portion of commitments in funds managed by IFC's wholly owned subsidiary, IFC Asset Management Company LLC (AMC), (collectively Core Mobilization). Unlike most other development institutions, IFC does not accept host government guarantees of its exposures. 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 (or net worth).

IFC's capital base and its assets and liabilities, other than its equity investments, are primarily denominated in US dollars ($ or US$) or swapped into US dollars but it has a growing portion of debt issuances denominated in currencies other than USD and which are invested in such currencies. Overall, IFC seeks to minimize foreign exchange and interest rate risks arising from its loans and liquid assets by closely matching the currency and rate bases 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.

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

The Management's Discussion and Analysis contains forward looking statements which may be identified by such terms as "anticipates," "believes," "expects," "intends," "plans" 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.

BASIS OF PREPARATION OF IFC'S CONSOLIDATED FINANCIAL STATEMENTS

The accounting and reporting policies of IFC conform to accounting principles generally accepted in the United States (GAAP). IFC's accounting policies are discussed in more detail in Section VI, Critical Accounting Policies, and in Note A to IFC's Consolidated Financial Statements as of and for the year ended June 30, 2015 (FY15 Consolidated Financial Statements).

Management uses Income available for designations (Allocable Income) (a non-GAAP measure) as a basis for designations of retained earnings. Allocable Income generally comprises net income excluding net unrealized gains and losses on equity investments and net unrealized gains and losses on non-trading financial instruments accounted for at fair value, income from consolidated entities other than AMC, and expenses reported in net income related to prior year designations.

FINANCIAL PERFORMANCE SUMMARY

From year to year, IFC's net income is affected by a number of factors that can result in volatile financial performance. Global equity markets in emerging economies have been volatile in the year ended June 30, 2015 (FY15) but have generally declined over FY15. Economic downturns in certain countries in Europe and Central Asia, Latin America and Caribbean, the depreciation of most of IFC's investment currencies against the US dollar, IFC's functional currency, and the downward trend in oil prices have also negatively impacted financial results for FY15 and for IFC's equity investment portfolio in particular.

As a result of the combination of the macro environment for emerging markets and investment-specific developments, IFC has recorded higher other-than-temporary impairments on equity investments and debt securities, higher unrealized losses on equity investments and higher provisions for losses on loans which, together with lower income from liquid assets, have been the main drivers of IFC's financial results in FY15 when compared to the year ended June 30, 2014 (FY14). IFC was however able to generate higher realized gains on a small number of equity divestments which were concentrated in two divestments that occurred in the first three months of FY15.

IFC's financial performance is detailed more fully in Section VII—Results of Operations.

IFC has reported income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA of $855 million in FY15, as compared to $1,782 million in FY14 and $909 million in the year ended June 30, 2013 (FY13).

Allocable Income was $1,327 million, 18% lower than in FY14 ($1,614 million).

TABLE 1A: CHANGE IN INCOME BEFORE NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS ACCOUNTED FOR AT FAIR VALUE AND GRANTS TO IDA FY15 VS FY14 (US$ MILLIONS)

	INCREASE (DECREASE) FY15 VS FY14
Higher other-than-temporary impairments on equity investments and debt securities	$(484)
Lower gains on equity investments and associated derivatives, net	(383)
Lower income from liquid asset trading activities	(132)
Higher provisions for losses on loans, guarantees and other receivables	(83)
Higher income from loans and guarantees, realized gains and losses on loans and associated derivatives	58
Higher foreign currency transaction gains on non-trading activities	72
Other, net	25
Overall change in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	$(927)

TABLE 1B: CHANGE IN INCOME BEFORE NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS ACCOUNTED FOR AT FAIR VALUE AND GRANTS TO IDA FY14 VS FY13 (US$ MILLIONS)

	INCREASE (DECREASE) FY14 VS FY13
Higher gains on equity investments and associated derivatives, net	$336
Lower other-than-temporary impairments on equity investments and debt securities	206
Lower provisions for losses on loans, guarantees and other receivables	155
Higher income from liquid asset trading activities	99
Other, net	77
Overall change in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**$873**

Net unrealized losses on non-trading financial instruments accounted for at fair value totaled $106 million in FY15 (net unrealized losses of $43 million in FY14 and net gains of $441 million in FY13) resulting in income before grants to IDA of $749 million in FY15, as compared to $1,739 million in FY14 and $1,350 million in FY13. Grants to IDA totaled $340 million in FY15, as compared to $251 million in FY14 and $340 million in FY13. Net losses attributable to non-controlling interests totaled $36 million in FY15 ($5 million gains in FY14 and $8 million losses in FY13).

Accordingly, net income attributable to IFC totaled $445 million in FY15, as compared with $1,483 million in FY14 and $1,018 million in FY13.

IFC's financial performance is detailed more fully in Section VII, Results of Operations.

TABLE 2: SELECTED FINANCIAL DATA AS OF AND FOR THE LAST FIVE FISCAL YEARS (US$ MILLIONS)

As of and for the years ended June 30	2015	2014	2013	2012	2011
CONSOLIDATED INCOME HIGHLIGHTS:					
Income from loans and guarantees, realized gains and losses on loans and associated derivatives	**$ 1,123**	$ 1,065	$ 996	$ 993	$ 802
(Provision)/release of provision for losses on loans & guarantees	**(171)**	(88)	(243)	(117)	40
Income from equity investments and associated derivatives	**427**	1,289	732	1,548	1,601
Income from debt securities and realized gains and losses on debt securities and associated derivatives	**132**	89	69	71	67
Income from liquid asset trading activities	**467**	599	500	313	529
Charges on borrowings	**(258)**	(196)	(220)	(181)	(140)
Other income	**505**	461	441	448	222
Other expenses	**(1,423)**	(1,418)	(1,401)	(1,207)	(981)
Foreign currency transaction gains and losses on non-trading activities	**53**	(19)	35	145	(33)
Income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**855**	1,782	909	2,013	2,107
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	**(106)**	(43)	441	(355)	72
Income before grants to IDA	**749**	1,739	1,350	1,658	2,179
Grants to IDA	**(340)**	(251)	(340)	(330)	(600)
Net income	**409**	1,488	1,010	1,328	1,579
Less: Net losses (gains) attributable to non-controlling interests	**36**	(5)	8	–	–
Net income attributable to IFC	**$ 445**	$ 1,483	$ 1,018	$ 1,328	$1,579

As of and for the years ended June 30	2015	2014	2013	2012	2011
CONSOLIDATED BALANCE SHEET HIGHLIGHTS:					
Total assets	**$87,548**	$84,130	$77,525	$75,761	$68,490
Liquid assets, net of associated derivatives	**39,475**	33,738	31,237	29,721	24,517
Investments	**37,578**	38,176	34,677	31,438	29,934
Borrowings outstanding, including fair value adjustments	**51,265**	49,481	44,869	44,665	38,211
Total capital	**$24,426**	$23,990	$22,275	$20,580	$20,279
Of which					
Undesignated retained earnings	**$20,457**	$20,002	$18,435	$17,373	$16,032
Designated retained earnings	**184**	194	278	322	335
Capital stock	**2,566**	2,502	2,403	2,372	2,369
Accumulated other comprehensive income (AOCI)	**1,197**	1,239	1,121	513	1,543
Non-controlling interests	**22**	53	38	–	–

TABLE 3: KEY FINANCIAL RATIOS

FINANCIAL RATIOS:[a]					
Return on average assets (GAAP basis)[b]	**0.5%**	1.8%	1.3%	1.8%	2.4%
Return on average assets (non-GAAP basis)[c]	**1.3%**	1.8%	0.9%	2.8%	1.8%
Return on average capital (GAAP basis)[d]	**1.8%**	6.4%	4.8%	6.5%	8.2%
Return on average capital (non-GAAP basis)[e]	**4.6%**	6.5%	3.1%	9.9%	6.0%
Overall liquidity ratio[f]	**81%**	78%	77%	77%	83%
External funding liquidity level	**494%**	359%	309%	327%	266%
Debt to equity ratio[g]	**2.6:1**	2.7:1	2.6:1	2.7:1	2.6:1
Total reserves against losses on loans to total disbursed portfolio[h]	**7.5%**	6.9%	7.2%	6.6%	6.6%
Capital measures:					
Total Resources Required ($ billions)[i]	**19.2**	18.0	16.8	15.5	14.4
Total Resources Available ($ billions)[j]	**22.6**	21.6	20.5	19.2	17.9
Strategic Capital[k]	**3.4**	3.6	3.8	3.7	3.6
Deployable Strategic Capital[l]	**1.1**	1.4	1.7	1.8	1.8
Deployable Strategic Capital as a percentage of Total Resources Available	**5%**	7%	8%	9%	10%

a. Certain financial ratios, as described below, are calculated excluding the effects of unrealized gains and losses on investments, other non-trading financial instruments, AOCI, and impacts from consolidated Variable Interest Entities (VIEs).
b. Net income for the fiscal year as a percentage of the average of total assets at the end of such fiscal year and the previous fiscal year.
c. Return on average assets is defined as annualized Net income, excluding unrealized gains/losses on investments accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial investments, as a percentage of total disbursed loan and equity investments (net of reserves), liquid assets net of repos, and other assets averaged for the current period and previous fiscal year.
d. Net income for the fiscal year as a percentage of the average of total capital (excluding payments on account of pending subscriptions) at the end of such fiscal year and the previous fiscal year.
e. Return on average capital is defined as annualized Net income, excluding unrealized gains/losses on investments accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial investments, as percentage of the paid-in share capital and accumulated earnings (before certain unrealized gains/losses and excluding cumulative designations not yet expensed) averaged for the current period and previous fiscal year.
f. Overall Liquidity Policy states that IFC would at all times maintain a minimum level of liquidity, plus undrawn borrowing commitments from the IBRD, that would cover at least 45% of the next three years' estimated net cash requirements (target range of 65–95%).
g. Leverage (Debt/equity) ratio is defined as the number of times outstanding borrowings plus outstanding guarantees cover paid-in capital and accumulated earnings (net of retained earnings designations and certain unrealized gains/losses).
h. Total reserves against losses on loans to total disbursed loan portfolio is defined as reserve against losses on loans as a percentage of the total disbursed.
i. The minimum capital required consistent with the maintenance of IFC's AAA rating. It is computed as the aggregation of risk-based economic capital requirements for each asset class across the Corporation.
j. Paid in capital plus retained earnings net of designated retained earnings plus general and specific reserves against losses on loans. This is the level of available resources under IFC's risk-based economic capital adequacy framework.
k. Total resources available less total resources required.
l. 90% of total resources available less total resources required.

II. CLIENT SERVICES

BUSINESS OVERVIEW

IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

For all new investments, IFC articulates the expected impact on sustainable development, and, as the projects mature, IFC assesses the quality of the development benefits realized.

IFC's strategic focus areas are aligned to advance the World Bank Group's global priorities.

IFC provides investment, advisory and asset management services to clients in developing countries.

INVESTMENT SERVICES

IFC's investments are normally made in its developing member countries. The Articles of Agreement mandate that IFC shall invest in productive private enterprise. 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 totally or partially privatized.

IFC provides a range of financial products and services to its clients to promote sustainable enterprises, encourage entrepreneurship, and mobilize resources that wouldn't otherwise be available. IFC's financing products are tailored to meet the needs of each project. Investment services product lines include: loans, equity investments, trade finance, loan participations, structured finance, client risk management services, and blended finance.

IFC's investment project cycle can be divided into the following stages:

› Business Development
› Concept Review
› Appraisal (Due Diligence)
› Investment Review
› Negotiations
› Public Disclosure
› Board of Directors Review and Approval
› Commitment
› Disbursement of funds
› Project Supervision and Development Outcome Tracking
› Evaluation
› Closing

IFC carefully supervises its projects to monitor project performance and compliance with contractual obligations and with IFC's internal policies and procedures.

INVESTMENT PRODUCTS

Loans—IFC finances projects and companies through loans, 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 traditionally have been dominated in the currencies of major industrial nations, IFC has made it a priority to structure local-currency products. IFC provides long-term local-currency solutions and helps companies access local capital markets through loans from IFC denominated in local currency, derivatives which allow clients to hedge existing or new foreign currency denominated liabilities back in to the client's local currency and structured finance which enable clients to borrow in local currency from other sources. Collectively, local currency financing is made possible by the existence of a derivatives market. The existence of a long-term swap market between the local currency and US dollar permits IFC to economically hedge its loans in the local currency and provide risk management products tied to the local currency.

Loans generally have the following characteristics:

› Term—typically amortizing with final maturities generally for seven to twelve years, although some loans have been made for tenors as long as 20 years
› Currency—primarily in major convertible currencies, principally US dollar, and to a lesser extent, Euro, but with a growing local-currency loan portfolio
› Interest rate—typically variable (or fixed and swapped into variable)
› Pricing—reflects such factors as market conditions and country and project risks

IFC's loans traditionally have been made in major currencies, based on client demand and on IFC's ability to economically hedge loans in these currencies through the use of mechanisms such as cross-currency swaps or forward contracts. Fixed-rate loans and loans in currencies other than US dollars are normally economically hedged using currency and/or interest rate swaps, into US dollar variable rate assets.

Equity—IFC's 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% of a company's equity. IFC's equity investments are typically in the form of common or preferred stock which is not mandatorily redeemable by the issuer or puttable to the issuer by IFC, and 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 issued in bearer or registered form, 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.

Guarantees and Partial Credit Guarantees—IFC offers partial credit guarantees to clients covering, on a risk-sharing basis, client obligations on bonds and/or loans. IFC's guarantee is available for debt instruments 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 US dollar terms.

Client Risk Management Services—IFC extends long-maturity risk management products to clients in developing countries. IFC provides derivative products to its clients to allow them to hedge their interest rate, currency, or commodity-price exposures. IFC intermediates between clients in developing countries and derivatives market makers to provide such clients with access to risk-management products to bridge the credit gap between its clients and the market.

Loan Mobilization—IFC promotes development by mobilizing financing for the private sector in its developing member countries. IFC mobilizes funds through loan participation programs, parallel loans and, beginning in FY14, a Managed Co-Lending Portfolio Program (MCPP).

Loan Participations: Through its "B Loan Program", IFC offers commercial banks and other financial institutions the opportunity to lend to IFC-financed projects. These loans are a key part of IFC's efforts to mobilize additional private sector financing in developing countries, thereby broadening the Corporation's developmental impact. Through the B Loan Program, financial institutions share fully in the commercial credit risk of projects, while IFC remains the lender of record. When IFC participates a B Loan, it always maintains a portion for its own account (an A Loan). An A Loan Participation (ALP) is an exposure management tool which IFC uses to reduce its risk exposures to a client, country or sector. An ALP is created through the partial sale of an IFC A Loan to commercial banks or other financial institutions and is governed in much the same way as a B Loan. IFC remains the lender of record and an ALP participant shares all project risks with IFC.

Parallel Loans: IFC acts as an arranger (and can also act as an administrative agent) by using its existing mobilization platform, deal-structuring expertise and global presence to identify investments, perform due diligence, and negotiate loan documents in cooperation with parallel lenders.

MCPP: The MCPP allows institutional investors the opportunity to passively participate in IFC's future loan portfolio. Investors provide capital on a portfolio basis, which can be deployed by IFC in individual investments in accordance with IFC's strategy and processes. Through MCPP, IFC can expand its base of co-lending partners to include investors that do not have the capacity to invest on a "deal by deal" basis.

Trade and Supply Chain Finance—IFC's Global Trade Finance Program (GTFP) guarantees trade-related payment obligations of approved financial institutions. Separately, the Global Trade Liquidity Program (GTLP) and Critical Commodities Finance Program (CCFP) provides liquidity for trade in developing countries. IFC has also commenced a number of other Trade and Supply Chain Finance-related programs, including Global Trade Supplier Finance (GTSF), Global Warehouse Finance Program, Working Capital and Systemic Solutions and Global Trade Structured Trade.

Structured Finance—IFC uses structured and securitized products to provide forms of financing that may not otherwise be available to clients to help clients diversify funding, extend maturities, and obtain financing in particular currencies. Products include partial credit guarantees, structured liquidity facilities, portfolio risk transfer, securitizations, and Islamic finance.

Blended Finance—IFC combines concessional funds, typically from donor partners, with IFC's resources to finance certain projects.

INVESTMENT PROGRAM

COMMITMENTS INVESTMENT

In FY15, Long-Term Finance was $10,539 million, as compared to $9,967 million in FY14 and Core Mobilization was $7,133 million, as compared to $5,143 million for FY14, a total increase of 17%. In addition, the average outstanding balance for Short-Term Finance was $2,837 million at June 30, 2015, as compared to $3,006 million at June 30, 2014.

CORE MOBILIZATION

Core Mobilization is financing from entities other than IFC that becomes available to clients due to IFC's direct involvement in raising resources. IFC finances only a portion, usually not more than 25%, of the cost of any project. All IFC-financed projects, therefore, require other financial partners. IFC mobilizes such private sector finance from other entities through a number of means, as outlined in the Table below.

TABLE 4: FY15 AND FY14 LONG-TERM FINANCE AND CORE MOBILIZATION (US$ MILLIONS)

	FY15	FY14
Total Long-term finance and Core Mobilization[2]	$17,672	$15,110
LONG-TERM FINANCE		
Loans	$ 7,019	$ 7,327
Equity investments	3,187	2,324
Guarantees	273	286
Client risk management	60	30
Total Long-term finance	$10,539	$ 9,967
CORE MOBILIZATION		
Loan participations, parallel loans, and other mobilization		
Loan participations	$ 1,853	$ 2,043
Parallel loans	1,522	730
Managed Co-lending Portfolio Program	818	320
Other Mobilization	881	606
Total loan participations, parallel loans and other mobilization	$ 5,074	$ 3,699
AMC		
Sub-debt Capitalization Fund	$ 150	$ 516
ALAC Fund	86	84
Catalyst Funds	66	75
Equity Capitalization Fund	3	7
Russian Bank Cap Fund	–	2
Global Infrastructure Fund	226	146
GIF Co-Investments	230	–
Total AMC	$ 761	$ 830
Other initiatives		
Global Trade Liquidity Program and Critical Commodities Finance Program	$ 750	$ 500
Public Private Partnership	548	114
Total other initiatives	$ 1,298	$ 614
Total Core Mobilization	$ 7,133	$ 5,143

2. Debt security commitments are included in loans and equity investments based on their predominant characteristics.

INVESTMENT DISBURSEMENTS

IFC disbursed $9,258 million for its own account in FY15 ($8,899 million in FY14): $6,359 million of loans ($6,702 million in FY14), $2,299 million of equity investments ($1,528 million in FY14), and $600 million of debt securities ($669 million in FY14).

DISBURSED INVESTMENT PORTFOLIO

IFC's total disbursed investment portfolio (a non-GAAP performance measure) was $36,401 million at June 30, 2015 ($36,622 million at June 30, 2014), comprising the disbursed loan portfolio of $23,252 million ($24,407 million at June 30, 2014), the disbursed equity portfolio of $10,581 million ($9,741 million at June 30, 2014), and the disbursed debt security portfolio of $2,568 million ($2,474 million at June 30, 2014).

IFC's disbursed investment portfolio is diversified by industry sector and geographic region.

The carrying value of IFC's investment portfolio comprises: (i) the disbursed investment portfolio; (ii) reserves against losses on loans; (iii) unamortized deferred loan origination fees, net and other; (iv) 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; (vi) unrealized gains and losses on investments accounted for at fair value as available-for-sale; and (vii) unrealized gains and losses on investments.

The following charts show the distribution of the disbursed investment portfolio by geographical region and industry sector as of June 30, 2015, and June 30, 2014:

FIGURE 1: DISBURSED INVESTMENT PORTFOLIO DISTRIBUTION BY REGION

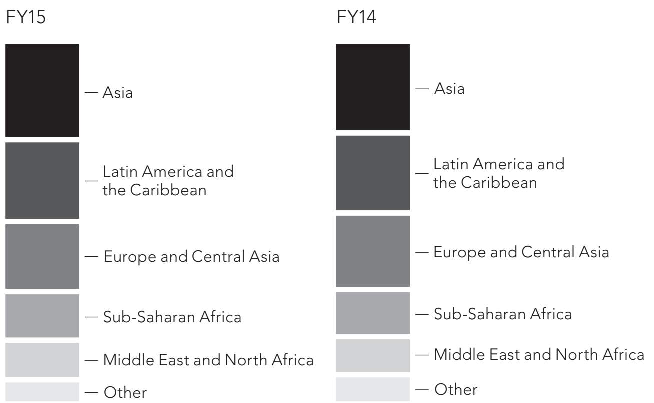
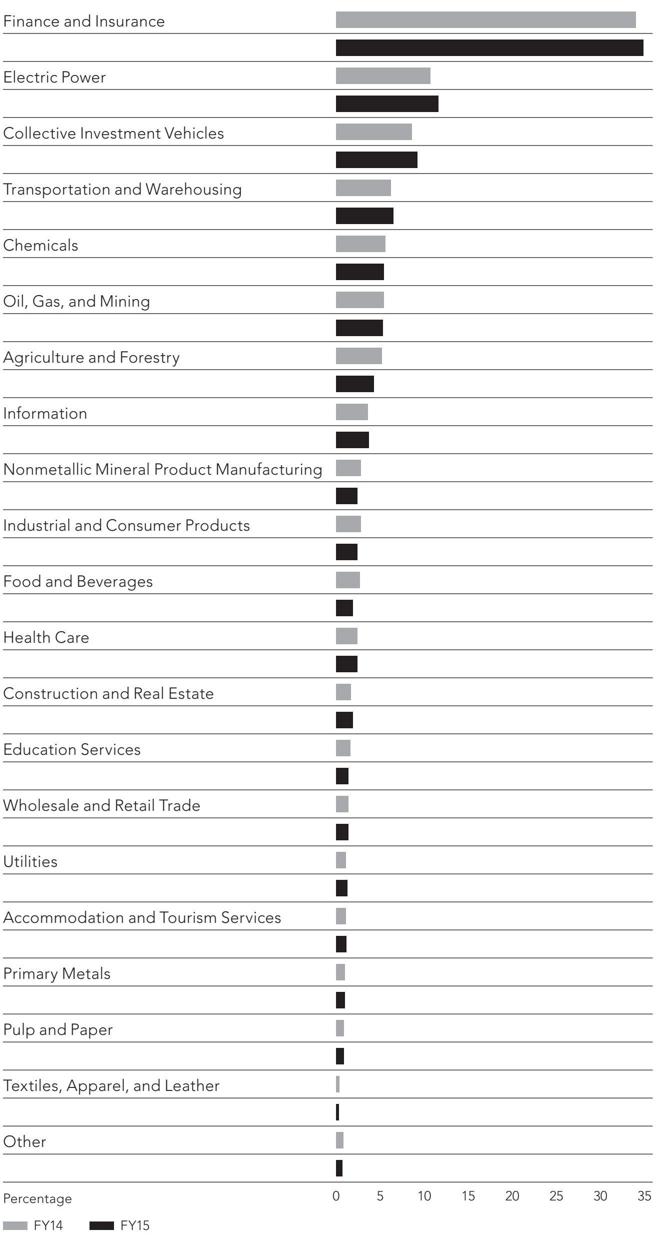


FIGURE 2: DISBURSED INVESTMENT PORTFOLIO DISTRIBUTION BY INDUSTRY SECTOR



LOANS

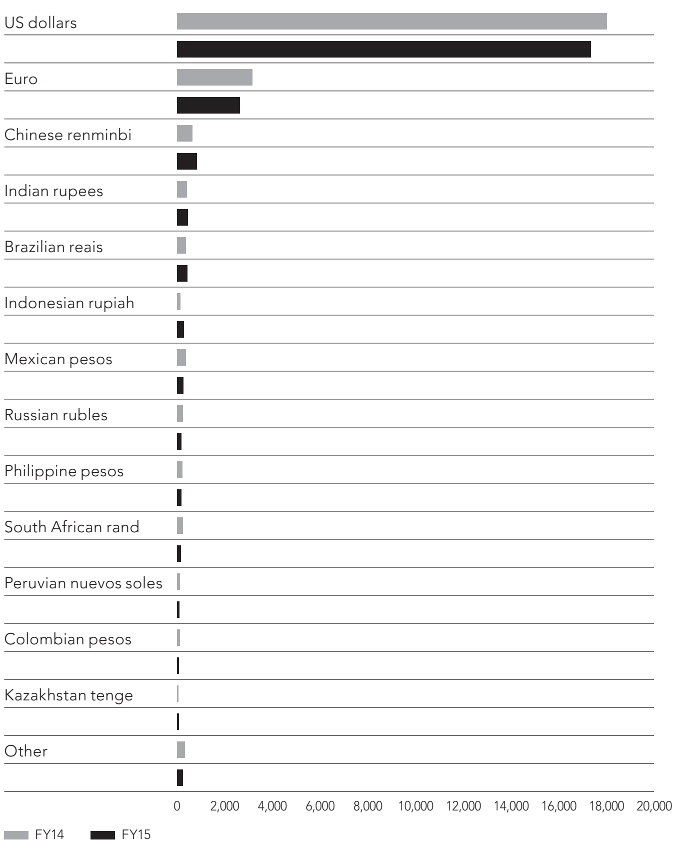
Loans comprise 64% of the disbursed investment portfolio as of June 30, 2015 (67% at June 30, 2014) and 57% of the carrying amount of the investment portfolio as of June 30, 2015 (59% at June 30, 2014).

IFC's disbursed loan portfolio totaled $23,252 million at June 30, 2015 ($24,407 million at June 30, 2014). The carrying amount of IFC's loan portfolio on IFC's consolidated balance sheet (comprising the disbursed loan portfolio together with adjustments as detailed in Note D to IFC's FY15 Consolidated Financial Statements) fell 5.5% to $21,336 million at June 30, 2015 ($22,589 million at June 30, 2014).

Loans traditionally have been denominated in the currencies of major industrial nations, but IFC has a growing portfolio of local currency products. IFC typically offers local currency products in other currencies where it can economically hedge the local currency loan cash flows back into US dollars using swap markets or where it can fund itself in local bond markets. IFC's disbursed loan portfolio at June 30, 2015 includes $3,121 million of currency products denominated in Chinese renminbi, Indian rupees, Mexican pesos, Brazilian reais, Russian rubles, South African rands, Philippine pesos, Indonesian rupiahs, Peruvian nuevos soles, Colombian pesos, Kazakhstan tenge, Turkish liras and Romanian Lei ($2,970 million at June 30, 2014). IFC has also made loans in a number of frontier market currencies such as Tunisian dinar, Paraguayan guarani, Rwandan franc, and Zambian kwacha. At June 30, 2015, 75% (74% at June 30, 2014) of IFC's disbursed loan portfolio was US dollar-denominated.

The currency position of the disbursed loan portfolio at June 30, 2015 and June 30, 2014 is shown below:

FIGURE 3: CURRENCY POSITION OF THE DISBURSED LOAN PORTFOLIO (US$ MILLIONS)



EQUITY INVESTMENTS

IFC's disbursed equity portfolio totaled $10,581 million at June 30, 2015 ($9,741 million at June 30, 2014), an increase of 9%.

Equity investments accounted for 29% of IFC's disbursed investment portfolio at June 30, 2015, compared with 27% at June 30, 2014 and 36% of the carrying amount of the investment portfolio at June 30, 2015 (34% at June 30, 2014).

The carrying amount of IFC's equity investment portfolio (comprising the disbursed equity portfolio, together with adjustments as detailed in Note D to IFC's FY15 Consolidated Financial Statements), grew 4% to $13,503 million at June 30, 2015 ($12,988 million at June 30, 2014).

The fair value of IFC's equity portfolio[3] was $15,721 million at June 30, 2015 ($15,985 million at June 30, 2014).

DEBT SECURITIES

IFC's disbursed debt securities portfolio totaled $2,568 million at June 30, 2015 ($2,474 million at June 30, 2014).

Debt securities accounted for 7% of IFC's disbursed investment portfolio at June 30, 2015 (7% at June 30, 2014) and 7% of the carrying amount of the investment portfolio at June 30, 2015 (7% at June 30, 2014).

The carrying amount of IFC's debt securities portfolio (comprising the disbursed debt securities portfolio, together with adjustments as detailed in Note D to IFC's FY15 Consolidated Financial Statements), was $2,739 million at June 30, 2015 ($2,599 million at June 30, 2014).

Additional information on IFC's investment portfolio as of and for the years ended June 30, 2015, and June 30, 2014, can be found in Notes B, D, E, F, G, H, P and R to IFC's FY15 Consolidated Financial Statements.

GUARANTEES AND PARTIAL CREDIT GUARANTEES

IFC offers partial credit guarantees to clients covering, on a risk-sharing basis, client obligations on bonds and/or loans. IFC's guarantee is available for debt instruments 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 US dollar terms. Guarantee fees are consistent with IFC's loan pricing policies.

Guarantees of $3,168 million were outstanding (i.e., not called) at June 30, 2015 ($3,679 million at June 30, 2014).

3. Including "equity-like" securities classified as debt securities in IFC's consolidated balance sheet and equity-related options.

ADVISORY SERVICES

It takes more than finance to achieve sustainable development. IFC's experience shows the powerful role advice can play in unlocking private sector investment and helping businesses expand and create jobs—thereby strengthening the World Bank Group's efforts to end poverty and boost shared prosperity.

That is why IFC continues to strengthen advisory work. This year, IFC took steps to more closely align advisory services with other areas of IFC and the World Bank, so that IFC's clients can benefit from the full range of capabilities available across the Bank Group. Advice is increasingly integrated into the wide suite of solutions IFC provides to clients.

During FY15, IFC provided advice in a number of areas critical to development:

Financial Sector: IFC helps increase the availability and affordability of financial services for individuals and for micro, small, and medium enterprises. IFC works with financial institutions to strengthen their risk management and diversify their product offering in areas such as SMEs, housing finance, and sustainable energy. As part of an integrated World Bank Group team in the Finance & Markets Global Practice, IFC also supports the development of financial markets—by promoting universal access to finance, strengthening capital markets, and establishing credit bureaus and collateral registries that open up new avenues for companies to create jobs and grow sustainably.

Investment Climate: As part of an integrated Work Bank Group team in the Trade & Competitiveness Global Practice, IFC helps national and local governments implement reforms that improve the business environment and attract and retain investment—fostering growth, competitive markets, and job creation.

Public-Private Partnerships: IFC helps governments design and implement public-private partnerships in infrastructure and basic public services. IFC's advice helps increase public access to electricity, water, health, and education.

Agribusiness: IFC helps clients improve productivity and standards in agribusiness. IFC's efforts are focused on designing efficient value chains and boosting food security—thereby providing valuable social, economic, and environmental benefits for all stakeholders.

Energy & Resource Efficiency: IFC helps clients develop clean, affordable, competitive, and high-quality energy solutions across the value chain. IFC accelerates the development of commercial markets to increase renewable energy production and improve people's access to modern energy services.

IFC also provides advisory solutions that can be deployed across several industries. This includes helping businesses improve corporate governance and building the capacity of smaller businesses operating within the supply chains of larger companies, thereby increasing local opportunities while helping clients make better use of local suppliers and resources. Central to IFC's advisory work is helping clients build robust and inclusive business performance by making them aware of, and invest in, the value women can bring either as a defined consumer segment that can be better served, as employees, as business leaders or as entrepreneurs and suppliers.

The IFC Advisory Services Portfolio[4] as of June 30, 2015 totaled $1,203 million. FY15 program expenditures with clients was $202.1 million with a strong focus in strategic priority areas of IDA (65%) and FCS (20%). This emphasis is expected to continue in the coming years.

TABLE 5: IFC ADVISORY SERVICES PORTFOLIO – PROGRAM EXPENDITURES BY REGION FOR THE YEAR ENDED JUNE 30, 2015

	US$ MILLIONS	%
IFC ADVISORY SERVICES PROGRAM BY REGION		
Sub-Saharan Africa	$ 53.6	27
East Asia and the Pacific	38.5	19
Europe and Central Asia	33.7	17
South Asia	22.9	11
Latin America and the Caribbean	21.8	11
Middle East and North Africa	20.5	10
World region	11.1	5
Total expenditures	**$ 202.1**	**100**

TABLE 6: IFC ADVISORY SERVICES PORTFOLIO – PROGRAM EXPENDITURES BY AREA FOR THE YEAR ENDED JUNE 30, 2015

	US$ MILLIONS	%
IFC ADVISORY SERVICES PROGRAM BY AREA		
Financial Sector	$ 64.0	32
Investment Climate	50.5	25
Public-Private Partnerships	30.9	15
Energy & Resource Efficiency	16.9	8
Agribusiness	11.9	6
Cross-Industry Areas	27.9	14
Total expenditures	**$ 202.1**	**100**

FY15 program results were positive. Development effectiveness ratings of the projects reached 77% success rate and client satisfaction reached 91%.

ASSET MANAGEMENT COMPANY

AMC, a wholly-owned subsidiary of IFC, invests third-party capital and IFC capital, enabling outside investors to benefit from IFC's expertise in achieving strong equity returns, as well as positive development impact in the countries in which it invests in developing and frontier markets. Investors in funds managed by AMC include sovereign wealth funds, national pension funds, multilateral and bilateral development institutions, national development agencies and international financial institutions. AMC helps IFC mobilize additional capital resources for investment in productive private enterprise in developing countries.

At June 30, 2015, AMC managed ten funds, with $8.5 billion total assets under management (seven funds; $6.4 billion at June 30, 2014):

› IFC Capitalization (Equity) Fund, L.P. (Equity Capitalization Fund);

› IFC Capitalization (Subordinated Debt) Fund, L.P. (Sub-Debt Capitalization Fund);

› IFC African, Latin American and Caribbean Fund, LP (ALAC Fund);

› Africa Capitalization Fund, Ltd. (Africa Capitalization Fund);

› IFC Russian Bank Capitalization Fund, LP (Russian Bank Cap Fund);

› IFC Catalyst Fund, LP, IFC Catalyst Fund (UK), LP and IFC Catalyst Fund (Japan), LP (collectively, Catalyst Funds);

› IFC Global Infrastructure Fund, LP (Global Infrastructure Fund);

› China-Mexico Fund, LP (China-Mexico Fund);

› IFC Financial Institutions Growth Fund, LP (FIG Fund); and

› IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds (Japan Parallel), LP (collectively, GEM FOF)

The Equity Capitalization Fund and the Sub-Debt Capitalization Fund are collectively referred to as Global Capitalization Fund.

The Global Capitalization Fund, established in the year ended June 30, 2009, helps strengthen systemically important banks in emerging markets.

The ALAC Fund was established in FY10. The ALAC Fund invests in equity investments across a range of sectors in Sub-Saharan Africa, Latin America, and the Caribbean.

The Africa Capitalization Fund was established in FY10 to capitalize systemically important commercial banking institutions in northern and Sub-Saharan Africa.

The Russian Bank Cap Fund was established in FY12 to invest in mid-sized, commercial banks in Russia that are either: (i) privately owned and controlled; or (ii) state-owned; or (iii) controlled and on a clear path to privatization.

The Catalyst Funds were established in FY13 to make investments in selected climate- and resource efficiency-focused private equity funds in emerging markets.

The Global Infrastructure Fund was established in FY13 to focus on making equity and equity-related investments in the infrastructure sector in global emerging markets.

Three new funds were established in FY15: The China-Mexico Fund was established in December 2014 to focus on making equity and equity-related investments across all sectors in Mexico. The FIG Fund was established in March 2015 to invest in equity and equity-related investments in financial institutions in global emerging markets. GEM FOF was established in June 2015 to primarily invest in a portfolio of investment funds in global emerging markets.

4. IFC Advisory Services Portfolio is the total of funds managed by IFC for active advisory projects.

The activities of the funds managed by AMC at June 30, 2015 and 2014 can be summarized as follows (US$ millions unless otherwise indicated):

TABLE 7: ACTIVITIES OF THE FUNDS MANAGED BY AMC FY15 VS FY14

	AS OF JUNE 30, 2015			FOR THE YEAR ENDED JUNE 30, 2015			
	TOTAL ASSETS UNDER MANAGEMENT			DISBURSEMENTS FROM INVESTORS TO FUND			
	TOTAL	FROM IFC	FROM OTHER INVESTORS	FROM IFC	FROM OTHER INVESTORS	DISBURSEMENTS MADE BY FUND	DISBURSEMENTS MADE BY FUND (NUMBER)*
Equity Capitalization Fund	$1,275	$ 775	$ 500	$ 6	$ 4	$ 8	1
Sub-Debt Capitalization Fund	1,725	225	1,500	29	196	254	4
ALAC Fund	1,000	200	800	29	112	94	7
Africa Capitalization Fund	182	–	182	–	3	–	–
Russian Bank Cap Fund	550	250	300	5	5	–	–
Catalyst Funds	418	75	343	9	41	36	46
Global Infrastructure Fund**	1,430	200	1,230	27	298	293	7
China-Mexico Funds	1,200	–	1,200	–	6	–	–
FIG Fund	344	150	194	–	–	–	–
GEM FOF	406	81	325	–	–	–	–
Total	**$8,530**	**$1,956**	**$6,574**	**$105**	**$665**	**$685**	**65**

*Number of disbursements may include multiple disbursements to a single investee company or fund.
**Includes co-investment fund managed by AMC on behalf of Fund LPs.

	AS OF JUNE 30, 2014			FOR THE YEAR ENDED JUNE 30, 2014			
	TOTAL ASSETS UNDER MANAGEMENT			DISBURSEMENTS FROM INVESTORS TO FUND			
	TOTAL	FROM IFC	FROM OTHER INVESTORS	FROM IFC	FROM OTHER INVESTORS	DISBURSEMENTS MADE BY FUND	DISBURSEMENTS MADE BY FUND (NUMBER)*
Equity Capitalization Fund	$1,275	$ 775	$ 500	$ 8	$ 5	$ 21	3
Sub-Debt Capitalization Fund	1,725	225	1,500	77	514	544	8
ALAC Fund	1,000	200	800	21	83	89	9
Africa Capitalization Fund	182	–	182	–	3	–	–
Russian Bank Cap Fund	550	250	300	9	10	4	2
Catalyst Funds	418	75	343	3	15	12	17
Global Infrastructure Fund	1,200	200	1,000	32	165	172	6
China-Mexico Funds	–	–	–	–	–	–	–
FIG Fund	–	–	–	–	–	–	–
GEM FOF	–	–	–	–	–	–	–
Total	**$6,350**	**$1,725**	**$4,625**	**$150**	**$795**	**$842**	**45**

*Number of disbursements may include multiple disbursements to a single investee company or fund.

III. LIQUID ASSETS

All liquid assets are managed according to an investment authority approved by the Board of Directors and liquid asset investment guidelines approved by IFC's Corporate Risk Committee, a subcommittee of IFC's Management Team.

IFC invests its liquid assets generally 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 and mortgage-backed securities, time deposits, and other unconditional obligations of banks and financial institutions. Diversification across multiple dimensions ensures a favorable risk return profile. IFC has a flexible approach to managing the liquid assets portfolios by making investments on an aggregate portfolio basis against its benchmarks within specified risk parameters. In implementing these portfolio management strategies, IFC utilizes derivative instruments, principally currency and interest rate swaps and futures and options, and takes positions in various industry sectors and countries.

IFC's liquid assets are accounted for as trading portfolios. The net asset value of the liquid assets portfolio was $39.5 billion at June 30, 2015 ($33.7 billion at June 30, 2014). The increase in FY15 was due to sizeable additions to the portfolio from the investment of the net proceeds of market borrowings plus returns made on the investment portfolio partially offset by reductions due to investment disbursements.

IFC funds its liquid assets from two sources, borrowings from market (funded liquidity) and net worth. Liquid assets are managed in a number of portfolios related to these sources.

FUNDED LIQUIDITY

The primary funding source for liquid assets for IFC is borrowings from market sources. Proceeds of borrowings from market sources not immediately disbursed into loans and loan-like debt securities (Funded Liquidity) are managed internally against money market benchmarks. A small portion of Funded Liquidity is managed by third parties with the same benchmark as that managed internally.

Historically, IFC's borrowings from market sources have generally been swapped into floating-rate obligations denominated in US dollars — 1% of such borrowings at June 30, 2013 and 5% at June 30, 2014 had not been swapped. IFC seeks to promote capital markets development in developing and frontier markets through borrowings in local currencies that may not be swapped into US dollars. In addition, IFC seeks to minimize costs associated with derivatives by sometimes foregoing the historical approach of swapping borrowings from market sources into US dollar obligations in favor of leaving borrowing proceeds invested in the same local currency in Funded Liquidity. As a result, borrowings from market sources at June 30, 2015 that have not been swapped amounted to 6% of the total.

MANAGED NET WORTH

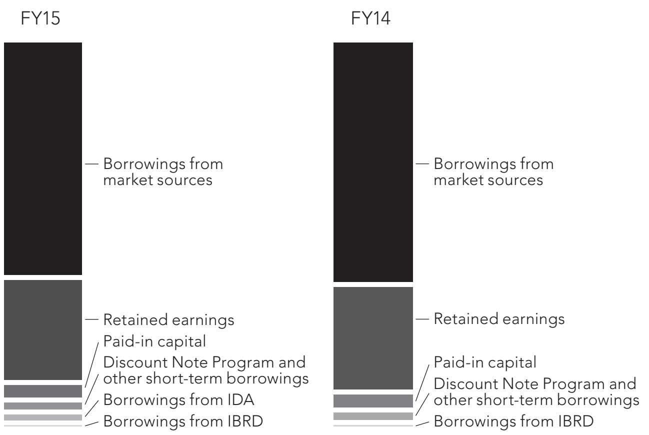
The second funding source of liquid assets is that portion of IFC's net worth not invested in equity and equity-like investments (Managed Net Worth) which is managed against a U.S. Treasury benchmark. A portion of these assets is managed by third parties with the same benchmark as that part managed internally.

Income from liquid assets trading activities[5] from Funded Liquidity totaled $384 million and from Managed Net Worth totaled $83 million in FY15.

IV. FUNDING RESOURCES

IFC's funding resources (comprising borrowings, capital and retained earnings) as of June 30, 2015 and June 30, 2014 are as follows:

FIGURE 4: IFC'S FUNDING RESOURCES



BORROWINGS

The major source of IFC's borrowings is the international capital markets. Under the 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.

Beginning July 1, 2014, IFC has a General Funding Authorization that authorizes IFC to borrow within the limits of its risk policies without requiring annual authorizations from the Board of the Corporation as to the size of its borrowing program for the subsequent financial year.

IFC borrowed (after the effect of borrowing-related derivatives) $14.8 billion during FY15 ($15.3 billion in FY14 and $12.8 billion in FY13). In addition, the Board of Directors has authorized the repurchase and/

5. Reported gross of borrowing costs and excluding foreign exchange gains and losses on local currency Funded Liquidity which are reported separately from income from liquid assets trading activities in foreign currency gains and losses on non-trading activities and the effects of internal trades related to foregone swapping of market borrowings and Funded Liquidity in certain currencies.

or redemption of debt obligations issued by IFC, which enhances the liquidity of IFC's borrowings. During FY15, IFC repurchased and retired $1.4 billion of outstanding debt ($1.4 billion in FY14 and $0.4 billion in FY13), generating gains on buybacks of $2 million in FY15 ($3 million—FY14 and $11 million—FY13).

IFC is increasingly using its borrowings issuances as a tool to promote capital markets development in emerging and frontier markets. Proceeds of these issuances not disbursed into loans have primarily been invested in securities of the related sovereign and sovereign instrumentalities in the currency of the issuances. In addition, during FY14, IFC sought to minimize derivative transaction costs by investing the proceeds of some foreign currency issuances, primarily those in Australian dollars (AUD) and Pounds sterling (GBP), in liquid assets of the same currencies.

IFC diversifies its borrowings by currency, country, source, and maturity to provide flexibility and cost-effectiveness. In FY15 IFC borrowed in twenty currencies and in final maturities ranging from one to 30 years. Remaining maturities have a weighted average remaining contractual maturity of 3.3 years at June 30, 2015 (3.9 years at June 30, 2014). Actual maturities may differ from contractual maturities due to the existence of call features in certain of IFC's borrowings.

Market borrowings are generally swapped into floating-rate obligations denominated in US dollars. As of June 30, 2015, IFC had gross payables from borrowing-related currency swaps of $19.6 billion ($18.3 billion at June 30, 2014) and from borrowing-related interest rate swaps in the notional principal payable amount of $35.2 billion ($36.1 billion at June 30, 2014). After the effect of these derivative instruments is taken into consideration, 94% of IFC's market borrowings at June 30, 2015 were variable rate US dollar-denominated (95%—June 30, 2014). The weighted average cost of market borrowings after currency and interest rate swap transactions was 0.5% at June 30, 2015 (0.4% at June 30, 2014).

IFC's mandate to help develop domestic capital markets can result in raising local currency funds. As of June 30, 2015, $2.5 billion of such non-US$ denominated market borrowings were outstanding, denominated in Armenian drams, Costa Rican colones, Chinese renminbi, Dominican pesos, Georgian lari, Indian rupees, Nigerian naira, Russian rubles, Rwandan francs and Zambian kwachas. Proceeds of such borrowings were invested in such local currencies, on lent to clients and/or partially swapped into US dollars.

Prior to FY13, IFC had a short term US$ discount note program to provide an additional funding and liquidity management tool for IFC in support of certain of IFC's trade finance and supply chain initiatives. Beginning in FY13, IFC launched a short term Chinese renminbi (CNY) discount note program to complement the US$ program and in June 2015, IFC launched a short term Turkish lira (TRY) discount note program to complement the US$ and CNY program and to expand the availability of short-term local currency finance for private enterprises in TRY. The discount note programs provide for issuances with maturities ranging from overnight to one year. At June 30, 2015, $1,289 million ($1,029 million—June 30, 2014), $37 million ($0—June 30, 2014) and $0 ($288 million-June 30, 2014) were outstanding under the US$, TRY and CNY short-term discount note programs, respectively.

CAPITAL AND RETAINED EARNINGS

As of June 30, 2015, IFC's authorized capital was $2.58 billion ($2.58 billion—June 30, 2014). At June 30, 2015 and June 30, 2014, total capital comprised the following:

TABLE 8: IFC'S CAPITAL (US$ MILLIONS)

	JUNE 30, 2015	JUNE 30, 2014
Capital	$20,457	$20,002
Capital stock, subscribed and paid-in	2,566	2,502
Accumulated other comprehensive income	1,197	1,239
Retained earnings	20,641	20,196
Total IFC capital	24,404	23,937
Non-controlling interests	22	53
Total capital	$24,426	$23,990

SELECTIVE CAPITAL INCREASE (SCI)

On July 20, 2010, the IFC Board of Directors recommended that the IFC Board of Governors approve an increase of $130 million in the authorized share capital of IFC to $2,580 million, through the issuance of $200 million in shares (including $70 million in unallocated shares). The Board of Directors also recommended that the Board of Governors approve an increase in Basic Votes aimed at enhancing the voice and participation of developing and transition countries which required an amendment to IFC's Articles of Agreement.

The resolution recommended by the Board of Directors was adopted by the Board of Governors on March 9, 2012 (IFC Resolution no. 256 entitled "Amendment to the Articles of Agreement and 2010 Selective Capital Increase"). The amendment to the Articles of Agreement and the increase in the authorized share capital became effective on June 27, 2012. As of the same date, eligible members were authorized to subscribe to their allocated IFC shares.

The subscription period ended on June 27, 2014 and members subscribed to $196.355 million (98.18%) of the $200 million of issued shares, and the $3.645 million (1.82%) of unsubscribed shares were reallocated to other members per the terms of the resolution. The period for members to submit an Instrument of Subscription for these reallocated shares ended on December 27, 2014. As of that date members submitted documentation to subscribe to $3.287 million (3,287 shares) of the $3.645 million of reallocated shares.

At December 27, 2014, of the total of $200 million of issued shares, $199.642 million were subscribed by members. The balance of $0.358 million became part of IFC's authorized and unallocated capital stock effective December 28, 2014.

Payment of all subscribed shares had to have been made no later than June 27, 2015. As of June 27, 2015, IFC has received payments in respect of the SCI totaling $194.303 million and the remaining balance of $5.339 million also became part of IFC's authorized and unallocated capital stock effective June 28, 2015.

DESIGNATIONS OF RETAINED EARNINGS

Beginning in the year ended June 30, 2004, IFC began a process of designating retained earnings to increase its support of advisory services and, subsequently, for performance-based grants (PBG) (year ended June 30, 2005), grants to IDA (year ended June 30, 2006), the Global Infrastructure Project Development Fund (year ended June 30, 2008 (FY08), and IFC SME Ventures for IDA Countries (FY08). The levels and purposes of retained earnings designations are set based on the Board of Directors-approved principles, which are applied each year to assess IFC's financial capacity and to determine the maximum levels of retained earnings designations.

Amounts available to be designated are determined based on a Board of Directors-approved income-based formula and, beginning in FY08, on a principles-based Board of Directors-approved financial distribution policy, and are approved by the Board of Directors.

IFC recognizes designations of retained earnings for advisory services when the Board of Directors approves it and recognizes designation of retained earnings for grants to IDA when it is noted with approval by the Board of Governors. Expenditures for the various approved designations are recorded as expenses in IFC's consolidated income statement in the year in which they occur, and have the effect of reducing retained earnings designated for this specific purpose.

FY14 DESIGNATIONS

On August 7, 2014, IFC's Board of Directors approved a designation of $340 million of IFC's retained earnings for grants to IDA. On October 10, 2014, IFC's Board of Governors noted with approval these designations. On January 16, 2015, IFC recognized expenditures against designations of retained earnings for grants to IDA of $340 million pursuant to signing of the grant agreement between IDA and IFC.

TABLE 9: IFC'S RETAINED EARNINGS AND DESIGNATIONS (US$ MILLIONS)

	JUNE 30, 2015	JUNE 30, 2014
Undesignated retained earnings	**$20,457**	$20,002
DESIGNATED RETAINED EARNINGS:		
Advisory services	137	131
Performance-based grants	16	21
IFC SME Ventures for IDA countries and Global Infrastructure Project Development Fund	31	42
Total designated retained earnings	**$ 184**	$ 194
Total retained earnings	**$20,641**	$20,196

FY15 DESIGNATIONS

Income available for designations in FY15 (a non-GAAP measure)[6] totaled $1,327 million. Based on the Board-approved distribution policy, the maximum amount available for designation was $344 million. On August 6, 2015, the Board of Directors approved a designation of $330 million of IFC's retained earnings for grants to IDA and a designation of $14 million of IFC's retained earnings for Advisory Services. These designations are expected to be noted with approval by the Board of Governors, and thereby concluded, in FY16.

DEPLOYABLE STRATEGIC CAPITAL

IFC's deployable strategic capital (DSC) decreased from 7.0% at June 30, 2014 to 5.4% at June 30, 2015. The decrease in DSC in FY15 is due to an increase in Total Resources Required (TRR), resulting mainly from a higher economic capital for equity and Treasury portfolios. Total Resources Available (TRA) increased during FY15, driven largely by higher retained earnings due in large part to first half realized capital gains of over $1 billion. TRA also benefitted from an increase in paid in capital.

6. Income available for designations generally comprises net income excluding unrealized gains and losses on investments and unrealized gains and losses on other non-trading financial instruments, income from consolidated VIEs, and expenses reported in net income related to prior year designations.

V. RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT

In executing its sustainable private sector development business, IFC assumes various risks. Active management of these risks is critical to IFC's ability to both maintain financial sustainability and achieve development impact.

The Corporate Risk and Sustainability Vice-Presidency, created in IFC's FY15 refocus, combines all of IFC's financial and non-financial risk functions to streamline and enhance risk management at both corporate and project levels, as well as to improve support for IFC's external clients. One goal of the refocus was to achieve clearer internal accountability. By enabling central oversight of both financial and non-financial risks at both the transaction and corporate levels, IFC is for the first time able to coordinate all its risk management activities under one organizational umbrella.

ERM FRAMEWORK

Having introduced an Enterprise Risk Management (ERM) Framework in FY14, IFC implemented enhancements to risk management practices in FY15. These efforts included the development of explicit statements of IFC's appetite for taking risk in support of its mission, identification of associated metrics, setting thresholds to aid the monitoring of risk exposures and to prompt action to mitigate risk when necessary.

The ERM framework that IFC adopted in FY14 is aligned broadly with industry standards and is designed to underpin IFC's response to risk by defining:

› IFC's core risk management principles;

› A common risk taxonomy for use 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;

› A standard classification of roles and responsibilities for risk management, to differentiate and thereby clarify how different parts of the organization contribute towards the overall management of risk; and

› The structures, processes and methods that are necessary to put active risk management into practice.

KEY RISK MANAGEMENT PRINCIPLES

The key principles that inform IFC's ERM Framework are:

› Maximizing development impact while maintaining financial sustainability;

› Ensuring that business decisions are based on a thorough understanding of risks and that risks and rewards are balanced appropriately;

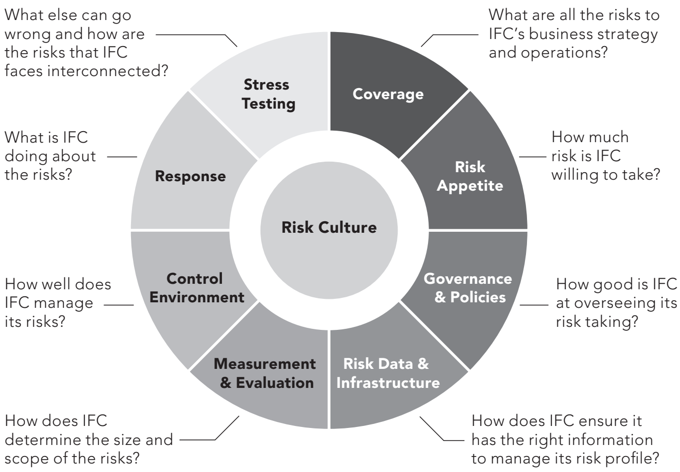
› Being selective in undertaking activities that could cause significant, adverse reputational impact; and

› Sharing responsibility for risk management across the Corporation.

The ERM Framework comprises several components, each addressing a specific issue within the Framework. These components are dynamic in nature and reflect the fact that IFC's risk management evolution is a continual, iterative and interconnected effort.

The Framework is depicted as follows:

FIGURE 5: IFC'S ENTERPRISE RISK MANAGEMENT FRAMEWORK



Risk Culture—Starting with IFC's Management Team, building the right risk culture instills behaviors that are integral to the success of ERM.

Risk Coverage—IFC's risk profile is categorized across five classes of risk, namely Credit, Market, Operational, Liquidity and Business risks. Each of these is addressed in the following paragraphs.

Risk Appetite—A comprehensive set of explicit risk appetite statements, with associated metrics, will provide a consistent and integrated basis for making decisions that impact IFC's risk profile, while monitoring IFC's risk exposures, and taking action when risk tolerances are exceeded.

Risk Governance and Policies—IFC's risk governance structure is based on the industry-standard principle of "three lines of defense".

› IFC's first line of defense is line management, consisting of front-line decision makers on individual projects and transactions. The second line of defense is, collectively, the Management Team, its committees and IFC's independent risk management functions. Independent oversight bodies, together with the Board, serve as the third line of defense. These independent oversight bodies are:
  » The Independent Evaluation Group, which assesses the alignment between projected and realized outcomes of IFC's investment and advisory projects undertaken with its clients;
  » The Compliance Advisor/Ombudsman, which is the independent recourse mechanism for IFC's stakeholders, responding to complaints from project-affected communities with the goal of enhancing social and environmental outcomes on the ground;
  » The World Bank Group's Internal Audit Vice Presidency, which evaluates the effectiveness of the organization's governance, risk management, and control processes; and
  » The Integrity Vice-Presidency, which investigates and pursues sanctions related to allegations of fraud and corruption in World Bank Group-financed activities.

› IFC's risk management policies define the types and amounts of risk that the Management Team is willing to assume, via delegated authority from the Board.

Risk Data and Infrastructure—Source data is collected, integrated and analyzed to support decision-making across the Corporation.

Measurement and Evaluation—IFC uses a combination of quantitative and qualitative metrics to manage its risk profile. Key metrics for each category of risk are discussed later in this document.

Control Environment—Management relies on internal controls, modelled on the COSO Framework, to reduce the level of inherent risk to an acceptable level.

Risk Response—Risks are analyzed and monitored by IFC's risk oversight units, and the Corporate Risk Committee meets frequently to discuss and decide upon enterprise-level risk issues.

Stress Testing—Semi-annual, IFC-wide, stress testing provides Management with an additional tool to inform capital management and decision making. The testing involves multi-year projections of IFC's financial performance and capital adequacy under base case and stressed macroeconomic scenarios.

ENTERPRISE LEVEL RISK APPETITE

Risk appetite at the enterprise level is expressed in terms of IFC's objective of maximizing development impact by focusing on the World Bank Group's twin goals of addressing extreme poverty and boosting shared prosperity, while maintaining financial sustainability and safeguarding its brand.

At the strategic level, IFC has adopted the following risk appetite statements:

› **Developmental Impact:** IFC will maximize developmental impact by focusing on the World Bank Group's twin goals of addressing extreme poverty and boosting shared prosperity, while maintaining financial sustainability and safeguarding its brand.

› **Financial Sustainability:** IFC will generate and maintain sufficient financial resources, conduct its business and manage risks consistent with standards implied by a triple-A rating.

› **Safeguarding Brand:** In determining what engagement and activities to pursue, IFC will assess whether any potential adverse impact to its reputation is balanced by the potential development impact.

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 main measure of capital adequacy is DSC, which is the capital available to support future commitments, over and above the current portfolio. It is calculated as the amount by which Total Resources Available (TRA)[7] exceeds (a) Total Resources Required (TRR)[8], plus (b) a conservation buffer[9] and is expressed as a percentage of TRA.

IFC operates under a number of 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 reserves 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.

› Liquidity Policy—Minimum liquidity (liquid assets plus undrawn borrowing commitments from IBRD) must be sufficient at all times to cover at least 45% of IFC's estimated net cash requirements for the next three years.

› External Funding Policy—IFC maintains a minimum level of liquidity, consisting of proceeds from external funding, covering at least 65% of the sum of: (i) 100% of committed but undisbursed straight senior loans; (ii) 30% of committed guarantees; and (iii) 30% of committed client risk management products.

› Matched Funding Policy—Loans are funded with liabilities that have similar characteristics in terms of interest rate basis, currency, and duration, except for new products, approved by the Board of Directors, involving asset-liability mismatches.

7. Total resources available (TRA) is the total capital of the Corporation, consisting of (i) paid-in capital; (ii) retained earnings net of designations and some unrealized gains and losses; and (iii) total loan loss reserves. TRA grows based on retained earnings (profit minus distributions) and increases in reserves.
8. Total resources required (TRR) is the minimum capital required to cover the expected and unexpected loss on IFC's portfolio, calibrated to maintain IFC's triple-A rating. TRR is the sum of the economic capital requirements for IFC's different assets, and it is determined by the absolute size of the committed portfolio, the product mix (equity, loans, short-term finance, and Treasury portfolio assets), and by operational and other risks.
9. The conservation buffer is set at a pre-determined percent of TRA. Its purpose is to absorb short-term fluctuations in TRR and TRA that result from the volatile nature of IFC's portfolio.

In order to safeguard its brand, IFC pays close attention to potential adverse reputational impact, as negative perceptions of stakeholders or the general public may adversely impact its ability to carry out business effectively. In determining which engagements and activities to pursue, IFC assesses whether any potential adverse impact to its reputation is balanced by the potential development impact and financial returns.

One of the key tools used by IFC for managing reputational impact is effective communication. Communication activities are coordinated by the World Bank Group's External and Corporate Relations Vice Presidency. This unit provides advice on strategic and crisis communications for managing potential and actual reputational impacts at both the corporate and project levels, throughout the project life cycle. It is also responsible for external and internal communications, campaigns, civil society engagement, brand marketing, and web, social, and other media. It collaborates across IFC and the World Bank Group to develop and implement effective communications strategies that strengthen the IFC brand.

CREDIT RISK MANAGEMENT

DEFINITION AND SCOPE OF 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 loan portfolio and in the form of counterparty credit risk in its Treasury portfolios.

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 to verify the financial viability of the project, and for assigning a credit risk rating (CRR) at defined stages in the project approval process. The CRR, the investment size and the product type determine the authority level required for transaction approval. All projects are subject to independent credit assessment by a credit officer within the independent risk oversight function and who participates in the project approval process. Projects are approved with reference to a number of operational and prudential limits approved by the Corporate Risk Committee, 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 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 and its risk rating. 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 CRR for the client.

› 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.

The quality of IFC's investment projects is actively monitored after commitment. CRRs are reviewed regularly for every project, and revised if required. In addition, an independent corporate portfolio team monitors and assesses the health of the portfolio, including stress testing of exposure to emerging risks. When projects get into difficulty, rapid response is the key to recovery. Seasoned professionals from IFC's Department of Special Operations provide focused attention on portfolio projects that require more sophisticated workout and restructuring.

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 to determine risk-based economic capital for capital adequacy, capital allocation and internal risk management purposes, as well as for setting general loan loss reserves and limits.

TREASURY OPERATIONS

IFC manages its exposures to counterparties in its Treasury operations to mitigate potential losses from the failure by a counterparty to fulfill its contractual obligations. Conservative counterparty eligibility criteria are set by Authorizations from the Board of Directors and by Directives approved by IFC's senior management. Eligible counterparties are predominantly 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 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. For derivatives, exposure is measured in terms of total potential exposure based on replacement cost.

› IFC signs collateral agreements with counterparties that 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, contracts and dealers, and by placing limits on IFC's position in each contract.

FY15 CREDIT RISK COMMENTARY

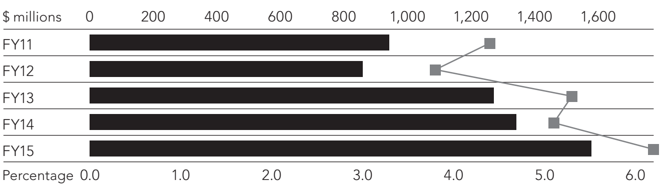
INVESTMENT OPERATIONS

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

TABLE 10: IFC LOAN PORTFOLIO CREDIT RISK INDICATORS

INDICATOR	JUNE 30, 2015	JUNE 30, 2014	CHANGE
NPLs as % of the loan portfolio[10]	6.2%	5.1%	Up 1.1%
Principal amount outstanding on NPLs	$1,578 million	$1,342 million	Up $236 million
Total reserves against losses on loans	$1,743 million	$1,686 million	Up $57 million
Total reserves against losses on loans as % of disbursed loan portfolio	7.5%	6.9%	Up 0.6%
Total reserves against losses on guarantees	$20 million	$22 million	Down $2 million

FIGURE 6: NPLS AS PERCENTAGE OF DISBURSED LOAN PORTFOLIO



Although the weighted average loan CRR has remained in a relatively narrow range between June 30, 2014 and June 30, 2015, the absolute amounts and ratios of both NPLs and loan loss reserves have increased, mainly reflecting credit deterioration in a small number of IFC's loan projects as opposed to a broad-based deterioration in the overall loan portfolio. Weighted average CRRs on loans have been broadly stable for the past three years.

TREASURY OPERATIONS

Treasury operations counterparties remain well diversified by sector and geography. In accordance with its agreements with counterparties, at June 30, 2015, IFC held $237 million in cash and $756 million in securities as collateral for changes in mark-to-market exposures on open trades (June 30, 2014—$120 million in cash and $925 million in securities).

MARKET RISK MANAGEMENT

DEFINITION AND SCOPE OF MARKET RISK

IFC defines market risk as the risk of losses in positions arising from movements in market prices. IFC's exposure to market risk is largely 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 US 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 into offsetting positions with highly rated market counterparties. IFC's residual exposure to market risk arises primarily from its listed and unlisted equity investments in emerging markets, from its Treasury liquid asset portfolios, and also from its aggregate asset and liability management positions.

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. Overall guidance on IFC's strategy in equity investments, equity portfolio management and asset allocation is provided by the Corporate Equity Committee, a subcommittee of the Management Team. IFC has a long time horizon for its equity investments and accepts the short term price volatility of these investments, which can be significant.

10. A non-GAAP measure that includes loan-like debt securities.

LIQUID ASSET PORTFOLIOS

Market risk in IFC's liquid assets portfolios is managed to the chosen risk profile of the respective portfolio benchmarks, using derivative and other financial instruments such as over-the-counter foreign exchange forward agreements, interest rate and currency swaps, and exchange-traded interest rate futures and options. Overall market risk exposure is also subject to daily monitoring, based on Directives approved by the Corporate Risk Committee, which limit interest rate and spread risk, foreign exchange exposure and value-at-risk.

ASSET-LIABILITY MANAGEMENT

While IFC's matched-funding policy mitigates most 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 reserves for losses on non-US dollar loans. The aggregate position in each lending currency is monitored on a daily basis and the risk is managed within a range of +/– $5 million equivalent in each currency. Residual interest rate risk may arise from differing interest rate reset dates on assets and liabilities, or from assets that are fully match-funded at inception, but become mismatched 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 on a daily basis to within a potential change in value of +/– $50,000.

FY15 MARKET RISK COMMENTARY

IFC's liquid assets portfolios have minimal interest rate risk due to their short tenor benchmarks, and because deviations from those benchmarks are small. The overall level of market risk in IFC's Treasury operations increased somewhat in FY15 due to a larger portfolio size, higher credit spread exposure, and exposure to more volatile asset classes. Interest rate, foreign exchange, and spread risks are all carefully controlled on a daily basis using a system of limits that remained in compliance during FY15.

FY15 was a year of "despites" and big events. Despite the flash crash and a slowdown in the U.S. economy through Q4 2014 and Q1 2015, short-term yields for U.S. Treasuries rose while long-term rates fell only slightly. Despite rising fears of "Grexit" (Greece's exit from the Eurozone), European shares rose. Despite a slowdown in Chinese Gross Domestic Product, Chinese A shares climbed to new highs before backing off substantially at the end of FY15. Despite falling commodity prices and declines in many emerging market (EM) currencies, EM shares only declined modestly in USD terms (5.2% as measured by the Vanguard EM EFT). While the U.S. Federal Reserve ended Quantitative Easing and moved towards tightening monetary policy, the European Central Bank (ECB) entered sovereign Quantitative Easing and Bund yields dropped to levels never experienced previously. At one point, yields for German government bonds were negative out to 7-year maturities before climbing rapidly. The Peoples Bank of China was also active, easing monetary policy, and Chinese regulators eased some controls and opened a link between onshore and offshore stock exchanges. The Swiss national bank surprised markets in January when it removed the cap on the CHF/EUR exchange rate, sending their currency substantially higher.

The liquid asset portfolios benefitted from this environment, albeit with smaller capital gains than in recent years. This was unsurprising as prior spread tightening had lowered the potential for further gains. Among the more significant drivers of performance was the compression between onshore and offshore Renminbi (RMB) yields that was facilitated by actions taken by the Chinese government. Movements in cross-currency bases outside of China also contributed to the performance of our EM sovereign holdings. Support for European Asset-Backed-Securities (ABS) by the ECB through its ABS purchase plan contributed to strong performance of IFC's international securitized products. In addition, structured deposits also made a significant contribution to excess returns. Continued strength in the U.S. housing market helped the legacy portfolio continue its multi-year recovery, but U.S. securitized products gave back some of their prior gains. Liquid assets holdings remain well diversified geographically and across the eligible sectors of the eligible interest-bearing investment universe.

Emerging market equities were volatile during FY15 and significantly lagged the returns in US markets. Emerging markets sold off during the first half of FY15 followed by a significant reversal during December through April which then reversed again, with the total return being negative for the fiscal year. Investor sentiment on emerging markets was generally subdued with money flowing out of those markets. Economic growth rates in many markets were weak and it was difficult for markets to post strong returns in this environment. An exception was China where markets rallied. The US dollar appreciated strongly and broadly against emerging market currencies, in particular during the first half of FY15, and this was the major contributor to negative returns for US dollar-based investors. In this very challenging environment, IFC's equity portfolio performed well on a relative basis, again exceeding the overall market return as benchmarked by the MSCI Emerging Markets Index. IFC continued to be selective at entry and actively managed its portfolio through close monitoring, portfolio reviews and oversight. Active management enabled the Corporation to turn over its portfolio significantly in FY15 and take advantage of market opportunities to generate significant realized gains.

LIQUIDITY RISK MANAGEMENT

IFC defines liquidity risk as the risk of a financial loss arising from the inability to liquidate financial assets or to raise additional funds in the expected time frame to meet contractual obligations. 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 substantial liquid asset portfolios funded by market borrowings.

LIQUID ASSET PORTFOLIOS

Liquidity risk in the liquid asset portfolios is addressed by strict eligibility criteria defined in Directives approved by the Corporate Risk Committee. Examples include minimum sizes for bond issuances, and limits on single bond issue concentration and 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, and in short term investments such as money market mutual funds. 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 it needs for its lending operations, and that it has sufficient liquidity to safeguard its triple-A rating and fulfill IFC's counter-cyclical role. IFC is able to access a variety of funding markets, including the US dollar benchmark market, the Australian dollar market and the Japanese retail market. IFC's Discount Note Program complements IFC's traditional funding sources by providing swift access to 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.

FY15 LIQUIDITY RISK COMMENTARY

On June 30, 2015, IFC's liquid asset portfolios totaled $39.5 billion (June 30, 2014—$33.7 billion). The externally funded liquidity ratio was 494%, above the required minimum of 65% and the Corporation's overall liquidity as a percentage of next three years' estimated net cash needs stood at 81%, above the minimum requirement of 45%. During FY15, IFC raised $14.8 billion in market borrowings, net of derivatives (FY14—$15.3 billion). The outstanding balance under the Discount Note Program at June 30, 2015 was $1.3 billion (June 30, 2014—$1.3 billion).

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.

IFC's Operational Risk Management (ORM) program is based on a Directive approved by the Corporate Risk Committee during FY10. This directive establishes the approach and roles and responsibilities for operational risk management in the Corporation. IFC's ORM approach is designed to ensure that operational risks are identified, assessed, and managed so as to minimize potential adverse impacts, and to enable Senior Management to determine which risks IFC will accept, mitigate or transfer. IFC seeks to mitigate key risks by maintaining a comprehensive set of processes and internal controls.

IFC utilizes risk transfer mechanisms, including insurance, at both the project and the institutional levels for mitigation of low frequency and high severity operational risks. At both levels, IFC identifies and evaluates risks, determines available contractual transfer and insurance options, implements the optimal structure, and tracks its effectiveness over time. IFC also insures its corporate assets and operations against catastrophic losses where commercially viable.

FY15 OPERATIONAL RISK COMMENTARY

IFC continues to develop and implement enhanced methodologies to identify, measure, monitor and manage material operational risks in its key activities. In FY15, IFC adopted an enterprise-level approach to assess operational risks, in contrast to the previous three fiscal years when operational risks were assessed at the department level. This revised approach was adopted to better align with overall risk management within IFC. Under this approach, IFC assesses operational risks in the processes that support IFC's key business pillars, namely, equity, debt, and treasury. Accordingly, the FY15 assessment focused on the material operational risks in the equity sales process. IFC also continues to focus on its preparedness to react to an emergency situation that could disrupt its normal operations.

BUSINESS RISK MANAGEMENT

DEFINITION AND SCOPE OF BUSINESS RISK

Business risk is risk that is specific to IFC given its mission and strategy and that is not covered by other risk dimensions. It has the following components, which are described in the paragraphs below together with the specific risk mitigation measures that are adopted: environment and social; corporate governance; integrity; conflict of interest; and external financing.

ENVIRONMENT AND SOCIAL RISK

Environment and social risk is the risk that IFC does not effectively engage and influence clients to fulfill the requirements of the Performance Standards on Environmental and Social Sustainability, potentially causing harm to people or the environment. The Performance Standards form part of IFC's Sustainability Framework, articulating the Corporation's strategic commitment to sustainable development:

- The Performance Standards guide 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.
- The Policy on Environmental and Social Sustainability describes IFC's commitments, roles and responsibilities in relation to environmental and social sustainability.
- IFC's Access to Information Policy reflects the Corporation's commitment to transparency and good governance and outlines institutional disclosure obligations.

IFC uses the Sustainability Framework along with other strategies, policies and initiatives to focus business activities on achieving the Corporation's development objectives. All project teams are required to record expectations of development outcomes with time-bound targets using standard indicators. These indicators are tracked and performance is rated on an annual basis for the duration of every project.

CORPORATE GOVERNANCE RISK

Corporate governance risk is the risk that IFC's clients have inefficient or ineffective corporate governance practices, leading to adverse reputational or financial impact on IFC. IFC manages corporate governance risk primarily by conducting a structured evaluation of every investment project, covering the following five areas:

- Effectiveness of the Board of Directors;
- Sufficiency of internal controls, audit, risk management and compliance;
- Adequacy of financial disclosure;
- Adequacy of shareholders' rights; and
- Demonstration of the client's commitment to implement high quality corporate governance policies and practices.

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

INTEGRITY RISK

Integrity risk is the risk of engaging with external institutions or persons whose background or activities may have adverse reputational and/or financial impact on IFC. IFC works with a wide range of partners in both Investment Operations and Advisory Services, 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 structure and duration of the engagement. IFC has defined procedures for conducting Integrity Due Diligence (IDD) and these are used to:

- Uncover integrity risk issues related to a project or engagement and the institutions and persons involved;
- Evaluate and assess integrity risks, including deciding on whether to mitigate or to accept the risks, and determining next steps, which may include IFC senior management and Board approval;
- Document results and appropriately classify documentation; and
- Monitor integrity risks and update documentation throughout the life of the project or engagement.

CONFLICT OF INTEREST RISK

Conflict of interest risk is the risk that a decision or action taken by IFC in one capacity may be influenced by, or otherwise incompatible with, interests IFC may have in another capacity. Given the nature and scope of products and services that IFC provides to its clients in furtherance of its development mandate, and the different roles played by other member institutions of the World Bank Group, actual or perceived conflicts of interest can arise in the normal course of its activities. IFC recognizes that adverse reputational, client relationship and other implications can arise if such conflicts are not managed. IFC has implemented processes to manage these conflicts, directed at identifying and mitigating them using measures tailored to the specific circumstances.

EXTERNAL FINANCING RISK

As well as using its own resources to invest in and provide advice to clients, IFC raises additional funds from public and private sector 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 act in the best interests of 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 the 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. A separate unit within IFC follows predefined procedures for clearing all IFC trust fund proposals and agreements and overseeing IFC's trust fund portfolio. Finally, AMC was created as a subsidiary to provide for an independent governance process making decisions for the benefit of investors in funds managed by AMC.

FY15 BUSINESS RISK COMMENTARY

During FY15, IFC implemented additional modifications to its systems and processes that materially improved consistency and accountability in the management of Integrity Due Diligence in investment operations, along with a mandated signoff by management prior to proceeding with the transactions. Consistent with the previous year, a centralized unit with expertise in integrity risk handled all mandatory referrals of projects with certain integrity issues. The unit also continued to guide staff on assessing integrity risks, and provided training on the IDD process for staff in Investment Operations and Advisory Services, at Headquarters and in the field offices.

VI. CRITICAL ACCOUNTING POLICIES

Note A to IFC's FY15 Consolidated Financial Statements contain 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 level of reserves against losses in the loan portfolio;
- Determining the level and nature of impairment for equity investments and debt securities carried at fair value with changes in fair value being reported in other comprehensive income (OCI) and for equity investments accounted for at cost less impairment (where impairment is determined with reference to fair value);
- Determining the fair value of certain equity investments, debt securities, loans, liquid assets, borrowings and derivatives, which have no quoted market prices and are accounted for at fair value; and
- Determining the future pension and postretirement benefit costs and obligations using actuarial assumptions based on financial market interest rates, past experience, and management's 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 where the fair value and/or impairment is estimated based on internally developed models or methodologies utilizing significant inputs that are non-observable.

RESERVE AGAINST LOSSES ON LOANS

IFC considers a loan as impaired when, based on current information and events, it is probable that IFC will be unable to collect all amounts due according to the loan's contractual terms. The reserve against losses for impaired loans reflects management's judgment of the present value of expected future cash flows discounted at the loan's effective interest rate. The reserve against losses for loans also includes an estimate of probable losses on loans inherent in the portfolio but not specifically identifiable. The reserve is established through periodic charges to income in the form of a provision for losses on loans. Loans written off, as well as any subsequent recoveries, are recorded through the reserve.

The assessment of the adequacy of reserves against losses for loans is highly dependent on management's judgment about factors such as its assessment of the financial capacity of borrowers, geographical concentration, industry, regional and macroeconomic conditions, and historical trends. Due to the inherent limitation of any particular estimation technique, management utilizes a capital pricing and risk framework to estimate the probable losses on loans inherent in the portfolio but not specifically identifiable. This Board of Directors-approved framework uses actual loan loss history and aligns the loan loss provisioning framework with IFC's capital adequacy framework.

The reserve against losses on loans is separately reported in the consolidated balance sheet as a reduction of IFC's total loans. Increases or decreases in the reserve level are reported in the income statement as provision for losses or release of provision for losses on loans, and guarantees. The reserve against losses on loans relates only to the Investment services segment of IFC (see Note S to the FY15 Consolidated Financial Statements for further discussion of IFC's business segments).

OTHER-THAN-TEMPORARY IMPAIRMENTS ON EQUITY INVESTMENTS AND DEBT SECURITIES

IFC assesses all equity investments accounted for at fair value through OCI and all equity investments accounted for at cost less impairment for impairment each quarter. When impairment is identified and is deemed to be other-than-temporary, the equity investment is written down to its impaired value, which becomes the new cost basis in the equity investment. IFC generally presumes that all equity impairments are deemed to be other-than-temporary. Impairment losses on equity investments accounted for at cost less impairment are not reversed for subsequent recoveries in value of the equity investment until it is sold. Recoveries in value on equity investments accounted for at fair value through OCI that have been the subject of an other-than-temporary impairments are reported in OCI until sold.

IFC assesses all debt security investments accounted for at fair value through OCI for impairment each quarter. 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 FY15 Consolidated Financial Statements). However, if IFC does not intend to sell the debt security and it is not more likely than not that IFC will be required to sell the security, but the security has suffered a credit loss, the credit-related impairment loss is recognized in net income and the non-credit related loss is recognized in OCI.

VALUATION OF FINANCIAL INSTRUMENTS WITH NO QUOTED MARKET PRICES

IFC reports at fair value all of its derivative instruments, all of its liquid asset trading securities and certain borrowings, loans, equity investments and debt securities. In addition, various investment agreements contain embedded or stand-alone derivatives that, for accounting purposes, are separately accounted as either derivative assets or liabilities, including puts, caps, floors, and forwards. 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 FY15 Consolidated Financial Statements.

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 statement of OCI. The fair value computations affect both the Investment services and Treasury segments of IFC (see Note S to the FY15 Consolidated Financial Statements for further discussion of IFC's business segments).

PENSION AND OTHER POSTRETIREMENT BENEFITS

IFC participates, along with IBRD and MIGA, in pension and postretirement benefit plans that cover substantially all of their staff members. All costs, assets and liabilities associated with the plans are allocated between IBRD, IFC and MIGA based upon their employees' respective participation in the plans. The underlying actuarial assumptions used to determine the projected benefit obligations, the fair value of plan assets and the funded status associated with these plans are based on financial market interest rates, past experience, and management's best estimate of future benefit cost changes and economic conditions. For further details, please refer to Note V to the FY15 Consolidated Financial Statements.

VII. RESULTS OF OPERATIONS

OVERVIEW

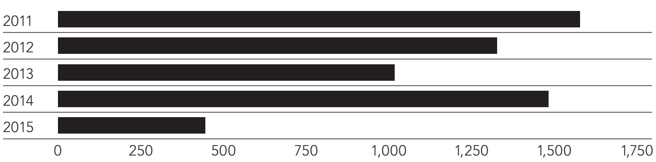
The overall market environment has a significant influence on IFC's financial performance. The main elements of IFC's net income and comprehensive income and influences on the level and variability of net income and comprehensive income from year to year are:

TABLE 11: MAIN ELEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

ELEMENTS	SIGNIFICANT INFLUENCES
NET INCOME	
Yield on interest earning assets	Market conditions including spread levels and degree of competition. Nonaccruals and recoveries of interest on loans formerly in nonaccrual status and income from participation notes on individual loans are also included in income from loans.
Liquid asset income	Realized and unrealized gains and losses on the liquid asset portfolios, which are driven by external factors such as: the interest rate environment; and liquidity of certain asset classes within the liquid asset portfolio.
Income from the equity investment portfolio	Global climate for emerging markets equities, fluctuations in currency and commodity markets and company-specific performance for equity investments. Performance of the equity portfolio (principally realized capital gains, dividends, equity impairments, gains on non-monetary exchanges and unrealized gains and losses on equity investments).
Provisions for losses on loans and guarantees	Risk assessment of borrowers and probability of default and loss given default.
Other income and expenses	Level of advisory services provided by IFC to its clients, the level of expense from the staff retirement and other benefits plans, and the approved administrative and other budgets.
Gains and losses on other non-trading financial instruments accounted for at fair value	Principally, differences between changes in fair values of borrowings, including IFC's credit spread, and associated derivative instruments and unrealized gains associated with the investment portfolio including puts, warrants and stock options which in part are dependent on the global climate for emerging markets. These securities are valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.
Grants to IDA	Level of the Board of Governors-approved grants to IDA.
OTHER COMPREHENSIVE INCOME	
Unrealized gains and losses on listed equity investments and debt securities accounted for as available-for-sale	Global climate for emerging markets equities, fluctuations in currency and commodity markets and company-specific performance. Such equity investments are valued using unadjusted quoted market prices and debt securities are valued using internally developed models or methodologies utilizing inputs that may be observable or non-observable.
Unrecognized net actuarial gains and losses and unrecognized prior service costs on benefit plans	Returns on pension plan assets and the key assumptions that underlay projected benefit obligations, including financial market interest rates, staff expenses, past experience, and management's best estimate of future benefit cost changes and economic conditions.

IFC's net income for each of the past five fiscal years ended June 30, 2015 is presented below (US$ millions):

FIGURE 7: IFC'S NET INCOME, FISCAL YEARS 2011–2015



The following paragraphs detail significant variances between FY15 and FY14, and FY14 and FY13, covering the periods included in IFC's FY15 Consolidated Financial Statements. Certain amounts in FY14 and FY13 have been reclassified to conform to the current year's presentation. Where applicable, the following paragraphs reflect reclassified prior year comparative information. Such reclassifications had no effect on net income or total assets.

FY15 VERSUS FY14

NET INCOME

IFC reported income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA of $855 million in FY15, as compared to $1,782 million in FY14.

TABLE 12: CHANGE IN NET INCOME FY15 VS FY14 (US$ MILLIONS)

	INCREASE (DECREASE) FY15 VS FY14
Higher other-than-temporary impairments on equity investments and debt securities	$ (484)
Lower gains on equity investments and associated derivatives, net	(383)
Lower income from liquid asset trading activities	(132)
Higher provisions for losses on loans, guarantees and other receivables	(83)
Higher income from loans and guarantees, realized gains and losses on loans and associated derivatives	58
Higher foreign currency transaction gains on non-trading activities	72
Other, net	25
Overall change in income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**$(927)**

	FY15	FY14
Income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	$ 855	$ 1,782
Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	(106)	(43)
Income before grants to IDA	749	1,739
Grants to IDA	(340)	(251)
Net losses (gains) attributable to non-controlling interests	36	(5)
Net income attributable to IFC	$ 445	$ 1,483

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

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

IFC's primary interest earning asset is its loan portfolio. Income from loans and guarantees, realized gains and losses on loans and associated derivatives for FY15 totaled $1,123 million, compared with $1,065 million in FY14, an increase of $58 million.

The disbursed loan portfolio decreased by $1,155 million, from $24,407 million at June 30, 2014 to $23,252 million at June 30, 2015. New disbursements of loans exceeded repayments in FY15. The reduction in total loan outstanding was due to currency exchange rate fluctuations as IFC's reporting currency, the US dollar, appreciated significantly in FY15 against most of IFC's lending currencies. Loans outstanding decreased by $1,076 million in FY15 from currency exchange rate fluctuations. As IFC economically hedges the currency risk in most of its loan portfolio, substantially offsetting gains on lending-related derivatives due to currency exchange fluctuations have also been recorded.

TABLE 13: FY15 CHANGE IN INCOME FROM LOANS AND GUARANTEES, REALIZED GAINS AND LOSSES ON LOANS AND ASSOCIATED DERIVATIVES (US$ MILLIONS)

Income from loans and guarantees, realized gains and losses on loans and associated derivatives in FY14	**$1,065**
Increase due to change in loan portfolio and interest rate environment	94
Increase due to higher realized gains on loans, guarantees and associated derivatives	48
Decrease due to lower recoveries of interest on non-accruing loans, net	(25)
Decrease due to lower commitment and financial fees	(11)
Decrease due to lower income from participation notes and other income	(48)
Change in income from loans and guarantees, realized gains and losses on loans and associated derivatives	$ 58
Income from loans and guarantees, realized gains and losses on loans and associated derivatives in FY15	**$1,123**

The weighted average contractual interest rate on loans at June 30, 2015 was 4.9%, up from 4.5% June 30, 2014. Contributing to the increase was growth in fixed-rate local currency loans, and as many of IFC's loans periodically re-price against US$ LIBOR, the increase in US$ six-month LIBOR from 0.33% at June 30, 2014 to 0.44% at June 30, 2015. These factors combined resulted in $94 million higher interest income in FY15 than in FY14. Realized gains on loans were significantly higher in FY15 due mainly to a successful workout of a loan which generated $19 million of gains, and the conversion of a loan to equity in an investee company which generated gains of $16 million.

INCOME FROM EQUITY INVESTMENTS AND ASSOCIATED DERIVATIVES

Income from the equity investment portfolio, including associated derivatives decreased by $862 million from $1,289 million in FY14 to $427 million in FY15.

IFC sells equity investments where IFC's developmental role was complete, and where pre-determined sales trigger levels had been met and, where applicable, lock ups have expired. Gains on equity investments and associated derivatives comprise realized and unrealized gains.

IFC recognized gains on equity investments and associated derivatives in the form of cash and non-monetary considerations for FY15 of $1,288 million, as compared with $1,013 million for FY14, an increase of $275 million with the majority of realized gains being recorded in the six months ended December 31, 2014. Realized gains on equity investments and associated derivatives are concentrated. In FY15, there were twelve investments that generated individual capital gains in excess of $20 million for a total of $920 million, or 71%, of the FY15 realized gains, compared to thirteen investments that generated individual capital gains in excess of $20 million for a total of $733 million, or 72%, of the FY14 realized gains.

Dividend income in FY15 totaled $272 million, substantially unchanged from $274 million in FY14. Dividend income in FY15 included returns from four unincorporated joint ventures (UJVs) in the oil, gas and mining sectors accounted for under the cost recovery method, which totaled $23 million, as compared with $19 million from four such UJVs in FY14.

Other-than-temporary impairments on equity investments totaled $732 million in FY15 ($381 million on equity investments accounted for as available-for-sale; and $351 million on equity investments accounted for at cost less impairment), as compared with $268 million in FY14 ($161 million on equity investments accounted for as available-for-sale; and $107 million on equity investments accounted for at cost less impairment), an increase of $464 million. Other-than-temporary impairments on equity investments in FY15 reflected the economic downturn in certain countries in Eastern Europe and Central Asia and Latin America and the Caribbean, a decline in the price of oil and currency depreciation versus the US dollar in most of IFC's equity investing currencies and some adverse project-specific developments. $305 million (42%) of other-than-temporary impairments on equity investments in FY15 were in Europe and Central Asia and $205 million (28%) were in Latin America and the Caribbean. In FY15, four investments generated individual other-than-temporary impairments in excess of $20 million for a total of $234 million. In FY14, one investment generated an individual other-than-temporary impairment in excess of $20 million for a total of $34 million.

Net unrealized losses on equity investments and associated derivatives totaled $402 million (Net unrealized gains of $256 million in FY14) in large part due to reversal of previously reported unrealized gains of $235 million relating to unwinding the value of put options that were on IFC's balance sheet at June 30, 2014, together with the overall weak environment for emerging markets equities negatively impacting the value of many of IFC's equity investments accounted for at fair value in net income. One investment accounted for $58 million of the unrealized gains in FY15. Nine investments in equity funds accounted for $179 million of the unrealized losses in FY15. In FY14 one investment accounted for $181 million of the unrealized gains. Six investments in equity funds accounted for $31 million of the unrealized losses in FY14. Individual investments in such funds provided a significant component of such unrealized gains and losses.

INCOME FROM DEBT SECURITIES AND REALIZED GAINS AND LOSSES ON DEBT SECURITIES AND ASSOCIATED DERIVATIVES

Income from debt securities and realized gains and losses on debt securities and associated derivatives increased to $132 million in FY15 from $89 million in FY14, an increase of $43 million. The largest components of the increase were higher interest income ($45 million) and realized gains on debt securities and associated derivatives ($17 million) in FY15 when compared with FY14.

PROVISION FOR LOSSES ON LOANS, GUARANTEES AND OTHER RECEIVABLES

The quality of the loan portfolio, as measured by average country risk ratings and average credit risk ratings, deteriorated marginally in FY15. Non-performing loans increased by $236 million, from $1,342 million of the disbursed loan portfolio at June 30, 2014 to $1,578 million at June 30, 2015. The increase of $236 million comprised $587 million of loans and loan-like debt securities being placed in NPL status, $278 million being removed from NPL status and a $73 million reduction due to repayments and currency translation adjustments.

IFC recorded a provision for losses on loans, guarantees and other receivables of $171 million in FY15 ($199 million of specific provisions on loans; $30 million release of portfolio provisions on loans; $2 million release of provision on guarantees; and $4 million provision on other receivables) as compared to a provision of $88 million in FY14 ($127 million of specific provisions for losses on loans; $44 million release of portfolio provisions for losses on loans; and $5 million of provision for losses on guarantees and other receivables). Project-specific developments on two loans resulted in $92 million of the specific provision for losses on loans in FY15.

On June 30, 2015, IFC's total reserves against losses on loans were 7.5% of the disbursed loan portfolio (6.9% at June 30, 2014), an increase of $57 million. The increase in reserves against losses on loans due to provisions of $169 million has been partially offset by foreign exchange gains related to reserves held against non-US dollar-denominated loans and the strengthening of the US dollar against many of IFC's lending currencies of $80 million and write-offs, net of recoveries, and other adjustments of $32 million.

Specific reserves against losses on loans at June 30, 2015 of $962 million ($838 million at June 30, 2014) are held against impaired loans of $1,722 million ($1,725 million at June 30, 2014), a coverage ratio of 56% (49% at June 30, 2014).

INCOME FROM LIQUID ASSET TRADING ACTIVITIES

The liquid assets portfolio, net of derivatives and securities lending activities, increased from $33.7 billion at June 30, 2014, to $39.5 billion at June 30, 2015. Gross income from liquid asset trading activities totaled $467 million in FY15 ($599 million in FY14).

Interest income in FY15 totaled $614 million. In addition, the portfolio of ABS and MBS experienced fair value losses totaling $38 million in FY15. Holdings in other products, including US Treasuries, global government bonds, high quality corporate bonds and derivatives generated $109 million of losses in FY15, a net loss of $147 million.

The primary driver of income for FY15 was interest earned over the period, totaling $614 million ($533 million—FY14). Relative to FY14, there were fewer gains from spread tightening, and income on liquid assets denominated in foreign currencies was reduced by the strengthening of the US dollar. Net foreign exchange losses for assets held in liquidity are offset by gains on foreign exchange hedges including, among other things, derivative instruments and debt issuances in the related currencies.

In FY15 and FY14, all internally managed liquid asset portfolios outperformed their respective benchmarks.

At June 30, 2015, trading securities with a fair value of $86 million are classified as Level 3 securities ($188 million on June 30, 2014).

CHARGES ON BORROWINGS

IFC's charges on borrowings increased by $62 million, from $196 million in FY14 (net of $3 million gain on extinguishment of borrowings) to $258 million in FY15 (net of $2 million gain on extinguishment of borrowings), largely reflecting an increase in interest charges relating to fixed rate local currency bonds raised from capital market development activities (which in the aggregate have been invested in higher rate local currency assets).

The weighted average rate of IFC's borrowings outstanding from market sources, after the effects of borrowing-related derivatives, and excluding short-term borrowings from market and other sources, was 0.5% at June 30, 2015, slightly increased from 0.4% June 30, 2014. The size of the borrowings portfolio (excluding the short-term borrowings), net of borrowing-related derivatives and before fair value adjustments, increased by $3.9 billion during FY15 from $47.8 billion at June 30, 2014, to $51.7 billion at June 30, 2015.

OTHER INCOME

Other income of $505 million for FY15 was $44 million higher than in FY14 ($461 million) principally due to fee income generated from stronger mobilization activities in FY15 as compared with FY14. Other income in FY15 also includes management fees and service fee reimbursements of $59 million ($57 million in FY14) from IFC's consolidated subsidiary, AMC, and income from advisory services of $244 million ($254 million in FY14). In FY15, income from advisory services comprised $197 million of donor funds utilized ($216 million—FY14) and $47 million of fees from clients and administrative fees from donors ($38 million—FY14).

OTHER EXPENSES

Other expenses increased modestly in FY15 by $5 million from $1,418 million to $1,423 million. Other expenses reflect higher expense from pension and other postretirement plans, driven by higher service and interest costs partially offset by higher expected returns on plan assets and higher expenses from AMC, driven by the growth in AMC's funds and assets under management.

Advisory services expenses totaled $285 million in FY15 ($324 million in FY14) with the decrease in advisory services reflecting the series of advisory service reforms and transition to the new organizational structure.

In addition, pursuant to a series of expenditure controls, administrative expenses were favorably impacted due to lower head count and resulting impact on staff salaries and benefits, lower spending on consultants and lower spending on travel, partially offset by an increase in service and support fees paid to IBRD due to an increase in shared services. Lastly, administrative expenses were also lower due to expenses being incurred in currencies other than US dollars.

FOREIGN CURRENCY TRANSACTION GAINS AND LOSSES ON NON-TRADING ACTIVITIES

Foreign currency transaction gains reported in net income in FY15 totaled $53 million ($19 million losses—FY14). Foreign currency transaction losses on debt securities accounted for as available-for-sale in the amount of $115 million in FY15 (losses of $8 million—FY14) are reported in Other Comprehensive Income, while gains and losses on the derivatives economically hedging such debt securities are reported in net income.

Largely due to IFC having a small population of unhedged non-US dollar-denominated loans and debt securities and the US dollar strengthening against such currencies, IFC has recorded overall foreign exchange related losses in both Net Income and Other Comprehensive Income of $62 million in FY15 (losses of $27 million—FY14).

NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS

As discussed in more detail in Note A to IFC's FY15 Consolidated Financial Statements, 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) all market borrowings that are economically hedged; and (ii) unrealized gains and losses on certain loans, debt securities and associated derivatives, (iii) substantially all market borrowings, and (iv) borrowings from IDA.

The resulting effects of fair value accounting for these non-trading financial instruments on net income in FY15 and FY14 are summarized as follows:

TABLE 14: NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS FY15 VS FY14 (US$ MILLIONS)

	FY15	FY14
Unrealized gains and losses on loans, debt securities and associated derivatives	$ (54)	$ 31
Unrealized gains and losses on borrowings from market, IDA and associated derivatives, net	(52)	(74)
Net unrealized gains and losses on other non-trading financial instruments accounted for at fair value	$(106)	$(43)

Changes in the fair value of IFC's borrowings from market, IDA and associated derivatives, net, includes the impact of changes in IFC's own credit spread when measured against US$ LIBOR. As credit spreads widen, unrealized gains are recorded and when credit spreads narrow, unrealized losses are recorded (notwithstanding the impact of other factors, such as changes in risk-free interest and foreign currency exchange rates). The magnitude and direction (gain or loss) can be volatile from period to period but do not alter cash flow. IFC's policy is to generally match currency, amount and timing of cash flows on market borrowings with cash flows on associated derivatives entered into contemporaneously.

In FY15, modest unrealized losses were incurred on market borrowings after swaps, on balance, across funding currency portfolios. The cost of economically hedging borrowings in US dollars and Australian dollars after swaps was largely unchanged with respect to benchmarks at FY15-end as compared to FY14-end. The cost of economically hedging borrowings in Japanese yen was slightly cheaper at FY15-end compared to FY14-end, while the cost of hedging the fair value of New Zealand dollar borrowings was more expensive at FY15-end. As a result, IFC has reported net $52 million of unrealized losses on borrowings and associated derivatives in FY15 (net $74 million of unrealized losses in FY14).

IFC reported net unrealized losses on loans, debt securities and associated derivatives (principally conversion features, warrants and interest rate and currency swaps economically hedging the fixed rate and/or non-US$ loan portfolio) of $54 million in FY15 (net unrealized gains of $31 million in FY14).

GRANTS TO IDA

During FY15, IFC recorded a grant to IDA of $340 million, as compared with $251 million in FY14.

OTHER COMPREHENSIVE INCOME

UNREALIZED GAINS AND LOSSES ON EQUITY INVESTMENTS AND DEBT SECURITIES

IFC's investments in debt securities and equity investments that are listed in markets that provide readily determinable fair values are classified as available-for-sale, with unrealized gains and losses on these investments being reported in OCI until realized. When realized, the gain or loss is transferred to net income. Changes in unrealized gains and losses on equity investments and debt securities reported in OCI are significantly impacted by (i) the global environment for emerging markets; and (ii) the realization of gains on sales of such equity investments and debt securities.

The net change in unrealized gains and losses on equity investments and debt securities in OCI can be summarized as follows:

TABLE 15: CHANGE IN OTHER COMPREHENSIVE INCOME – UNREALIZED GAINS AND LOSSES ON EQUITY INVESTMENTS AND DEBT SECURITIES FY15 VS FY14 (US$ MILLIONS)

	FY15	FY14
Net unrealized gains and losses on equity investments arising during the year:		
Unrealized gains	$ 1,067	$ 882
Unrealized losses	(799)	(228)
Reclassification adjustment for realized gains and other-than-temporary impairments included in net income	(393)	(312)
Net unrealized gains and losses on equity investments	$ (125)	$ 342
Net unrealized gains and losses on debt securities arising during the year:		
Unrealized gains	$ 110	$ 154
Unrealized losses	(182)	(93)
Reclassification adjustment for realized gains, non-credit related portion of impairments which were recognized in net income and other-than-temporary included in net income	(7)	(16)
Net unrealized gains and losses on debt securities	$ (79)	$ 45
Total unrealized gains and losses on equity investments and debt securities	$ (204)	$ 387

Net unrealized gains on equity investments arising in FY15 totaled $268 million. This gains were achieved in spite of the overall negative environment for emerging markets equities through FY15 as a whole due to a small number of financial institution investments in Asia accounted for as available-for-sale that increased in value during FY15, despite significant volatility in that region late in FY15.

UNRECOGNIZED NET ACTUARIAL GAINS AND LOSSES AND UNRECOGNIZED PRIOR SERVICE COSTS ON BENEFIT PLANS

Changes in the funded status of pension and other postretirement benefit plans are recognized in OCI, to the extent they are not recognized in net income under periodic benefit cost for the year.

During FY15, IFC experienced a gain of $162 million primarily due to $156 million of unrecognized net actuarial gains, resulting largely from the increase in the discount rates used to determine the projected benefit obligations. The discount rate assumptions used to determine the projected benefit obligation for the Staff Retirement Plan and Post-Employment Benefits Plan increased from 4.2% at June 30, 2014 to 4.3% at June 30, 2015 and from 4.3% at June 30, 2014 to 4.4% at June 30, 2015, respectively.

FY14 VERSUS FY13

NET INCOME

IFC reported income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA of $1,782 million in FY14, as compared to $909 million in FY13.

TABLE 16: CHANGE IN NET INCOME FY14 VS FY13 (US$ MILLIONS)

	INCREASE (DECREASE) FY14 VS FY13
Higher gains on equity investments and associated derivatives, net	$ 336
Lower other-than-temporary impairments on equity investments and debt securities	206
Lower provisions for losses on loans, guarantees and other receivables	155
Higher income from liquid asset trading activities	99
Other, net	77
Overall change	**$873**

	FY14	FY13
Income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	$ 1,782	$ 909
Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	(43)	441
Income before grants to IDA	1,739	1,350
Grants to IDA	(251)	(340)
Net (gains) losses attributable to non-controlling interests	(5)	8
Net income attributable to IFC	$ 1,483	$ 1,018

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

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

IFC's primary interest earning asset is its loan portfolio. Income from loans and guarantees for FY14 totaled $1,065 million, compared with $996 million in FY13, an increase of $69 million.

The disbursed loan portfolio grew by $1,801 million, from $22,606 million at June 30, 2013 to $24,407 million at June 30, 2014. The weighted average contractual interest rate on loans at June 30, 2014 was 4.5%, unchanged from June 30, 2013. These factors combined resulted in $70 million higher interest income than in FY13. Commitment and financial fees were $5 million lower than in FY13. Recoveries of interest on loans removed from non-accrual status, net of reversals of income on loans placed in nonaccrual status were $33 million lower than in FY13. Non-monetary gains on loan sales were $11 million lower than in FY13. Income from IFC's participation notes over and above minimum contractual interest and other income were $20 million higher than in FY13. Realized gains on loans and associated derivatives were $28 million higher than in FY13.

INCOME FROM EQUITY INVESTMENTS AND ASSOCIATED DERIVATIVES

Income from the equity investment portfolio, including associated derivatives, increased by $557 million from $732 million in FY13 to $1,289 million in FY14.

IFC generated realized gains on equity investments and associated derivatives for FY14 of $1,013 million, as compared with $967 million for FY13, an increase of $46 million. IFC sells equity investments where IFC's developmental role was complete, and where pre-determined sales trigger levels had been met and, where applicable, lock ups have expired.

Total realized gains on equity investments are concentrated—in FY14, thirteen investments generated individual capital gains in excess of $20 million for a total of $733 million, or 72%, of the FY14 realized gains, compared to ten investments generating individual capital gains in excess of $20 million for a total of $562 million, or 58%, of the FY13 realized gains.

Dividend income totaled $274 million, as compared with $248 million in FY13, an increase of $26 million. Dividend income in FY14 included returns from four unincorporated joint ventures (UJVs) in the oil, gas and mining sectors accounted for under the cost recovery method, which totaled $19 million, as compared with $36 million from four such UJVs in FY13.

Other-than-temporary impairments on equity investments totaled $268 million in FY14 ($161 million on equity investments accounted for as available-for-sale; and $107 million on equity investments accounted for at cost less impairment), as compared with $441 million in FY13 ($289 million on equity investments accounted for as available-for-sale; and $152 million on equity investments accounted for at cost less impairment). In FY14, one investment generated individual other-than-temporary impairments in excess of $20 million for a total of $34 million. In FY13, three investments generated individual other-than-temporary impairments in excess of $20 million for a total of $90 million. Lower impairments in FY14 when compared to FY13, reflected the recovery in main emerging equity markets in FY14, following the market corrections that occurred in the second half of FY13 that led to significantly larger impairments of $297 million in the second half of FY13.

Net unrealized gains on equity investments and associated derivatives in FY14 totaled $256 million, as compared with net unrealized losses of $34 million in FY13. One investment accounted for $181 million of the unrealized gains in FY14 and $145 million in the three months ended June 30, 2014 (FY14 Q4). Six investments in equity funds accounted for $31 million of the unrealized losses in FY14. In FY13 one investment accounted for $217 million of the unrealized gains. Seven investments in equity funds accounted for $162 million of the unrealized losses in FY13. Individual investments in such funds provided a significant component of such unrealized gains and losses.

INCOME FROM DEBT SECURITIES AND REALIZED GAINS AND LOSSES ON DEBT SECURITIES AND ASSOCIATED DERIVATIVES

Income from debt securities and realized gains and losses on debt securities and associated derivatives increased to $89 million in FY14 from $69 million in FY13, an increase of $20 million. The largest components of the increase were lower other-than-temporary impairments ($33 million) in FY14 when compared with FY13. Realized gains on debt securities were $13 million lower in FY14 as compared to FY13.

PROVISION FOR LOSSES ON LOANS AND GUARANTEES AND OTHER RECEIVABLES

The quality of IFC's loan portfolio, as measured by average country risk ratings and average credit risk ratings was substantially unchanged during FY14. By another measure, non-performing loans increased from $1,272 million of the disbursed loan portfolio at June 30, 2013 to $1,342 million at June 30, 2014. IFC recorded provision for losses on loans, guarantees and other receivables of $88 million in FY14 ($127 million of specific provisions for losses on loans, $44 million release of portfolio provisions for losses on loans, and $5 million of provision for losses on guarantees and other receivables) as compared to provisions for losses of $243 million in FY13 ($298 million of specific provisions for losses on loans, $49 million release of portfolio provisions for losses on loans and $6 million release of provision for losses on guarantees and other receivables).

On June 30, 2014, IFC's total reserves against losses on loans were 6.9% of the disbursed loan portfolio (7.2% at June 30, 2013).

Specific reserves against losses at June 30, 2014 of $838 million ($741 million at June 30, 2013) are held against impaired loans of $1,725 million ($1,403 million at June 30, 2013), a coverage ratio of 49% (53%).

INCOME FROM LIQUID ASSET TRADING ACTIVITIES

The liquid assets portfolio, net of derivatives and securities lending activities, increased from $31.2 billion at June 30, 2013, to $33.7 billion at June 30, 2014. Income from liquid asset trading activities totaled $599 million in FY14 ($500 million in FY13). In FY14 and FY13, all liquid asset portfolios outperformed their respective benchmarks.

Interest income in FY14 totaled $533 million. In addition, the portfolio of ABS and MBS experienced fair value gains totaling $67 million in FY14. Holdings in other products, including US Treasuries, global government bonds, high quality corporate bonds and derivatives generated $1 million of losses in FY14, a net gain of $66 million.

At June 30, 2014, trading securities with a fair value of $188 million are classified as Level 3 securities ($85 million on June 30, 2013).

CHARGES ON BORROWINGS

IFC's charges on borrowings decreased by $24 million, from $220 million in FY13 to $196 million in FY14, largely reflecting the lower US dollar interest rate environment partly offset by increased level of borrowings, when comparing FY14 and FY13. During FY14, IFC repurchased and retired $1.4 billion of its market borrowings ($0.4 billion in FY13). Charges on borrowings of $196 million in FY14 ($220 million in FY13) are reported net of gains on buybacks of $3 million ($11 million in FY13).

The weighted average rate of IFC's borrowings outstanding from market sources, after the effects of borrowing-related derivatives, and excluding short-term borrowings from market and other sources, remained as 0.4% at June 30, 2014, same as 0.4% at June 30, 2013. The size of the borrowings portfolio (excluding the short-term borrowings), net of borrowing-related derivatives and before fair value adjustments, increased by $3.9 billion during FY14 from $43.9 billion at June 30, 2013, to $47.8 billion at June 30, 2014.

OTHER INCOME

Other income of $461 million for FY14 was $20 million higher than in FY13 ($441 million). Other income in FY14 includes management fees and service fee reimbursements of $57 million ($40 million in FY13) from IFC's consolidated subsidiary, AMC, and income from advisory services of $254 million ($239 million in FY13). In FY14, income from advisory services comprised $216 million of donor funds utilized ($210 million—FY13) and $38 million of fees from clients and administrative fees from donors ($29 million—FY13).

OTHER EXPENSES

Administrative expenses (the principal component of other expenses) increased by $43 million from $845 million in FY13 to $888 million in FY14, driven largely by a $21 million increase in Advisory services expenses included in Administrative expenses, and salary increases to staff and increases in staffing. Administrative expenses include the grossing-up effect of certain revenues and expenses attributable to IFC's reimbursable program and expenses incurred in relation to workout situations (Jeopardy Projects) ($26 million in FY14 unchanged from FY13).

IFC recorded expenses from pension and other postretirement benefit plans in FY14 of $173 million, as compared with $173 million in FY13.

Advisory services expenses totaled $324 million in FY14 ($351 million in FY13). The decrease in advisory services expenses is principally due to mainstreaming of advisory services expenses whereby administrative expenses related to advisory services are now reflected in Administrative expenses. Advisory services expenses included $216 million of funds contributed by donors that were utilized in the provision of advisory services in FY14 ($210 million—FY13).

NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS

As discussed in more detail in Note A to IFC's FY14 Consolidated Financial Statements, 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) all swapped market borrowings; and (ii) unrealized gains and losses on certain loans, debt securities and associated derivatives, and (iii) substantially all market borrowings.

The resulting effects of fair value accounting for these non-trading financial instruments on net income in FY14 and FY13 are summarized as follows:

TABLE 17: NET UNREALIZED GAINS AND LOSSES ON NON-TRADING FINANCIAL INSTRUMENTS FY14 VS FY13 (US$ MILLIONS)

	FY14	FY13
Unrealized gains and losses on loans, debt securities and associated derivatives	$ 31	$409
Unrealized gains and losses on market borrowings and associated derivatives, net	(74)	32
Net unrealized gains and losses on other non-trading financial instruments accounted for at fair value	$(43)	$441

Changes in the fair value of IFC's market borrowings and associated derivatives, net, includes the impact of changes in IFC's own credit spread when measured against US$ LIBOR. As credit spreads widen, unrealized gains are recorded and when credit spreads narrow, unrealized losses are recorded (notwithstanding the impact of other factors, such as changes in risk-free interest and foreign currency exchange rates). The magnitude and direction (gain or loss) can be volatile from period to period but do not alter cash flow. IFC's policy is to generally match currency, amount and timing of cash flows on market borrowings with cash flows on associated derivatives entered into contemporaneously.

In FY13, interest rate levels remained stable through the first nine months of the year, then, in the last three months of FY13, bond markets weakened on the prospect of tighter liquidity conditions amid signs of accelerating US economic activity. Benchmark 5 year US$ interest rates jumped around 50 basis points during the last three months of FY13 causing large revaluation gains on IFC's portfolio of medium to long term borrowings, offset by losses on associated derivatives. Credit spreads for benchmark IFC USD issuance deteriorated by around 10 basis points in FY13 contributing to overall unrealized gains on market borrowings and associated derivatives of $32 million.

In FY14, modest revaluation losses were incurred on market borrowings, on balance, across funding currency portfolios that were not fully offset by gains on related economic hedges. The cost of economically hedging borrowing in US dollars after swaps was largely unchanged with respect to the US dollar benchmark in FY14 compared to FY13. The cost of economically hedging in Japanese yen and Australian dollars was moderately more expensive in FY14 than in FY13, while the cost of hedging the fair value of New Zealand dollar borrowings fell in FY14. As a result, IFC has reported net $74 million of unrealized losses on market borrowings and associated derivatives in FY14 ($32 million of unrealized gains for the same period in FY13).

IFC reported net unrealized gains on loans, debt securities and associated derivatives (principally conversion features, warrants and interest rate and currency swaps economically hedging the fixed rate and/or non-US$ loan portfolio) of $31 million in FY14 ($409 million in FY13).

GRANTS TO IDA

During FY14, IFC recorded a grant to IDA of $251 million, as compared with $340 million in FY13.

OTHER COMPREHENSIVE INCOME

UNREALIZED GAINS AND LOSSES ON EQUITY INVESTMENTS AND DEBT SECURITIES

IFC's investments in debt securities and equity investments that are listed in markets that provide readily determinable fair values are classified as available-for-sale, with unrealized gains and losses on such investments being reported in OCI until realized. When realized, the gain or loss is transferred to net income. Changes in unrealized gains and losses on equity investments and debt securities reported in OCI are significantly impacted by (i) the global environment for emerging markets; and (ii) the realization of gains on sales of such equity investments and debt securities.

The net change in unrealized gains and losses on equity investments and debt securities in OCI can be summarized as follows:

TABLE 18: CHANGE IN OTHER COMPREHENSIVE INCOME – UNREALIZED GAINS AND LOSSES ON EQUITY INVESTMENTS AND DEBT SECURITIES FY14 VS FY13 (US$ MILLIONS)

	FY14	FY13
Net unrealized gains and losses on equity investments arising during the year:		
Unrealized gains	$ 882	$ 757
Unrealized losses	(228)	(396)
Reclassification adjustment for realized gains and other-than-temporary impairments included in net income	(312)	24
Net unrealized gains and losses on equity investments	$ 342	$ 385
Net unrealized gains and losses on debt securities arising during the year		
Unrealized gains	$ 154	$ 194
Unrealized losses	(93)	(201)
Reclassification adjustment for realized gains, non-credit related portion of impairments which were recognized in net income and other-than-temporary included in net income	(16)	29
Net unrealized gains and losses on debt securities	$ 45	$ 22
Total unrealized gains and losses on equity investments and debt securities	$ 387	$ 407

UNRECOGNIZED NET ACTUARIAL GAINS AND LOSSES AND UNRECOGNIZED PRIOR SERVICE COSTS ON BENEFIT PLANS

Changes in the funded status of pension and other postretirement benefit plans are recognized in OCI, to the extent they are not recognized in net income under periodic benefit cost for the year.

During FY14, IFC experienced a loss of $269 million primarily due to $244 million of unrecognized net actuarial losses, resulting largely from the decrease in the discount rates used to determine the projected benefit obligations. The discount rate assumptions used to determine the projected benefit obligation for the Staff Retirement Plan and Post-Employment Benefits Plan decreased from 4.6% at June 30, 2013 to 4.2% at June 30, 2014 and from 4.5% at June 30, 2013 to 4.3% at June 30, 2014, respectively.

VIII. GOVERNANCE AND CONTROL

SENIOR MANAGEMENT CHANGES DURING FY15

During FY14, IFC announced a series of steps to simplify IFC's organizational structure and deepen IFC's engagement within the WBG. Accordingly, the regional Vice Presidencies, the Risk Management and Portfolio Vice Presidency and the Business Advisory Services Vice Presidency have been restructured into three new Vice Presidency Units ("VPUs") effective October 1, 2014 as follows:

A new Global Client Services VPU that encompasses investments, advice, and client relationships. The Global Client Services VPU is led by Dimitris Tsitsiragos and Jean Philippe Prosper and consists of a Client Solutions Group and a Client Coverage Group.

A new Corporate Risk & Sustainability VPU that unifies IFC's transaction-enabling services. The Corporate Risk & Sustainability VPU is led by James Scriven and Ethiopis Tafara and consists of three new units; a Transactional Risk Solutions Group, a Corporate Risk management Group, and Corporate Legal. Ethiopis Tafara continues to serve as IFC's General Counsel.

A Global Partnerships VPU to facilitate smooth interaction with our counterparts in the WBG and ensure strong private sector engagement. The Global Partnerships VPU is led by Karin Finkelston and Nena Stoiljkovic and functions through two core units, a Programs Group and a Partner Coverage Group.

The following is a list of the principal officers of IFC as of June 30, 2015:

President	Dr. Jim Yong Kim
Executive Vice President and CEO	Jin-Yong Cai
Vice President, Global Client Services	Dimitris Tsitsiragos
Vice President, Global Client Services	Jean Philippe Prosper
Vice President, Global Partnerships	Karin Finkelston
Vice President, Global Partnerships	Nena Stoiljkovic
General Counsel, and Vice President, Corporate Risk and Sustainability	Ethiopis Tafara
Vice President, Corporate Risk and Sustainability	James Scriven
Vice President, Treasury and Syndications	Jingdong Hua
CEO, IFC Asset Management Company LLC (a wholly-owned subsidiary of IFC)	Gavin E.R. Wilson

SENIOR MANAGEMENT CHANGES SINCE JUNE 30, 2015

The following changes became effective July 1, 2015:

Nena Stoiljkovic assumed the role of Vice President, Global Client Services. Jean Philippe Prosper left the position of Vice President, Global Client Services and became an Adviser to IFC's Executive Vice President and CEO. Karin Finkelston left the position of Vice President, Global Partnerships to become Vice President and Chief Operating Officer of MIGA. Saran Kebet-Koulibaly assumed the role of Vice President, Corporate Risk and Sustainability. The units that previously reported to the Co-Vice Presidents, Global Partnerships, were realigned with synergistic functional areas in IFC.

GENERAL GOVERNANCE

IFC's decision-making structure consists of the Board of Governors, the Board of Directors, the President, the Executive Vice President and CEO, 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 the Articles of Agreement.

BOARD MEMBERSHIP

In accordance with its 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 has established several Committees. These include:

› Audit Committee

› Budget Committee

› Committee on Development Effectiveness

› Committee on Governance and Executive Directors' Administrative Matters

› Ethics Committee

› Human Resources Committee

The Board and its committees are in continuous session at the main IBRD offices in Washington DC, as business requires. Each committee's terms of reference establishes 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 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 on other matters.

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 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 Internal Audit Department.

› Adequacy and effectiveness of financial, accounting and 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, compliance in IFC.

› Oversight of the institutional arrangements and processes for risk management across IFC.

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

EXECUTIVE SESSIONS

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

ACCESS TO RESOURCES AND TO MANAGEMENT

Throughout the year, the Committee receives a large volume of information to enable it to carry out its duties. The Committee 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 Committee has the authority to seek advice and assistance from outside legal, accounting, or other advisors as it deems necessary.

BUSINESS CONDUCT

The WBG promotes a positive work environment in which staff members understand their ethical obligations to the institution. In support of this commitment, the institution has in place a Code of Conduct. The WBG has both an Ethics HelpLine 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 in place procedures 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 operations or governance of the WBG. These rules also offer protection from retaliation.

AUDITOR INDEPENDENCE

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

- Prohibiting the external auditor from providing any 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 Committee; and
- Mandatory rebidding of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter, provided however that the Committee may exceptionally recommend that the incumbent audit firm should be allowed to participate in the re-bidding.

The external auditor is appointed to a five-year term and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board. In FY14, KPMG LLP began a second five-year term as IFC's external auditor.

Communication between the external auditor and the Committee is ongoing and carried out as often as deemed necessary by either party. The 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 audit committees set out under generally accepted auditing standards in the United States of America.

INTERNAL CONTROL

INTERNAL CONTROL OVER FINANCIAL REPORTING

In May, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued its updated "Internal Control—Integrated Framework (2013)". The 2013 COSO framework, which provides guidance for designing, implementing and conducting internal control and assessing its effectiveness, updates the original COSO framework, which was published in 1992. IFC used the 2013 COSO framework to assess the effectiveness of the internal control over financial reporting as of June 30, 2015.

Concurrently, IFC's external auditor provides an attestation report on whether Management's assertion statement regarding the effectiveness of internal control over external financial reporting is fairly stated in all material respects. See "Management's Report Regarding Effectiveness of Internal Control over External Financial Reporting" on page 34.

For each fiscal year, Management evaluates the internal controls over external 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 external financial reporting. As of June 30, 2015, these controls were determined to be effective.

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 Executive Vice President and CEO, the Vice President, World Bank Group Controller and IFC's Chief Administrative Officer, noted by the Managing Director and World Bank Group Chief Financial Officer have concluded that these controls and procedures were effective as of June 30, 2015.

International Finance Corporation
WORLD BANK GROUP

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

August 6, 2015

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, as such, 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 attestation of its internal control over financial reporting were valid and appropriate. The independent auditor's reports accompany the audited consolidated financial statements.

Management is responsible for establishing and maintaining effective internal control over external 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 controls for external financial reporting, which are subject to scrutiny by management and the internal auditors, and are revised as considered necessary, support 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 control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

IFC assessed its internal control over external financial reporting for financial statement presentation in conformity with US GAAP as of June 30, 2015. This assessment was based on the criteria for effective internal control over external financial reporting described in *Internal Control – 2013 Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IFC maintained effective internal control over external financial reporting presented in conformity with US GAAP as of June 30, 2015. The independent audit firm that audited the consolidated financial statements has issued an attestation report on management's assertion 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 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 external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

08/05/15

Jim Yong Kim
President

Jin-Yong Cai
Executive Vice President and CEO

Bernard Lauwers
Vice President, World Bank Group Controller and IFC's Chief Administrative Officer

Noted:

Bertrand Badré
Managing Director and World Bank Group Chief Financial Officer

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Board of Directors
International Finance Corporation:

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the International Finance Corporation (IFC) maintained effective internal control over financial reporting as of June 30, 2015, based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IFC's management is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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 evaluation 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.

In our opinion, management's assertion that IFC maintained effective internal control over financial reporting as of June 30, 2015 is fairly stated, in all material respects, based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying consolidated financial statements of IFC, which comprise of the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of income, changes in capital, and cash flows for each of the years in the three-year period ended June 30, 2015, and our report dated August 6, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

August 6, 2015

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED BALANCE SHEETS

as of June 30, 2015 and June 30, 2014
(US$ millions)

		2015		2014
Assets				
Cash and due from banks	$	1,509	$	819
Time deposits - Note C		7,509		5,916
Trading securities - Notes C and R		34,731		33,287
Securities purchased under resale agreements - Notes C and W		68		420
Investments - Notes B, D, E, F, G, R and T				
Loans				
($784 - June 30, 2015 and $683 - June 30, 2014 at fair value; $0 - June 30, 2015 and $30 - June 30, 2014 at lower of cost or fair value; net of reserve against losses of $1,743 - June 30, 2015 and $1,686 - June 30, 2014) - Notes D, E and R		21,336		22,589
Equity investments				
($10,253 - June 30, 2015 and $10,023 - June 30, 2014 at fair value) - Notes B, D, G and R		13,503		12,988
Debt securities - Notes D, F and R		2,739		2,599
Total investments		37,578		38,176
Derivative assets - Notes Q, R and W		3,255		2,913
Receivables and other assets - Note J		2,898		2,599
Total assets	**$**	**87,548**	**$**	**84,130**
Liabilities and capital				
Liabilities				
Securities sold under repurchase agreements and payable for cash collateral received - Notes C and W	$	4,695	$	5,288
Borrowings outstanding - Notes K and R				
From market and other sources at amortized cost		1,587		1,726
From market sources at fair value		48,329		47,534
From International Development Association at fair value		1,136		-
From International Bank for Reconstruction and Development at amortized cost		213		221
Total borrowings		51,265		49,481
Derivative liabilities - Notes Q, R and W		4,225		1,985
Payables and other liabilities - Note L		2,937		3,386
Total liabilities		**63,122**		**60,140**
Capital				
Capital stock, authorized (2,580,000 – June 30, 2015 and June 30, 2014) shares of $1,000 par value each – Note M				
Subscribed and paid-in		2,566		2,502
Accumulated other comprehensive income - Note O		1,197		1,239
Retained earnings - Note O		20,641		20,196
Total IFC capital		24,404		23,937
Non-controlling interests		22		53
Total capital		24,426		23,990
Total liabilities and capital	**$**	**87,548**	**$**	**84,130**

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED INCOME STATEMENTS

for each of the three years ended June 30, 2015
(US$ millions)

	2015	2014	2013
Income from investments			
Income from loans and guarantees, realized gains and losses on loans and associated derivatives - Note E	$ 1,123	$ 1,065	$ 996
Provision for losses on loans, guarantees and other receivables - Note E	(171)	(88)	(243)
Income from equity investments and associated derivatives - Note G	427	1,289	732
Income from debt securities and realized gains and losses on debt securities and associated derivatives - Note F	132	89	69
Total income from investments	**1,511**	**2,355**	**1,554**
Income from liquid asset trading activities - Note C	467	599	500
Charges on borrowings - Note K	(258)	(196)	(220)
Income from investments and liquid asset trading activities, after charges on borrowings	**1,720**	**2,758**	**1,834**
Other income			
Advisory services income	244	254	239
Service fees	137	75	101
Other - Notes B and N	124	132	101
Total other income	**505**	**461**	**441**
Other expenses			
Administrative expenses - Note X	(901)	(888)	(845)
Advisory services expenses	(285)	(324)	(351)
Expense from pension and other postretirement benefit plans - Note V	(197)	(173)	(173)
Other - Note B	(40)	(33)	(32)
Total other expenses	**(1,423)**	**(1,418)**	**(1,401)**
Foreign currency transaction gains and losses on non-trading activities	53	(19)	35
Income before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**855**	**1,782**	**909**
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value - Note P	(106)	(43)	441
Income before grants to IDA	**749**	**1,739**	**1,350**
Grants to IDA - Note O	(340)	(251)	(340)
Net income	**409**	**1,488**	**1,010**
Less: Net losses (gains) attributable to non-controlling interests	36	(5)	8
Net income attributable to IFC	**$ 445**	**$ 1,483**	**$ 1,018**

The notes to the Consolidated Financial Statements are an integral part of these statements

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for each of the three years ended June 30, 2015
(US$ millions)

	2015	2014	2013
Net income attributable to IFC	**$ 445**	**$ 1,483**	**$ 1,018**
Other comprehensive (loss) income			
Unrealized gains and losses on debt securities			
Net unrealized gains and losses on available-for-sale debt securities arising during the year	(72)	61	(7)
Reclassification adjustment for realized gains included in net income (Income from debt securities and realized gains and losses on debt securities and associated derivatives)	(40)	(29)	(17)
Reclassification adjustment for other-than-temporary impairments included in net income (Income from debt securities and realized gains and losses on debt securities and associated derivatives)	33	13	46
Net unrealized (losses) gains on debt securities	**(79)**	**45**	**22**
Unrealized gains and losses on equity investments			
Net unrealized gains and losses on equity investments arising during the year	268	654	361
Reclassification adjustment for realized gains included in net income (Income from equity investments and associated derivatives)	(774)	(473)	(265)
Reclassification adjustment for other-than-temporary impairments included in net income (Income from equity investments and associated derivatives)	381	161	289
Net unrealized (losses) gains on equity investments	**(125)**	**342**	**385**
Net unrecognized net actuarial losses and unrecognized prior service credits (costs) on benefit plans - Note V	162	(269)	201
Total other comprehensive (loss) income	**(42)**	**118**	**608**
Total comprehensive income attributable to IFC	**$ 403**	**$ 1,601**	**$ 1,626**

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL

for each of the three years ended June 30, 2015
(US$ millions)

	Attributable to IFC							
	Undesignated retained earnings	Designated retained Earnings	**Total retained earnings**	Accumulated other comprehensive income - Note O	Capital stock	**Total IFC capital**	Non-controlling interests	**Total capital**
At June 30, 2012	**$ 17,373**	**$ 322**	**$ 17,695**	**$ 513**	**$ 2,372**	**$ 20,580**	**$ -**	**$ 20,580**
Year ended June 30, 2013								
Net income attributable to IFC	1,018		1,018			1,018		1,018
Other comprehensive income attributable to IFC				608		608		608
Designation of retained earnings - Note O	(420)	420	-			-		-
Payments received for IFC capital stock subscribed					31	31		31
Expenditures against designated retained earnings - Note O	464	(464)	-			-		-
Non-controlling interests issued							46	46
Net loss attributable to non-controlling interests							(8)	(8)
At June 30, 2013	**$ 18,435**	**$ 278**	**$ 18,713**	**$ 1,121**	**$ 2,403**	**$ 22,237**	**$ 38**	**$ 22,275**
Year ended June 30, 2014								
Net income attributable to IFC	1,483		1,483			1,483		1,483
Other comprehensive income attributable to IFC				118		118		118
Payments received for IFC capital stock subscribed					99	99		99
Designation of retained earnings - Note O	(251)	251	-			-		-
Expenditures against designated retained earnings - Note O	335	(335)	-			-		-
Non-controlling interests issued							10	10
Net gains attributable to non-controlling interests							5	5
At June 30, 2014	**$ 20,002**	**$ 194**	**$ 20,196**	**$ 1,239**	**$ 2,502**	**$ 23,937**	**$ 53**	**$ 23,990**

The notes to the Consolidated Financial Statements are an integral part of these statements

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL

for each of the three years ended June 30, 2015
(US$ millions)

	Attributable to IFC						Non-controlling interests	Total capital
	Undesignated retained earnings	Designated retained Earnings	**Total retained earnings**	Accumulated other comprehensive income - Note O	Capital stock	**Total IFC capital**		
At June 30, 2014	**$ 20,002**	**$ 194**	**$ 20,196**	**$ 1,239**	**$ 2,502**	**$ 23,937**	**$ 53**	**$ 23,990**
Year ended June 30, 2015								
Net income attributable to IFC	445		445			445		445
Other comprehensive loss attributable to IFC				(42)		(42)		(42)
Payments received for IFC capital stock subscribed					64	64		64
Designation of retained earnings - Note O	(398)	398	-			-		-
Expenditures against designated retained earnings - Note O	408	(408)	-			-		-
Non-controlling interests issued							5	5
Net losses attributable to non-controlling interests							(36)	(36)
At June 30, 2015	**$ 20,457**	**$ 184**	**$ 20,641**	**$ 1,197**	**$ 2,566**	**$ 24,404**	**$ 22**	**$ 24,426**

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

for each of the three years ended June 30, 2015
(US$ millions)

	2015	2014	2013
Cash flows from investing activities			
Loan disbursements	$ (6,359)	$ (6,702)	$ (6,940)
Investments in equity securities	(2,299)	(1,528)	(2,549)
Investments in debt securities	(600)	(669)	(523)
Loan repayments	6,269	4,925	5,321
Debt securities repayments	256	244	377
Proceeds from sales of loans	19	2	-
Proceeds from sales of equity investments	2,301	1,810	1,502
Proceeds from sales of debt securities	110	13	35
Net cash used in investing activities	**(303)**	**(1,905)**	**(2,777)**
Cash flows from financing activities			
Medium and long-term borrowings			
Issuance	15,462	15,515	12,718
Retirement	(9,290)	(11,226)	(9,481)
Medium and long-term borrowings related derivatives, net	(688)	(137)	401
Short-term borrowings, net	(286)	(106)	(337)
Capital subscriptions	64	99	31
Non-controlling interests issued	5	10	46
Net cash provided by financing activities	**5,267**	**4,155**	**3,378**
Cash flows from operating activities			
Net income attributable to IFC	445	1,483	1,018
Add: Net (losses) gains attributable to non-controlling interests	(36)	5	(8)
Net income	409	1,488	1,010
Adjustments to reconcile net income to net cash used in operating activities:			
Realized (gains) losses on loans and associated derivatives, net	(57)	(9)	8
Realized gains on debt securities and associated derivatives, net	(46)	(29)	(42)
Gains on equity investments and related derivatives, net	(886)	(1,269)	(933)
Provision for losses on loans and guarantees	171	88	243
Other-than-temporary impairments on debt securities	33	13	46
Other-than-temporary impairments on equity investments	732	268	441
Net premiums received at issuance of borrowings	13	4	-
Net discounts paid on retirement of borrowings	(5)	(5)	(2)
Net realized gains on extinguishment of borrowings	(2)	(3)	(11)
Foreign currency transaction (gains) losses on non-trading activities	(53)	19	(35)
Net unrealized losses (gains) on non-trading financial instruments accounted for at fair value	106	43	(441)
Change in accrued income on loans, time deposits and securities	(69)	(45)	18
Change in payables and other liabilities	(163)	1,179	(666)
Change in receivables and other assets	(197)	(63)	696
Change in trading securities and securities purchased and sold under resale and repurchase agreements	(3,245)	(3,418)	(1,800)
Net cash used in operating activities	**(3,259)**	**(1,739)**	**(1,468)**
Change in cash and cash equivalents	1,705	511	(867)
Effect of exchange rate changes on cash and cash equivalents	578	(281)	325
Net change in cash and cash equivalents	2,283	230	(542)
Beginning cash and cash equivalents	6,735	6,505	7,047
Ending cash and cash equivalents	**$ 9,018**	**$ 6,735**	**$ 6,505**
Composition of cash and cash equivalents			
Cash and due from banks	$ 1,509	$ 819	$ 616
Time deposits	7,509	5,916	5,889
Total cash and cash equivalents	**$ 9,018**	**$ 6,735**	**$ 6,505**

The notes to the Consolidated Financial Statements are an integral part of these statements

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

for each of the three years ended June 30, 2015
(US$ millions)

	2015	2014	2013
Supplemental disclosure			
Change in ending balances resulting from currency exchange rate fluctuations:			
Loans outstanding	$ (1,076)	$ 68	$ 21
Debt securities	(115)	(8)	(19)
Loan and debt security-related currency swaps	1,195	(19)	63
Borrowings	4,129	(269)	1,868
Borrowing-related currency swaps	(3,895)	236	(1,876)
Charges on borrowings paid, net	$ 237	$ 200	$ 277
Non-cash items:			
Loan and debt security conversion to equity, net	$ 210	$ 18	$ 77
Increase in net assets due to exchange, recorded at fair value, of equity investment for non-cash asset	$ -	$ -	$ 217

INTERNATIONAL FINANCE CORPORATION

CONSOLIDATED STATEMENT OF CAPITAL STOCK AND VOTING POWER

as of June 30, 2015

(US$ thousands)

	Capital Stock		Voting Power	
Members	Amount paid	Percent of total	Number of votes	Percent of total
Afghanistan	111	*	931	0.03
Albania	1,302	0.05	2,122	0.08
Algeria	5,784	0.23	6,604	0.24
Angola	1,481	0.06	2,301	0.08
Antigua and Barbuda	13	*	833	0.03
Argentina	42,405	1.65	43,225	1.59
Armenia	992	0.04	1,812	0.07
Australia	47,329	1.84	48,149	1.77
Austria	19,741	0.77	20,561	0.76
Azerbaijan	2,367	0.09	3,187	0.12
Bahamas, The	335	0.01	1,155	0.04
Bahrain	1,746	0.07	2,566	0.09
Bangladesh	9,632	0.38	10,452	0.38
Barbados	361	0.01	1,181	0.04
Belarus	5,267	0.21	6,087	0.22
Belgium	50,610	1.97	51,430	1.89
Belize	101	*	921	0.03
Benin	119	*	939	0.03
Bhutan	720	0.03	1,540	0.06
Bolivia	1,902	0.07	2,722	0.10
Bosnia and Herzegovina	620	0.02	1,440	0.05
Botswana	113	*	933	0.03
Brazil	55,585	2.17	56,405	2.08
Bulgaria	4,934	0.19	5,754	0.21
Burkina Faso	836	0.03	1,656	0.06
Burundi	100	*	920	0.03
Cabo Verde	15	*	835	0.03
Cambodia	339	0.01	1,159	0.04
Cameroon	885	0.03	1,705	0.06
Canada	81,342	3.17	82,162	3.02
Central African Republic	119	*	939	0.03
Chad	1,364	0.05	2,184	0.08
Chile	12,647	0.49	13,467	0.50
China	61,756	2.41	62,576	2.30
Colombia	13,658	0.53	14,478	0.53
Comoros	14	*	834	0.03
Congo, Dem. Rep. of	2,159	0.08	2,979	0.11
Congo, Republic of	131	0.01	951	0.04
CostaRica	952	0.04	1,772	0.07
Côted'Ivoire	3,544	0.14	4,364	0.16
Croatia	2,882	0.11	3,702	0.14
Cyprus	2,139	0.08	2,959	0.11
Czech Republic	8,913	0.35	9,733	0.36
Denmark	18,554	0.72	19,374	0.71
Djibouti	21	*	841	0.03
Dominica	42	*	862	0.03
Dominican Republic	1,187	0.05	2,007	0.07
Ecuador	2,161	0.08	2,981	0.11
Egypt, Arab Republic of	13,380	0.52	14,200	0.52
El Salvador	29	*	849	0.03
Equatorial Guinea	43	*	863	0.03
Eritrea	935	0.04	1,755	0.06
Estonia	1,434	0.06	2,254	0.08
Ethiopia	127	*	947	0.03
Fiji	287	0.01	1,107	0.04
Finland	15,697	0.61	16,517	0.61
France	121,015	4.72	121,835	4.48
Gabon	1,268	0.05	2,088	0.08
Gambia, The	94	*	914	0.03
Georgia	1,380	0.05	2,200	0.08
Germany	128,908	5.02	129,728	4.77
Ghana	5,546	0.22	6,366	0.23
Greece	6,898	0.27	7,718	0.28
Grenada	74	*	894	0.03
Guatemala	1,084	0.04	1,904	0.07
Guinea	339	0.01	1,159	0.04
Guinea-Bissau	18	*	838	0.03
Guyana	1,392	0.05	2,212	0.08
Haiti	822	0.03	1,642	0.06
Honduras	495	0.02	1,315	0.05
Hungary	11,771	0.46	12,591	0.46
Iceland	42	*	862	0.03
India	102,947	4.01	103,767	3.82
Indonesia	31,602	1.23	32,422	1.19
Iran, Islamic Republic of	1,444	0.06	2,264	0.08
Iraq	147	0.01	967	0.04
Ireland	1,290	0.05	2,110	0.08
Israel	2,135	0.08	2,955	0.11
Italy	81,342	3.17	82,162	3.02
Jamaica	4,282	0.17	5,102	0.19
Japan	162,534	6.33	163,354	6.01
Jordan	941	0.04	1,761	0.06
Kazakhstan	4,637	0.18	5,457	0.20
Kenya	4,041	0.16	4,861	0.18
Kiribati	12	*	832	0.03
Korea, Republic of	28,148	1.10	28,968	1.07
Kosovo	1,454	0.06	2,274	0.08
Kuwait	15,073	0.59	15,893	0.58
Kyrgyz Republic	1,720	0.07	2,540	0.09
Lao People's Dem. Rep	278	0.01	1,098	0.04
Latvia	2,150	0.08	2,970	0.11
Lebanon	135	0.01	955	0.04

	Capital Stock		Voting Power	
Members	Amount paid	Percent of total	Number of votes	Percent of total
Lesotho	71	*	891	0.03
Liberia	83	*	903	0.03
Libya	55	*	875	0.03
Lithuania	2,341	0.09	3,161	0.12
Luxembourg	2,139	0.08	2,959	0.11
Macedonia, FYR of	536	0.02	1,356	0.05
Madagascar	432	0.02	1,252	0.05
Malawi	1,822	0.07	2,642	0.10
Malaysia	16,606	0.65	17,426	0.64
Maldives	16	*	836	0.03
Mali	451	0.02	1,271	0.05
Malta	1,615	0.06	2,435	0.09
Marshall Islands	663	0.03	1,483	0.05
Mauritania	214	0.01	1,034	0.04
Mauritius	1,665	0.06	2,485	0.09
Mexico	30,532	1.19	31,352	1.15
Micronesia, Fed. States of	744	0.03	1,564	0.06
Moldova	1,192	0.05	2,012	0.07
Mongolia	144	0.01	964	0.04
Montenegro	1,035	0.04	1,855	0.07
Morocco	9,635	0.38	10,455	0.38
Mozambique	322	0.01	1,142	0.04
Myanmar	666	0.03	1,486	0.05
Namibia	404	0.02	1,224	0.05
Nepal	822	0.03	1,642	0.06
Netherlands	56,131	2.19	56,951	2.10
New Zealand	3,583	0.14	4,403	0.16
Nicaragua	715	0.03	1,535	0.06
Niger	147	0.01	967	0.04
Nigeria	27,672	1.08	28,492	1.05
Norway	17,599	0.69	18,419	0.68
Oman	1,187	0.05	2,007	0.07
Pakistan	21,292	0.83	22,112	0.81
Palau	25	*	845	0.03
Panama	1,007	0.04	1,827	0.07
Papua New Guinea	1,147	0.04	1,967	0.07
Paraguay	436	0.02	1,256	0.05
Peru	8,373	0.33	9,193	0.34
Philippines	13,658	0.53	14,478	0.53
Poland	7,605	0.30	8,425	0.31
Portugal	8,324	0.32	9,144	0.34
Qatar	1,650	0.06	2,470	0.09
Romania	4,278	0.17	5,098	0.19
Russian Federation	102,853	4.01	103,673	3.82
Rwanda	306	0.01	1,126	0.04
Samoa	35	*	855	0.03
Sao Tome and Principe	439	0.02	1,259	0.05
Saudi Arabia	51,038	1.99	51,858	1.91
Senegal	2,299	0.09	3,119	0.11
Serbia	1,803	0.07	2,623	0.10
Seychelles	27	*	847	0.03
Sierra Leone	223	0.01	1,043	0.04
Singapore	177	0.01	997	0.04
Slovak Republic	4,457	0.17	5,277	0.19
Slovenia	1,585	0.06	2,405	0.09
Solomon Islands	37	*	857	0.03
Somalia	83	*	903	0.03
South Africa	17,418	0.68	18,238	0.67
South Sudan	1,880	0.07	2,700	0.10
Spain	37,026	1.44	37,846	1.39
Sri Lanka	7,491	0.29	8,311	0.31
St. Kitts and Nevis	638	0.02	1,458	0.05
St. Lucia	74	*	894	0.03
Sudan	111	*	931	0.03
Suriname	620	0.02	1,440	0.05
Swaziland	684	0.03	1,504	0.06
Sweden	26,876	1.05	27,696	1.02
Switzerland	44,063	1.72	44,883	1.65
Syrian Arab Republic	194	0.01	1,014	0.04
Tajikistan	1,212	0.05	2,032	0.07
Tanzania	1,003	0.04	1,823	0.07
Thailand	11,781	0.46	12,601	0.46
Timor-Leste	777	0.03	1,597	0.06
Togo	808	0.03	1,628	0.06
Tonga	34	*	854	0.03
Trinidad and Tobago	4,112	0.16	4,932	0.18
Tunisia	3,566	0.14	4,386	0.16
Turkey	15,837	0.62	16,657	0.61
Turkmenistan	810	0.03	1,630	0.06
Uganda	735	0.03	1,555	0.06
Ukraine	10,159	0.40	10,979	0.40
United Arab Emirates	4,033	0.16	4,853	0.18
United Kingdom	121,015	4.72	121,835	4.48
United States	569,379	22.19	570,199	20.99
Uruguay	3,569	0.14	4,389	0.16
Uzbekistan	3,873	0.15	4,693	0.17
Vanuatu	55	*	875	0.03
Venezuela, Rep. Boliv. de	27,588	1.08	28,408	1.05
Vietnam	446	0.02	1,266	0.05
Yemen, Republic of	715	0.03	1,535	0.06
Zambia	1,286	0.05	2,106	0.08
Zimbabwe	3,215	0.13	4,035	0.15
Total June 30, 2015	2,566,199	100.00+	2,717,079	100.00+
Total June 30, 2014	2,502,450	100.00+	2,649,466	100.00+

* Less than .005 percent

\+ May differ from the sum of the individual percentages shown because of rounding

The notes to the Consolidated Financial Statements are an integral part of these statements

INTERNATIONAL FINANCE CORPORATION

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, and fund investments through the IFC Asset Management Company, LLC 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 AND RELATED POLICIES

The Consolidated Financial Statements include the financial statements of IFC and consolidated subsidiaries as detailed in Note B. The accounting and reporting policies of IFC conform with accounting principles generally accepted in the United States of America (US 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 operation.

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

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. See Notes S and U.

Functional currency – IFC's functional currency is the United States dollar (US dollars 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 reserve against losses on loans and impairment of debt securities and equity investments; estimated fair values of financial instruments accounted for at fair value (including equity investments, debt securities, loans, trading securities and derivative instruments); projected 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 losses on loans and impairment of equity investments. IFC undertakes continuous review and respecification 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) all majority-owned subsidiaries;
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 minority shareholders/limited partners; and
iii) variable interest entities (VIEs) for which IFC is deemed to be the VIE's primary beneficiary (together, consolidated subsidiaries).

Significant intercompany accounts and transactions are eliminated in consolidation.

Equity interests in consolidated subsidiaries held by third parties are referred to as non-controlling interests. Such interests and the amount of consolidated net income/loss attributable to those interests are identified within IFC's consolidated balance sheet and consolidated income statement as "non-controlling interests" and "net gains/losses attributable to non-controlling interests", respectively.

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.

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 unless:

i) the entity has the attributes of an investment company or for which it is industry practice to account for their assets at fair value through earnings;
ii) IFC has an explicit or implicit obligation to fund losses of the entity that could be potentially significant to that entity; and
iii) the entity is a securitization vehicle, an asset-backed financing entity, or an entity that was formerly considered a qualifying special purpose entity, as well as entities that are required to comply with or operate in accordance with requirements that are similar to those included in Rule 2a-7 of the Investment Company Act of 1940.

In those cases, IFC is considered to be the entity's primary beneficiary if it will absorb the majority of the VIE's expected losses or expected residual returns.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

IFC has a number of investments in VIEs that it manages and supervises in a manner consistent with other portfolio investments.

Fair Value Option and Fair Value Measurements – IFC has adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures (ASC 820) and the Fair Value Option subsections of ASC Topic 825, Financial Instruments (ASC 825 or the Fair Value Option). 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 825 permits the measurement of eligible financial assets, financial liabilities and firm commitments at fair value on an instrument-by-instrument basis, 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.

The Fair Value Option
IFC has elected the Fair Value Option for the following financial assets and financial liabilities:

i) investees in which IFC has significant influence:
   a) direct investments in securities issued by the investee and, if IFC would have otherwise been required to apply equity method accounting, all other financial interests in the investee (e.g., loans);
   b) investments in Limited Liability Partnerships (LLPs), Limited Liability Companies (LLCs) and other investment fund structures that maintain specific ownership accounts and loans or guarantees to such;
ii) direct equity investments representing 20 percent or more ownership but in which IFC does not have significant influence;
iii) all equity interests in private equity funds;
iv) certain hybrid instruments in the investment portfolio;
v) all market borrowings, that are economically hedged with financial instruments that are accounted for at fair value with changes therein reported in earnings; and
vi) borrowings from IDA.

All borrowings for which the Fair Value Option has been elected are economically hedged with derivative or other financial instruments that are 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 Fair Value Option 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's, *Derivatives and Hedging* (ASC 815) 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 sheet 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 Fair Value Option is elected, ASC 825 requires the Fair Value Option to also be applied to all eligible financial interests in the same entity. IFC has disbursed loans to certain of such investees; therefore, the Fair Value Option is also applied to those loans. IFC elected the Fair Value Option for equity investments with 20% or more ownership where it does not have significant influence so that the same measurement method (fair value) will be applied to all equity investments with more than 20% ownership.

The FVO has been elected for certain hybrid instruments in the investment portfolio that would otherwise require bifurcation of the host and embedded derivative. Election of the FVO for these instruments eliminates the bifurcation requirement.

Equity securities held by consolidated subsidiaries that are investment companies
Pursuant to ASC Topic 946*, Financial Services - Investment Companies* (ASC 946) and ASC Topic 810, *Consolidation*, equity securities held by consolidated subsidiaries that are investment companies are accounted for at fair value, with unrealized gains and losses reported in earnings.

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. 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, 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.

Notwithstanding the following paragraph, pursuant to ASC Topic 320, *Investments - Debt and Equity Securities* (ASC 320), IFC reports equity investments that are listed in markets that provide readily determinable fair values at fair value, with unrealized gains and losses being reported in other comprehensive income.

The fair value hierarchy established by ASC 820 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.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date. It includes IFC's debt securities and equity investments, which are listed in markets that provide readily determinable fair values, government issues and money market funds in the liquid assets portfolio, and market borrowings that are listed on exchanges.

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 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

executed. Financial instruments categorized as Level 2 include non-exchange-traded derivatives such as interest rate swaps, cross-currency swaps, certain asset-backed securities, as well as the majority of trading securities in the liquid asset portfolio, and the portion of IFC's borrowings accounted for at fair value not included in Level 1.

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 measurement date. It consists of financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are non-observable. 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. Level 3 includes equity and debt securities in the investment portfolios that are not listed in markets that provide readily determinable fair values, all loans for which IFC has elected the Fair Value Option, and certain hard-to-price securities in the liquid assets portfolio.

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 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 – Assets and liabilities not denominated in US dollars, other than disbursed equity investments, are expressed in US dollars at the exchange rates prevailing at June 30, 2015 and June 30, 2014. Disbursed equity investments, other than those accounted for at fair value, are expressed in US dollars at the prevailing exchange rates at the time of disbursement. 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.

Certain loans are carried at fair value in accordance with the Fair Value Option as discussed above. Unrealized gains and losses on loans accounted for at fair value under the Fair Value Option are reported in Net unrealized gains and losses on non-trading financial instruments accounted for at fair value on the consolidated income statement.

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.

Loans held for sale are carried at the lower of cost or fair value. The excess, if any, of amortized cost over fair value is accounted for as a valuation allowance. Changes in the valuation allowance are recognized in net income as they occur.

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 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 balance sheet 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 sheet.

Reserve against losses on loans – IFC recognizes impairment on loans not carried at fair value in the consolidated balance sheet through the reserve against losses on loans, recording a provision or release of provision for losses on loans in net income, which increases or decreases the reserve against losses on loans. Individually impaired loans are measured based on the present value of expected future cash flows to be received, observable market prices, or for loans that are dependent on collateral for repayment, the estimated fair value of the collateral.

The reserve against losses on loans reflects management's estimates of both identified probable losses on individual loans (specific reserves) and probable losses inherent in the portfolio but not specifically identifiable (portfolio reserves). The determination of identified probable losses represents management's judgment of the creditworthiness of the borrower. Reserves against losses are established through a review of individual loans undertaken on a quarterly basis. IFC considers a loan as impaired when, based on current information and events, it is probable that IFC will be unable to collect all amounts due according to the loan's contractual terms. Information and events, with respect to the borrower and/or the economic and political environment in which it operates, considered in determining that a loan is impaired include, but are not limited to, the borrower's financial difficulties, 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. Unidentified probable losses are the losses incurred at the reporting date that have not yet been specifically identified. The risks inherent in the portfolio that are considered in determining unidentified probable losses 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, financial statements. There were no changes, during the periods presented herein, to IFC's accounting policies and methodologies used to estimate its reserve against loan losses.

For purposes of providing certain disclosures about IFC's entire reserve against losses on loans, IFC considers its entire loan portfolio to comprise one portfolio segment. A portfolio segment is the level at which the method for estimating the reserve against losses on loans is developed and documented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Loans are written-off when IFC has exhausted all possible means of recovery, by reducing the reserve against losses on loans. Such reductions in the reserve are partially offset by recoveries, if any, associated with previously written-off loans.

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.

Revenue recognition on equity investments – Equity investments, which are listed in markets that provide readily determinable fair values, are accounted for as available-for-sale securities at fair value with unrealized gains and losses reported in other comprehensive income in accordance with ASC 320. As noted above under "Fair Value Option and Fair Value Measurements", direct equity investments and investments in LLPs and LLCs that maintain separate ownership accounts in which IFC has significant influence, direct equity investments representing 20 percent or more ownership but in which IFC does not have significant influence and all new equity interests in funds are accounted for at fair value under the Fair Value Option. Direct equity investments in which IFC does not have significant influence and which are not listed in markets that provide readily determinable fair values are carried at cost, less impairment. Notwithstanding the foregoing, equity securities held by consolidated subsidiaries that are investment companies are accounted for at fair value, with unrealized gains and losses reported in earnings.

IFC's investments in certain private equity funds in which IFC is deemed to have a controlling financial interest, are fully 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 oil and gas 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 under the Fair Value Option are reported in income from equity investments and associated derivatives on the consolidated income statement. Unrealized gains and losses on equity investments listed in markets that provide readily determinable fair values which are accounted for as available-for-sale are reported in other comprehensive income. Realized gains on the sale or redemption of equity investments are measured against the average cost of the investments sold and are generally recorded as income from equity investments and associated derivatives when received. Capital losses are recognized when incurred.

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 upon 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 and call option and warrant agreements in connection with certain equity investments; these are accounted for in accordance with ASC 815 to the extent they meet the definition of a derivative.

Gains and losses on debt 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 income statement.

Impairment of equity investments – Equity investments accounted for at cost, less impairment and available-for-sale are assessed for impairment each quarter. When impairment is identified, it is generally deemed to be other-than-temporary, and the equity investment is written down to the impaired value, which becomes the new cost basis in the equity investment. Such other-than-temporary impairments are recognized in net income. Subsequent increases in the fair value of available-for-sale equity investments are included in other comprehensive income, while subsequent decreases in fair value, if not other-than-temporary impairment, also are included in other comprehensive income.

Debt securities – Debt securities in the investment portfolio are classified as available-for-sale and carried at fair value on the consolidated balance sheet with unrealized gains and losses included in accumulated other comprehensive income until realized. Realized gains on sales of debt securities and interest on debt securities is included in income from debt securities and realized gains and losses on debt securities and associated derivatives on the consolidated income statement.

Certain debt securities are carried at fair value in accordance with the Fair Value Option as discussed above. Unrealized gains and losses on debt securities accounted for at fair value under the Fair Value Option are reported in net unrealized gains and losses on non-trading financial instruments accounted for at fair value on the consolidated income statement.

IFC invests in certain debt securities with conversion features; these features are accounted for in accordance with ASC 815 to the extent they meet the definition of a derivative.

Impairment of debt securities – In determining whether an unrealized loss on debt securities is other-than-temporary, IFC considers all relevant information including the length of time and 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 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 will be separated into the credit loss component, which is recognized in net income, and the remainder which is recorded in other comprehensive income. The impaired value becomes the new amortized cost basis of the debt security. Subsequent fair value increases and decreases in the fair value of debt securities, if not an additional other-than-temporary impairment, are included in other comprehensive income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The difference between the new amortized cost basis of debt securities for which an other-than-temporary impairment has been recognized in net income and the cash flows expected to be collected is accreted to interest income using the effective yield method. Significant subsequent increases in the expected or actual cash flows previously expected are recognized as a prospective adjustment of the yield.

Guarantees – IFC extends financial guarantee facilities to its clients to provide credit enhancement for their debt securities and trade 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 unless a contingent liability exists at that time or is expected to exist in the near term. The contingent liability associated with the financial guarantee is recognized when it is probable the guarantee will be called and when the amount of guarantee called can be reasonably estimated. When the guarantees are called, the amount disbursed is recorded as a new loan, and specific reserves against losses are established, based on the estimated probable loss. 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 sheet.

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 approved by the Board of Governors. All other designations are recorded as a transfer from undesignated retained earnings to designated retained earnings when the designation is noted with approval by the Board of Directors. Total designations of retained earnings are determined based on IFC's annual income before expenditures against designated retained earnings and net unrealized gains and losses on non-trading financial instruments accounted for at fair value in excess of $150 million, and contemplating the financial capacity and strategic priorities of IFC.

Expenditures resulting from such designations are recorded as expenses in IFC's consolidated income statement in the year in which they are incurred, also having the effect of reducing 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. If the recipient is deemed to be controlled by IFC, the expenditure is deemed to have been incurred only when the recipient disburses the funds to a non-related party. On occasion, recipients who are deemed to be controlled by IFC make investments. In such cases, IFC includes those assets on its consolidated balance sheet until the recipient disposes of or transfers the asset or IFC is deemed to no longer be in control of the recipient. These investments have had no material impact on IFC's financial position, results of operations, or cash flows. Investments resulting from such designations are recorded on IFC's consolidated balance sheet in the year in which they occur, also having the effect of reducing the respective designated retained earnings for such purposes.

Liquid asset portfolio – The liquid asset portfolio, as defined by IFC, consists of: time deposits and securities; related derivative instruments; securities purchased under resale agreements, 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 loans-backed securities, commercial real estate collateralized debt obligations and collateralized loan obligations.

Securities and related derivative instruments within IFC's liquid asset portfolio are classified as trading and 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.

IFC classifies cash and due from banks and time deposits (collectively, cash and cash equivalents) as cash and as cash equivalents in the consolidated statement of cash flows because they are generally readily convertible to known amounts of cash within 90 days of acquisition generally when the original maturities for such instruments are under 90 days or in some cases are under 180 days.

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 sheet.

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 US dollar borrowings through the use of currency and interest rate swap transactions or utilizes liquid asset portfolio or debt investments denominated in the

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Substantially all borrowings are carried at fair value under the Fair Value Option with changes in fair value reported in net unrealized gains and losses on non-trading financial instruments accounted for at fair value in the consolidated income statement.

Interest on borrowings and amortization of premiums and accretion of discounts are reported in charges on borrowings.

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 sheet 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, debt securities and equity investments 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 embedded derivatives is excluded from the carrying amount of the host contracts on the consolidated balance sheet. 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 portfolio and those associated with equity investments 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 US dollar or non-US dollar loans into variable rate US dollars. IFC has elected not to designate any hedging relationships for any of its lending-related 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 income in net unrealized gains and losses on non-trading financial instruments accounted for at fair value.

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 US dollar obligations, consistent with IFC's matched funding policy. IFC elected to carry at fair value, under the Fair Value Option, 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 income statement.

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 US 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. No derivatives in the liquid asset portfolio have been designated as hedging instruments under ASC 815.

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 re-schedulings, 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 IFC's credit exposure to a counterparty, on a mark-to-market basis, exceeds a specified level, the counterparty 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 cash collateral associated with these master-netting agreements.

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 sheet. All other loan participations are accounted for as secured borrowings and are included in loans on IFC's consolidated balance sheet, with the related secured borrowings included in payables and other liabilities on IFC's consolidated balance sheet.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

The net periodic pension and other postretirement benefit income or expense allocated to IFC is included in income or expense from pension and other postretirement benefit plans in the consolidated income statement. IFC includes a receivable from IBRD in receivables and other assets, representing prepaid pension and other postretirement benefit costs.

Recently adopted accounting standards – In June 2013, the FASB issued ASU 2013-08, *Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements* (ASU 2013-08). Among other things, ASU 2013-08 amends the criteria for an entity to qualify as an investment company under ASC Topic 946, introduces new disclosure requirements applicable to investment companies, and amends the measurement criteria for certain investments by an investment company in another investment company. ASU 2013-08 is applicable for annual reporting periods and interim periods within those annual periods, beginning after December 15, 2013 (which is the year ending June 30, 2015 for IFC). IFC adopted ASU 2013-08 on July 1, 2014 with no material impact on IFC's financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures (ASU 2014-11)*. ASU 2014-11 requires secured borrowing accounting for repurchase-to-maturity transactions, eliminates current accounting guidance on linking repurchase financing transactions and expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and repurchase agreements, securities lending transactions and repurchase to maturity transactions accounted for as secured borrowings. The accounting changes and expanded disclosure requirements for certain transfers accounted as sales are applicable for the first interim or annual reporting period beginning after December 15, 2014 (which is the interim period ending March 31, 2015 for IFC). The disclosure requirements for certain transactions accounted for as secured borrowings are applicable for interim periods beginning after March 15, 2015 (which is the quarter ended June 30, 2015 for IFC) and are reflected in Note W. IFC adopted ASU 2014-11's accounting changes on January 1, 2015 with no material impact on IFC's financial position, results of operations or cash flows.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments whose fair values are measured at NAV (or its equivalent) under the practical expedient in the ASC, requires disclosure by reporting entities of the amount of investments measured at NAV (or its equivalent) under the practical expedient, and limits the disclosure requirements all investments eligible to be measured at NAV under the practical expedient to only those to which the practical expedient is applied. ASU 2015-07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. As permitted, IFC early adopted ASU 2015-07 effective June 30, 2015 as reflected in Note R.

Accounting and financial reporting developments – In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act seeks to reform the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities, and activities. The implementation of the Act is dependent on the development of various rules to clarify and interpret its requirements. Pending the development of these rules, no impact on IFC has been determined as of June 30, 2015. IFC continues to evaluate the potential future implications of the Act.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 replaces most existing revenue recognition guidance by establishing a single recognition model for revenue arising from contracts with customers to deliver goods and services and requires additional disclosure regarding those revenues - it does not change current accounting guidance for derivative contracts, investments in and transfers of financial instruments or guarantees. ASU 2014-09 is currently applicable for annual reporting periods and interim periods within those annual periods, beginning after December 15, 2017 (which is the year ending June 30, 2019 for IFC). IFC is currently evaluating the impact of ASU 2014-09.

In August 2014, The FASB issued ASU 2014-15, *Presentation of Financial Instruments - Going Concern* (ASU 2014-15). ASU 2014-15 requires reporting entities to perform interim and annual assessments of their ability to continue as a going concern within one year of the date of issuance of the entity's financial statements (or within one year of the date on which the financial statements are available to be issued). A reporting entity will be required to make certain disclosures if there is substantial doubt about the entity's ability to continue to as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016 (which is the annual period ending June 30, 2017 for IFC) and for interim periods thereafter.

In November 2014, the FASB issued ASU 2014-16, *Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity* (ASU 2014-16). ASU 2014-16 requires, for purposes of evaluating embedded features for bifurcation under ASU 815, the determination of the nature of a host contract issued in share form to be based on the economic characteristics and risks of the entire hybrid instrument, including the embedded feature being evaluated. Further, the ASU stipulates that the existence or omission of any single term or feature does not necessarily determine the economic characteristics and risks of the host. ASU 2014-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 (which is the year ending June 30, 2017 for IFC). Early adoption is permitted. IFC is currently evaluating the impact of ASU 2014-16.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02). ASU 2015-02 amends ASC Topic 810, *Consolidation,* by modifying the evaluation of whether limited partnerships and similar entities are VIEs; eliminating the presumption that a general partner should consolidate a limited partnership; modifying the consolidation assessment of reporting entities that are involved with VIEs, particularly those that have fee arrangements (with the VIE) and related party relationships; providing a scope exception from Topic 810 for reporting entities with interests in certain money market funds. ASU 2015-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 (which is the year ending June 30, 2017 for IFC). Early adoption is permitted. IFC is currently evaluating the impact of ASC 2015-02.

In addition, during the year ended June 30, 2015, the FASB issued and/or approved various other ASUs. IFC analyzed and implemented the new guidance, as appropriate, with no material impact on the financial position, results of operations or cash flows of IFC.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SCOPE OF CONSOLIDATION

IFC Asset Management Company, LLC (AMC) and AMC Funds

IFC, through its wholly owned subsidiary, AMC, mobilizes capital from outside IFC's traditional investor pool and manages third-party capital. AMC is consolidated into IFC's financial statements. At June 30, 2015, IFC has provided $2 million of capital to AMC ($2 million - June 30, 2014).

As a result of the consolidation of AMC, amounts included in IFC's consolidated balance sheet at June 30, 2015 and June 30, 2014 comprise (US$ millions):

	June 30, 2015	June 30, 2014
Cash, receivables and other assets	$ 51	$ 46
Equity investments	*	*
Payables and other liabilities	3	2

* less than 0.5 million.

As a result of the consolidation of AMC, amounts included in IFC's consolidated income statement for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 comprise (US$ millions):

	2015	2014	2013
Other income	$ 59	$ 57	$ 40
Other expenses	20	15	11

At June 30, 2015, AMC managed ten funds (collectively referred to as the AMC Funds). 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:

AMC Funds	IFC's ownership interest
IFC Capitalization (Equity) Fund, L.P.	61%**
IFC Capitalization (Subordinated Debt) Fund, L.P.	13%
IFC African, Latin American and Caribbean Fund, LP	20%
Africa Capitalization Fund, Ltd.	-
IFC Russian Bank Capitalization Fund, LP	45%
IFC Catalyst Funds***	18%***
IFC Global Infrastructure Fund, LP	17%
China-Mexico Fund, LP	-
IFC Financial Institutions Growth Fund, LP	44%
IFC Global Emerging Markets Fund of Funds****	20%****

** By virtue of certain rights granted to non-IFC limited partner interests, IFC does not control or consolidate this fund.
*** The ownership interest of 18% reflects IFC's ownership interest taking into consideration the overall commitments for the IFC Catalyst Funds, which is comprised of 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.
**** The ownership interest of 20% reflects IFC's ownership interest taking into consideration the current committed amounts for the IFC Global Emerging Markets Fund of Funds, which are comprised of IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds, (Japan Parallel) LP. IFC is the sole limited partner of IFC Global Emerging Markets Fund of Funds, LP. IFC does not have an ownership interest in the IFC Global Emerging Markets Fund of Funds, (Japan Parallel) LP.

IFC's investments in AMC Funds, except for the IFC Russian Bank Capitalization Fund, LP (RBCF) created in June 2012 and IFC Global Emerging Markets Fund of Funds, LP created in June 2015, are accounted for at fair value under the Fair Value Option. RBCF and IFC Global Emerging Markets Fund of Funds, LP are consolidated because of control by IFC as owner of the general partners of RBCF and IFC Global Emerging Markets Fund of Funds, LP, respectively.

As a result of consolidating RBCF, IFC's consolidated balance sheet at June 30, 2015 includes $41 million of equity investments ($98 million - June 30, 2014), and non-controlling interests of $22 million ($53 million - June 30, 2014). These non-controlling interests meet the FASB's definition of mandatorily redeemable financial instruments because the terms of the underlying partnership agreement provide for a termination date at which time its remaining assets are to be sold, its liabilities settled and the remaining net proceeds distributed to the non-controlling interest holders and IFC. RBCF's termination date is 2021 with a possible extension to 2023. As RBCF is considered an investment company, its investment securities (equity investments) are measured at fair value in IFC's consolidated balance sheet; therefore, the settlement value or estimate of cash that would be due and payable to settle these non-controlling interests, assuming an orderly liquidation of RBCF on June 30, 2015, approximates the $22 million of non-controlling interests reflected on IFC's consolidated balance sheet at June 30, 2015.

IFC is the sole limited partner of IFC Global Emerging Markets Fund of Funds, LP and hence there are no non-controlling interests in this entity. As of June 30, 2015, IFC Global Emerging Markets Fund of Funds, LP had no investments.

Other Consolidated entities

The collective impact of other entities consolidated into these Consolidated Financial Statements is insignificant.

NOTE C – LIQUID ASSET PORTFOLIO

Income from liquid asset trading activities

Income from liquid asset trading activities for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 comprises (US$ millions):

	2015		2014		2013	
Interest income, net	$	614	$	533	$	430
Net gains and losses on trading activities (realized and unrealized)		(147)		66		70
Total income from liquid asset trading activities	**$**	**467**	**$**	**599**	**$**	**500**

Net gains and losses on trading activities comprise net losses on asset-backed and mortgage-backed securities of $38 million for the year ended June 30, 2015 ($67 million gains - year ended June 30, 2014; $161 million gains – year ended June 30, 2013) and net losses on other trading securities of $109 million for the year ended June 30, 2015 ($1 million net losses - year ended June 30, 2014; $91 million losses - year ended June 30, 2013).

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, 2015, was 1.3% (1.8% - year ended June 30, 2014; 1.6% - year ended June 30, 2013). After the effect of associated derivative instruments, the liquid asset portfolio generally reprices within one year.

Composition of liquid asset portfolio

The composition of IFC's liquid asset portfolio included in the consolidated balance sheet captions is as follows (US$ millions):

	June 30, 2015	June 30, 2014
Assets		
Cash and due from banks	$ 980	$ 187
Time deposits	7,509	5,916
Trading securities	34,731	33,287
Securities purchased under resale agreements	68	420
Derivative assets	850	219
Receivables and other assets:		
Receivables from unsettled security trades	505	362
Accrued interest income on time deposits and securities	171	137
Accrued income on derivative instruments	13	14
Total assets	**44,827**	**40,542**
Liabilities		
Securities sold under repurchase agreements and payable for cash collateral received	4,695	5,288
Derivative liabilities	244	277
Payables and other liabilities:		
Payables for unsettled security trades	349	1,080
Short-Term Borrowings	9	117
Accrued charges on derivative instruments	55	42
Total liabilities	**5,352**	**6,804**
Total net liquid asset portfolio	**$ 39,475**	**$ 33,738**

The liquid asset portfolio is denominated primarily in US dollars; investments in other currencies, net of the effect of associated derivative instruments that convert non-US dollar securities into US dollar securities, represent 7.8% of the portfolio at June 30, 2015 (9.3% - June 30, 2014).

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C – LIQUID ASSET PORTFOLIO (continued)

Trading securities comprises:

	Year ended June 30, 2015	At June 30, 2015	
	Fair value average daily balance (US$ million)	Fair value (US$ millions)	Weighted average contractual maturity (years)
Government, agency and government-sponsored agency obligations	$ 16,679	$ 15,088	2.2
Asset-backed securities	13,133	12,793	17.4
Corporate securities	5,918	5,757	3.0
Money market funds	1,163	1,093	n/a
Total trading securities	**$ 36,893**	**$ 34,731**	

	Year ended June 30, 2014	At June 30, 2014	
	Fair value average daily balance (US$ million)	Fair value (US$ millions)	Weighted average contractual maturity (years)
Government, agency and government-sponsored agency obligations	$ 13,916	$ 14,948	2.2
Asset-backed securities	11,082	11,751	16.9
Corporate securities	6,884	6,064	3.2
Money market funds	806	524	n/a
Total trading securities	**$ 32,688**	**$ 33,287**	

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

NOTE D – INVESTMENTS

The carrying amount of investments at June 30, 2015 and June 30, 2014 comprises (US$ millions):

	June 30, 2015	June 30, 2014
Loans		
Loans at amortized cost	$ 22,295	$ 23,562
Less: Reserve against losses on loans	(1,743)	(1,686)
Loans at amortized cost less reserve against losses	20,552	21,876
Loans held for sale at lower of amortized cost or fair value	-	30
Loans accounted for at fair value under the Fair Value Option (outstanding principal balance $802 at June 30, 2015, $648 – June 30, 2014)	784	683
Total loans	**21,336**	**22,589**
Equity investments		
Equity investments at cost less impairment*	3,250	2,965
Equity investments accounted for at fair value as available-for-sale (cost $2,505 at June 30, 2015, $2,665 – June 30, 2014)	4,557	4,840
Equity investments accounted for at fair value (cost $4,800 at June 30, 2015, $4,109 – June 30, 2014)	5,696	5,183
Total equity investments	**13,503**	**12,988**
Debt securities		
Debt securities accounted for at fair value as available-for-sale (amortized cost $2,329 at June 30, 2015, $2,167 - June 30, 2014)	2,317	2,234
Debt securities accounted for at fair value under the Fair Value Option (amortized cost $408 at June 30, 2015, $367 – June 30, 2014)	422	365
Total debt securities	**2,739**	**2,599**
Total carrying amount of investments	**$ 37,578**	**$ 38,176**

* Equity investments at cost less impairment at June 30, 2015 includes unrealized gains of $0 ($2 million – June 30, 2014) related to equity investments accounted for as available-for-sale in previous periods and for which readily determinable fair vales are no longer available.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D – INVESTMENTS (continued)

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

Sector	June 30, 2015				June 30, 2014			
	Loans	Equity investments	Debt securities	Total	Loans	Equity investments	Debt securities	Total
Manufacturing, agribusiness and services								
Asia	$ 1,933	$ 820	$ 190	$ 2,943	$ 1,922	$ 577	$ 210	$ 2,709
Europe, Middle East and North Africa	2,915	784	134	3,833	3,165	741	133	4,039
Sub-Saharan Africa, Latin America and Caribbean	2,517	547	110	3,174	2,380	505	126	3,011
Other	171	227	-	398	1,346	137	1	1,484
Total manufacturing, agribusiness and services	7,536	2,378	434	10,348	8,813	1,960	470	11,243
Financial markets								
Asia	2,153	1,097	491	3,741	2,116	1,416	210	3,742
Europe, Middle East and North Africa	2,056	1,482	508	4,046	2,130	1,826	724	4,680
Sub-Saharan Africa, Latin America and Caribbean	2,697	1,129	364	4,190	2,249	1,837	410	4,496
Other	501	175	220	896	683	897	214	1,794
Total financial markets	7,407	3,883	1,583	12,873	7,178	5,976	1,558	14,712
Infrastructure and natural resources								
Asia	1,646	620	63	2,329	1,873	487	59	2,419
Europe, Middle East and North Africa	1,810	507	126	2,443	2,326	352	127	2,805
Sub-Saharan Africa, Latin America and Caribbean	3,643	700	136	4,479	3,798	730	102	4,630
Other	156	11	-	167	419	236	158	813
Total infrastructure and natural resources	7,255	1,838	325	9,418	8,416	1,805	446	10,667
Telecom, media & technology, and venture investing*								
Asia	252	509	98	859	-	-	-	-
Europe, Middle East and North Africa	197	455	35	687	-	-	-	-
Sub-Saharan Africa, Latin America and Caribbean	292	895	64	1,251	-	-	-	-
Other	313	623	29	965	-	-	-	-
Total Telecom, media & technology, and venture investing	1,054	2,482	226	3,762	-	-	-	-
Total disbursed investment portfolio	**$ 23,252**	**$ 10,581**	**$ 2,568**	**$ 36,401**	**$ 24,407**	**$ 9,741**	**$ 2,474**	**$ 36,622**
Reserve against losses on loans	(1,743)	-	-	(1,743)	(1,686)	-	-	(1,686)
Unamortized deferred loan origination fees, net and other	(119)	-	-	(119)	(137)	-	-	(137)
Disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets	(36)	(47)	-	(83)	(39)	(31)	-	(70)
Adjustments to disbursed investment portfolio	-	28	(5)	23	9	35	(4)	40
Unrealized losses on equity investments held by consolidated VIEs	-	(7)	-	(7)	-	(6)	-	(6)
Unrealized gains on investments accounted for at fair value as available-for-sale	-	2,052	162	2,214	-	2,175	131	2,306
Unrealized gains (losses) on investments	(18)	896	14	892	35	1,074	(2)	1,107
Carrying amount of investments	**$ 21,336**	**$ 13,503**	**$ 2,739**	**$ 37,578**	**$ 22,589**	**$ 12,988**	**$ 2,599**	**$ 38,176**

*Beginning July 1, 2014, IFC instituted a new industry sector, namely, Telecom, media & technology, and venture investing. Prior to July 1, 2014, these investments were reported under Financial markets and Infrastructure and natural resources.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES

Loans

Income from loans and guarantees, realized gains and losses on loans and associated derivatives for the years ended June 30,2015, June 30, 2014 and June 30, 2013 comprise the following (US$ millions):

	2015	2014	2013
Interest income	$ 957	$ 936	$ 879
Commitment fees	38	43	35
Other financial fees	71	77	90
Realized gains (losses) on loans, guarantees and associated derivatives	57	9	(8)
Income from loans and guarantees, realized gains and losses on loans and associated derivatives	**$ 1,123**	**$ 1,065**	**$ 996**

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

	June 30, 2015		June 30, 2014	
	Amount (US$ millions)	Average contractual rate (%)	Amount (US$ millions)	Average contractual rate (%)
US dollar	$ 17,339	4.2	$ 18,011	3.8
Euro	2,636	3.9	3,162	4.1
Chinese renminbi	828	5.6	649	4.9
Indian rupee	438	10.5	409	10.6
Brazilian real	434	15.2	360	12.2
Indonesian rupiah	293	8.9	136	9.3
Mexican peso	262	7.1	366	7.7
Russian ruble	190	12.4	238	10.7
Philippine peso	188	6.7	225	7.2
South African rand	165	9.9	237	10.2
Peruvian nuevo sol	95	7.8	118	7.5
Colombian peso	81	10.5	108	10.4
Kazakhstan tenge	63	7.7	60	8.4
Turkish lira	44	12.7	39	12.8
New Romanian Lei	40	6.4	25	7.6
Other currencies				
OECD currencies	19	3.6	31	3.4
Non-OECD currencies	137	11.0	233	10.9
Total disbursed loan portfolio	**$ 23,252**	**4.9**	**$ 24,407**	**4.5**

After the effect of interest rate swaps and currency swaps, IFC's loans are principally denominated in variable rate US dollars.

Loans in all currencies are repayable during the years ending June 30, 2016 through June 30, 2020 and thereafter, as follows (US$ millions):

	2016	2017	2018	2019	2020	Thereafter	Total
Fixed rate loans	$ 1,823	$ 485	$ 727	$ 653	$ 435	$ 1,108	$ 5,231
Variable rate loans	4,347	2,570	2,508	1,885	1,984	4,727	18,021
Total disbursed loan portfolio	**$ 6,170**	**$ 3,055**	**$ 3,235**	**$ 2,538**	**$ 2,419**	**$ 5,835**	**$ 23,252**

At June 30, 2015, 22% of the disbursed loan portfolio consisted of fixed rate loans (22% - June 30, 2014), while the remainder was at variable rates. At June 30, 2015, the disbursed loan portfolio included $223 million of loans serving as collateral under secured borrowing arrangements ($71 million - June 30, 2014). IFC's disbursed variable rate loans generally reprice within one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES (continued)

Reserve against losses on loans and provision for losses on loans

Changes in the reserve against losses on loans for the years ended June 30, 2015, June 30, 2014 and June 30, 2013, as well as the related recorded investment in loans, evaluated for impairment individually (specific reserves) and on a pool basis (portfolio reserves) respectively, are summarized below (US$ millions):

	Year ended June 30, 2015		
	Specific reserves	Portfolio reserves	Total reserves
Beginning balance	$ 838	$ 848	$ 1,686
Provision (release of provision for) losses on loans, net	199	(30)	169
Write-offs	(34)	-	(34)
Recoveries of previously written-off loans	4	-	4
Foreign currency transaction adjustments	(43)	(37)	(80)
Other adjustments*	(2)	-	(2)
Ending balance	**$ 962**	**$ 781**	**$ 1,743**
Related recorded investment in loans at June 30, 2015 evaluated for impairment**	$ 22,295	$ 20,573	$ 22,295
Recorded investment in loans with specific reserves	$ 1,722		

	Year ended June 30, 2014		
	Specific reserves	Portfolio reserves	Total reserves
Beginning balance	$ 741	$ 887	$ 1,628
Provision (release of provision for) losses on loans, net	127	(44)	83
Write-offs	(44)	-	(44)
Recoveries of previously written-off loans	1	-	1
Foreign currency transaction adjustments	1	5	6
Other adjustments*	12	-	12
Ending balance	**$ 838**	**$ 848**	**$ 1,686**
Related recorded investment in loans at June 30, 2014 evaluated for impairment**	$ 23,562	$ 21,837	$ 23,562
Recorded investment in loans with specific reserves	$ 1,725		

	Year ended June 30, 2013		
	Specific reserves	Portfolio reserves	Total reserves
Beginning balance	$ 447	$ 934	$ 1,381
Provision (release of provision for) losses on loans, net	298	(49)	249
Write-offs	(13)	-	(13)
Foreign currency transaction adjustments	(2)	2	-
Other adjustments*	11	-	11
Ending balance	**$ 741**	**$ 887**	**$ 1,628**
Related recorded investment in loans at June 30, 2013 evaluated for impairment**	$ 21,923	$ 20,520	$ 21,923
Recorded investment in loans with specific reserves	$ 1,403		

*Other adjustments comprise reserves against interest capitalized as part of a debt restructuring.

**IFC individually evaluates all loans for impairment. Portfolio reserves are established for losses incurred, but not specifically identifiable, on loans for which no specific reserve is established.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES (continued)

Reserve for losses on guarantees and other receivables and provision for losses on guarantees and other receivables

Changes in the reserve against losses on guarantees for the years ended June 30, 2015, June 30, 2014 and June 30, 2013, are summarized below (US$ millions):

	2015	2014	2013
Beginning balance	$ 22	$ 17	$ 21
(Release of) provision for losses on guarantees	(2)	5	(4)
Ending balance	**$ 20**	**$ 22**	**$ 17**

Changes in the reserve against losses on other receivables for the years ended June 30, 2015, June 30, 2014 and June 30, 2013, are summarized below (US$ millions):

	2015	2014	2013
Beginning balance	$ 3	$ 3	$ 5
Provision (release of provision for) losses on other receivables	4	-	(2)
Ending balance	**$ 7**	**$ 3**	**$ 3**

Impaired loans

The average recorded investment and the recorded investment in loans at amortized cost that are impaired at June 30, 2015 and June 30, 2014 are as follows (US$ millions):

	June 30, 2015	June 30, 2014
Average recorded investment in loans at amortized cost that are impaired	$ 1,771	$ 1,656
Recorded investment in loans at amortized cost that are impaired	1,722	1,725

Loans at amortized cost that are impaired with specific reserves are summarized by industry sector* and geographic region as follows (US$ millions):

	June 30, 2015				
	Recorded investment	Unpaid principal balance	Related specific reserve	Average recorded investment	Interest income recognized
Manufacturing, agribusiness and services					
Asia	$ 126	$ 128	$ 82	$ 126	$ 1
Europe, Middle East and North Africa	673	676	408	684	(10)
Sub-Saharan Africa, Latin America and Caribbean	251	299	149	278	6
Other	15	15	14	15	-
Total manufacturing, agribusiness and services	**1,065**	**1,118**	**653**	**1,103**	(3)
Financial markets					
Asia	-	2	-	-	-
Europe, Middle East and North Africa	15	15	9	16	1
Sub-Saharan Africa, Latin America and Caribbean	37	63	36	42	3
Other	1	1	1	1	-
Total financial markets	**53**	**81**	**46**	**59**	4
Infrastructure and natural resources					
Asia	166	166	68	171	9
Europe, Middle East and North Africa	160	160	93	172	3
Sub-Saharan Africa, Latin America and Caribbean	137	137	79	136	(1)
Total infrastructure and natural resources	**463**	**463**	**240**	**479**	11
Telecom, media & technology, and venture investing					
Sub-Saharan Africa, Latin America and Caribbean	29	29	7	29	2
Other	112	112	16	101	1
Total Telecom, media & technology, and venture investing	141	141	**23**	**130**	3
Total	**$ 1,722**	**$ 1,803**	**$ 962**	**$ 1,771**	**$ 15**

* Beginning July 1, 2014, IFC instituted a new industry sector, namely, Telecom, media & technology, and venture investing. Prior to July 1, 2014, these investments were reported under Financial markets and Infrastructure and natural resources.

IFC had no impaired loans at June 30, 2015 with no specific reserves.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES (continued)

June 30, 2014	Recorded investment	Unpaid principal balance	Related specific reserve	Average recorded investment	Interest income recognized
Manufacturing, agribusiness and services					
Asia	$ 154	$ 156	$ 94	$ 154	$ 1
Europe, Middle East and North Africa	518	521	335	504	5
Sub-Saharan Africa, Latin America and Caribbean	344	400	185	330	6
Other	15	15	14	15	-
Total manufacturing, agribusiness and services	1,031	1,092	628	1,003	12
Financial markets					
Asia	-	2	-	-	-
Europe, Middle East and North Africa	5	5	5	5	-
Sub-Saharan Africa, Latin America and Caribbean	10	35	8	11	1
Total financial markets	15	42	13	16	1
Infrastructure and natural resources					
Asia	132	132	51	126	5
Europe, Middle East and North Africa	193	193	34	193	7
Sub-Saharan Africa, Latin America and Caribbean	248	248	87	224	5
Other	106	106	25	94	1
Total infrastructure and natural resources	679	679	197	637	18
Total	**$ 1,725**	**$ 1,813**	**$ 838**	**$ 1,656**	**$ 31**

IFC had no impaired loans at June 30, 2014 with no specific reserves.

Nonaccruing loans

Loans on which the accrual of interest has been discontinued amounted to $1,534 million at June 30, 2015 ($1,329 million – June 30, 2014). The interest income on such loans for the year ended June 30, 2015 and June 30, 2014 is summarized as follows (US$ millions):

	2015	2014	2013
Interest income not recognized on nonaccruing loans	139	104	90
Interest income recognized on loans in nonaccrual status related to current and prior years, on a cash basis	31	19	38

The recorded investment in nonaccruing loans at amortized cost at June 30, 2015 and June 30, 2014 is summarized by industry sector* and geographic region as follow (US$ millions):

June 30, 2015	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Telecom, media & technology, and venture investing	Total recorded investment in nonaccruing loans
Asia	$ 125	$ -	$ 122	$ -	$ 247
Europe, Middle East and North Africa	597	12	129	-	738
Sub-Saharan Africa, Latin America and Caribbean	250	30	135	45	460
Other	15	-	-	-	15
Total disbursed loans at amortized cost	**$ 987**	**$ 42**	**$ 386**	**$ 45**	**$ 1,460**

* Beginning July 1, 2014, IFC instituted a new industry sector, namely, Telecom, media & technology, and venture investing. Prior to July 1, 2014, these investments were reported under Financial markets and Infrastructure and natural resources.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES (continued)

	June 30, 2014			
	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Total recorded investment in nonaccruing loans
Asia	$ 144	$ -	$ 96	$ 240
Europe, Middle East and North Africa	458	5	21	484
Sub-Saharan Africa, Latin America and Caribbean	382	-	160	542
Other	15	1	-	16
Total disbursed loans at amortized cost	**$ 999**	**$ 6**	**$ 277**	**$ 1,282**

Past due loans

An age analysis, based on contractual terms, of IFC's loans at amortized cost by industry sector* and geographic region follows (US$ millions):

	June 30, 2015					
	30-59 days past due	60-89 days past due	90 days or greater past due	Total past due	Current	Total loans
Manufacturing, agribusiness and services						
Asia	$ -	$ -	$ 125	$ 125	$ 1,747	$ 1,872
Europe, Middle East and North Africa	6	16	581	603	2,258	2,861
Sub-Saharan Africa, Latin America and Caribbean	-	15	211	226	2,209	2,435
Other	-	-	15	15	156	171
Total manufacturing, agribusiness and services	6	31	932	969	6,370	7,339
Financial markets						
Asia	-	-	-	-	2,089	2,089
Europe, Middle East and North Africa	-	-	5	5	2,010	2,015
Sub-Saharan Africa, Latin America and Caribbean	-	-	30	30	2,585	2,615
Other	-	-	-	-	501	501
Total financial markets	-	-	35	35	7,185	7,220
Infrastructure and natural resources						
Asia	-	-	122	122	1,502	1,624
Europe, Middle East and North Africa	-	-	96	96	1,648	1,744
Sub-Saharan Africa, Latin America and Caribbean	-	-	42	42	3,557	3,599
Other	-	-	-	-	156	156
Total infrastructure and natural resources	-	-	260	260	6,863	7,123
Telecom, media & technology, and venture investing						
Asia	-	-	-	-	252	252
Europe, Middle East and North Africa	-	-	-	-	196	196
Sub-Saharan Africa, Latin America and Caribbean	-	16	29	45	152	197
Other	-	-	-	-	123	123
Total Telecom, media & technology, and venture investing	-	16	29	45	723	768
Total disbursed loans at amortized cost	**$ 6**	**$ 47**	**$ 1,256**	**$ 1,309**	**$ 21,141**	**$ 22,450**
Unamortized deferred loan origination fees, net and other						(119)
Disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets						(36)
Recorded investment in loans at amortized cost						**$ 22,295**

* Beginning July 1, 2014, IFC instituted a new industry sector, namely, Telecom, media & technology, and venture investing. Prior to July 1, 2014, these investments were reported under Financial markets and Infrastructure and natural resources.

At June 30, 2015, there are no loans 90 days or greater past due still accruing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES (continued)

	June 30, 2014					
	30-59 days past due	60-89 days past due	90 days or greater past due	Total past due	Current	Total loans
Manufacturing, agribusiness and services						
Asia	$ -	$ 2	$ 144	$ 146	$ 1,725	$ 1,871
Europe, Middle East and North Africa	-	-	458	458	2,626	3,084
Sub-Saharan Africa, Latin America and Caribbean	12	35	265	312	2,021	2,333
Other	250	-	-	250	1,096	1,346
Total manufacturing, agribusiness and services	262	37	867	1,166	7,468	8,634
Financial markets						
Asia	-	-	-	-	2,084	2,084
Europe, Middle East and North Africa	-	-	5	5	2,074	2,079
Sub-Saharan Africa, Latin America and Caribbean	-	-	-	-	2,128	2,128
Other	-	-	1	1	521	522
Total financial markets	-	-	6	6	6,807	6,813
Infrastructure and natural resources						
Asia	-	-	87	87	1,775	1,862
Europe, Middle East and North Africa	-	-	21	21	2,252	2,273
Sub-Saharan Africa, Latin America and Caribbean	-	-	160	160	3,578	3,738
Other	-	-	-	-	418	418
Total infrastructure and natural resources	-	-	268	268	8,023	8,291
Total disbursed loans at amortized cost	**$ 262**	**$ 37**	**$ 1,141**	**$ 1,440**	**$ 22,298**	**$ 23,738**
Unamortized deferred loan origination fees, net and other						(137)
Disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets						(39)
Recorded investment in loans at amortized cost						**$ 23,562**

At June 30, 2014, loans 90 days or greater past due still accruing totaled less than $0.5 million.

INTERNATIONAL FINANCE CORPORATION

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. Each loan is categorized as very good, good, average, watch, substandard, doubtful or loss.

A description of each category (credit quality indicator), in terms of the attributes of the borrower, the business environment in which the borrower operates or the loan itself, follows:

Credit quality indicator	Description
Very good	Excellent debt service capacity; superior management; market leader; very favorable operating environment; may also have strong collateral and/or guaranteed arrangements.
Good	Strong debt service capacity: good liquidity; stable performance, very strong management, high market share; minimal probability of financial deterioration.
Average	Satisfactory balance sheet ratios, average liquidity; good debt service capacity; good management; average size and market share.
Watch	Tight liquidity; financial performance below expectations; higher than average leverage ratio; week management in certain aspects; uncompetitive products and operations; unfavorable or unstable macroeconomic factors.
Substandard	Poor financial performance; difficulty servicing debt; inadequate net worth and debt service capacity; loan not fully secured: partial past due amounts of interest and/or principal; well-defined weaknesses may adversely impact collection but no loss of principal is expected.
Doubtful	Bad financial performance; serious liquidity and debt service capacity issues: large and increasing past due amounts: partial loss is very likely.
Loss	Close to or already in bankruptcy; serious regional geopolitical issues/conflicts; default and total loss highly likely.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES (continued)

A summary of IFC's loans at amortized cost by credit quality indicator updated effective June 30, 2015 and June 30, 2014 respectively, as well as by industry sector and geographic region follows (US$ millions):

June 30, 2015	Very good	Good	Average	Watch	Substandard	Doubtful	Loss	Total
Manufacturing, agribusiness and services								
Asia	$ -	$ 531	$ 601	$ 546	$ 69	$ 9	$ 116	$ 1,872
Europe, Middle East and North Africa	-	276	865	779	328	94	519	2,861
Sub-Saharan Africa, Latin America and Caribbean	60	236	730	978	213	51	167	2,435
Other	-	57	49	50	-	15	-	171
Total manufacturing, agribusiness and services	60	1,100	2,245	2,353	610	169	802	7,339
Financial markets								
Asia	-	1,036	899	148	6	-	-	2,089
Europe, Middle East and North Africa	-	455	1,102	350	22	74	12	2,015
Sub-Saharan Africa, Latin America and Caribbean	-	596	1,613	334	35	7	30	2,615
Other	-	250	-	250	1	-	-	501
Total financial markets	-	2,337	3,614	1,082	64	81	42	7,220
Infrastructure and natural resources								
Asia	-	298	381	719	54	111	61	1,624
Europe, Middle East and North Africa	-	118	458	823	293	30	22	1,744
Sub-Saharan Africa, Latin America and Caribbean	300	154	1,245	1,332	426	115	27	3,599
Other	-	6	150	-	-	-	-	156
Total infrastructure and natural resources	300	576	2,234	2,874	773	256	110	7,123
Telecom, media & technology, and venture investing								
Asia	-	165	85	2	-	-	-	252
Europe, Middle East and North Africa	-	71	38	87	-	-	-	196
Sub-Saharan Africa, Latin America and Caribbean	-	5	73	70	4	45	-	197
Other	-	-	-	-	123	-	-	123
Total telecom, media & technology, and venture investing	-	241	196	159	127	45	-	768
Total disbursed loans at amortized cost	**$ 360**	**$ 4,254**	**$ 8,289**	**$ 6,468**	**$ 1,574**	**$ 551**	**$ 954**	**$ 22,450**
Unamortized deferred loan origination fees, net and other								(119)
Disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets								(36)
Recorded investment in loans at amortized cost								**$ 22,295**

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – LOANS AND GUARANTEES (continued)

	June 30, 2014							
	Very good	Good	Average	Watch	Substandard	Doubtful	Loss	Total
Manufacturing, agribusiness and services								
Asia	$ -	$ 523	$ 538	$ 610	$ 45	$ 58	$ 97	$ 1,871
Europe, Middle East and North Africa	3	385	799	1,051	387	93	366	3,084
Sub-Saharan Africa, Latin America and Caribbean	50	224	809	749	221	136	144	2,333
Other	-	914	162	242	13	15	-	1,346
Total manufacturing, agribusiness and services	53	2,046	2,308	2,652	666	302	607	8,634
Financial markets								
Asia	-	1,011	844	200	29	-	-	2,084
Europe, Middle East and North Africa	-	536	887	550	101	-	5	2,079
Sub-Saharan Africa, Latin America and Caribbean	-	631	1,277	198	13	9	-	2,128
Other	-	250	1	270	1	-	-	522
Total financial markets	-	2,428	3,009	1,218	144	9	5	6,813
Infrastructure and natural resources								
Asia	-	319	657	692	98	35	61	1,862
Europe, Middle East and North Africa	-	180	609	1,291	172	-	21	2,273
Sub-Saharan Africa, Latin America and Caribbean	300	172	1,779	882	491	86	28	3,738
Other	-	26	27	83	175	107	-	418
Total infrastructure and natural resources	300	697	3,072	2,948	936	228	110	8,291
Total disbursed loans at amortized cost	**$ 353**	**$ 5,171**	**$ 8,389**	**$ 6,818**	**$ 1,746**	**$ 539**	**$ 722**	**$ 23,738**
Unamortized deferred loan origination fees, net and other								(137)
Disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets								(39)
Recorded investment in loans at amortized cost								**$ 23,562**

Loan modifications during the year ended June 30, 2015 considered troubled debt restructurings totaled $202 million ($95 million - June 30, 2014). There were no loans that defaulted during the year ended June 30, 2015 that had been modified in a troubled debt restructuring within 12 months prior to the date of default.

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 at June 30, 2015 totaled $4,091 million ($4,661 million – June 30, 2014). Guarantees of $3,168 million that were outstanding (i.e., not called) at June 30, 2015 ($3,679 million – June 30, 2014), were not included in loans on IFC's consolidated balance sheet. The outstanding amount represents the maximum amount of undiscounted future payments that IFC could be required to make under these guarantees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F – DEBT SECURITIES

Income from debt securities and realized gains and losses on debt securities and associated derivatives for the year ended June 30, 2015, June30, 2014 and June 30, 2013 comprise the following (US$ millions):

	2015	2014	2013
Interest income	$ 107	$ 62	$ 59
Dividends	12	11	14
Realized gains on debt securities and associated derivatives	46	29	42
Other-than-temporary impairments	(33)	(13)	(46)
Total income from debt securities and realized gains and losses on debt securities and associated derivatives	**$ 132**	**$ 89**	**$ 69**

Debt securities accounted for as available-for-sale at June 30, 2015 and June 30, 2014 comprise (US$ millions):

	June 30, 2015				
	Amortized cost	Unrealized Gains	Unrealized losses	Foreign currency transaction losses	Fair value
Corporate debt securities	$ 1,642	$ 125	$ (30)	$ (126)	$ 1,611
Preferred shares	543	64	(2)	(21)	584
Asset-backed securities	144	5	-	(27)	122
Total	**$ 2,329**	**$ 194**	**$ (32)**	**$ (174)**	**$ 2,317**

	June 30, 2014				
	Amortized cost	Unrealized gains	Unrealized losses	Foreign currency transaction losses	Fair value
Corporate debt securities	$ 1,423	$ 85	$ (9)	$ (57)	$ 1,442
Preferred shares	594	55	(1)	(1)	647
Asset-backed securities	150	1	-	(6)	145
Total	**$ 2,167**	**$ 141**	**$ (10)**	**$ (64)**	**$ 2,234**

The following table shows the unrealized losses and fair value of debt securities at June 30, 2015 and June 30, 2014 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$ millions):

	June 30, 2015					
	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debt securities	$ 189	$ (23)	$ 152	$ (7)	$ 341	$ (30)
Preferred shares	42	(1)	8	(1)	50	(2)
Total	**$** 231	**$ (24)**	**$ 160**	**$ (8)**	**$ 391**	**$ (32)**

	June 30, 2014					
	Less than 12 months		12 months or greater		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debt securities	$ -	$ -	$ 135	$ (9)	$ 135	$ (9)
Preferred shares	-	-	8	(1)	8	(1)
Total	**$ -**	**$ -**	**$ 143**	**$ (10)**	**$ 143**	**$ (10)**

Corporate debt securities comprise investments in bonds and notes. Unrealized losses associated with corporate debt securities are primarily attributable to movements in the credit default swap spread curve applicable to the issuer. Based upon IFC's assessment of expected credit losses, IFC has determined that the issuer is expected to make all contractual principal and interest payments. Accordingly, IFC expects to recover the cost basis of these securities.

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 the expected credit losses, IFC expects to recover the cost basis of these securities.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F – DEBT SECURITIES (continued)

Debt securities with contractual maturities that are accounted for as available-for-sale have contractual maturities during the years ending June 30, 2016 through June 30, 2020 and thereafter, as follows (US$ millions):

	2016	2017	2018	2019	2020	Thereafter	Total
Corporate debt securities	$ 134	$ 88	$ 310	$ 152	$ 151	$ 685	$ 1,520
Preferred shares	89	-	-	-	86	-	175
Asset-backed securities	53	23	3	7	21	10	117
Total disbursed portfolio of debt securities with contractual maturities	**$ 276**	**$ 111**	**$ 313**	**$ 159**	**$ 258**	**$ 695**	**$ 1,812**

The expected maturity of asset-backed securities may differ from the contractual maturity, as reported above, due to prepayment features. In addition, IFC has $347 million of redeemable preferred shares and other debt securities with undefined maturities ($418 million - June 30, 2014).

The currency composition and average contractual rate of debt securities with contractual maturities that are accounted for as available-for-sale are summarized below:

	June 30, 2015		June 30, 2014	
	Amount (US$ millions)	Average contractual rate (%)	Amount (US$ millions)	Average contractual rate (%)
US dollar	$ 904	4.5	$ 947	3.9
Indian rupee	381	11.1	46	11.7
Euro	134	2.4	202	2.8
South African rand	114	7.3	121	6.7
Turkish lira	56	7.9	80	7.9
New Romanian Lei	54	5.9	67	5.9
Brazilian real	51	12.5	135	10.5
Chilean peso	39	7.7	45	7.7
Colombian peso	39	11.2	3	10.5
Other non-OECD currencies	40	7.7	42	7.5
Total disbursed portfolio of debt securities with contractual maturities	**$ 1,812**	**6.6**	**$ 1,688**	**5.2**

After the effect of interest rate swaps and currency swaps, IFC's debt securities with contractual maturities that are accounted for as available-for-sale are principally denominated in variable rate US dollars.

Nonaccruing debt securities

Debt securities on which the accrual of interest has been discontinued amounted to $44 million at June 30, 2015 ($13 million – June 30, 2014). The interest income on such loans for the year ended June 30, 2015 and June 30, 2014 is summarized as follows (US$ millions):

	2015	2014	2013
Interest income not recognized on nonaccruing debt securities	3	-	-
Interest income recognized on debt securities in nonaccrual status related to current and prior years, on a cash basis	1	-	-

NOTE G – EQUITY INVESTMENTS AND ASSOCIATED DERIVATIVES

Income from equity investments and associated derivatives for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 comprises the following (US$ millions):

	2015	2014	2013
Gains on equity investments and associated derivatives, net	$ 886	$ 1,269	$ 933
Dividends	272	274	248
Other-than-temporary impairments:			
Equity investments at cost less impairment	(351)	(107)	(152)
Equity investments available-for-sale	(381)	(161)	(289)
Total other-than-temporary impairments	(732)	(268)	(441)
Custody, fees and other	1	14	(8)
Total income from equity investments and associated derivatives	**$ 427**	**$ 1,289**	**$ 732**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G – EQUITY INVESTMENTS AND ASSOCIATED DERIVATIVES (continued)

Gains on equity investments and associated derivatives includes realized gains and losses on equity investments and associated derivatives of $1,288 million for the year ended June 30, 2015 ($1,013 million – year ended June 30, 2014, $967 million – year ended June 30, 2013).

Dividends include $23 million for the year ended June 30, 2015 ($19 million – year ended June 30, 2014, $36 million – year ended June 30, 2013) of receipts, net of cash disbursements, related to investments accounted for under the cost recovery method, for which cost has been fully recovered.

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. These investments cannot be redeemed. Instead distributions are received through the liquidation of the underlying assets of the funds. IFC estimates that the underlying assets of the funds will be liquidated over five to eight years. The fair values of these funds have been determined using the net asset value of IFC's ownership interest in partners' capital and totaled $3,409 million as of June 30, 2015 ($3,259 million – June 30, 2014).

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$ millions):

	June 30, 2015	June 30, 2014
Investment transactions committed but not disbursed:		
Loans, equity investments and debt securities	$ 9,529	$ 10,028
Investment transactions committed but not utilized:		
Guarantees	923	982
Client risk management facilities	233	311
Total investment transactions committed but not disbursed or utilized	**$ 10,685**	**$ 11,321**

The disbursements of investment transactions committed but not disbursed or utilized are generally subject to fulfillment of conditions of disbursement.

NOTE I – LOAN PARTICIPATIONS

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$ millions):

	June 30, 2015	June 30, 2014
Loan participations signed as commitments but not disbursed	$ 2,062	$ 2,178
Loan participations disbursed and outstanding which are serviced by IFC	$ 6,747	$ 7,097

NOTE J – RECEIVABLES AND OTHER ASSETS

Receivables and other assets are summarized below (US$ millions):

	June 30, 2015	June 30, 2014
Receivables from unsettled security trades	$ 505	$ 362
Accrued interest income on time deposits and securities	171	137
Accrued income on derivative instruments	371	416
Accrued interest income on loans	227	233
Headquarters building:		
Land	89	89
Building	244	240
Less: Accumulated building depreciation	(155)	(138)
Headquarters building, net	178	191
Deferred charges and other assets	1,446	1,260
Total receivables and other assets	**$ 2,898**	**$ 2,599**

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K – BORROWINGS

Market borrowings and associated derivatives

IFC's borrowings outstanding from market sources and currency and interest rate swaps, net of unamortized issue premiums and discounts, are summarized below:

	June 30, 2015							
	Market borrowings		Currency swaps payable (receivable)		Interest rate swaps notional principal payable (receivable)		Net currency obligation	
	Amount (US$ millions)	Weighted average rate (%)	Amount (US$ millions)	Weighted average rate (%)	Notional amount (US$ millions)	Weighted average rate (%)	Amount (US$ millions)	Weighted average rate (%)
US dollar	$ 29,376	1.4	$ 19,573	0.2	$ 33,548	0.3	$ 48,754	0.2
					(33,743)	(1.3)		
Australian dollar	6,393	4.0	(6,010)	4.0	307	2.4	383	2.4
					(307)	(3.5)		
Brazilian real	1,988	8.1	(1,988)	(8.1)	-	-	-	-
New Zealand dollar	1,614	4.1	(1,614)	(4.1)	-	-	-	-
Indian rupee	1,606	7.5	-	-	-	-	1,606	7.5
Japanese yen	1,454	5.7	(1,454)	(5.7)	-	-	-	-
Chinese renminbi	1,142	2.3	(452)	(1.8)	-	-	690	2.6
Pound sterling	933	1.4	(775)	(1.5)	157	0.9	158	0.9
					(157)	(0.6)		
Euro	880	1.7	(880)	(1.7)	-	-	-	-
Turkish lira	837	6.3	(837)	(6.3)	-	-	-	-
Russian ruble	490	6.6	(436)	(7.0)	-	-	54	3.0
Mexican peso	471	4.6	(471)	(4.6)	-	-	-	-
South African rand	396	6.1	(396)	(6.1)	-	-	-	-
Norwegian kroner	335	4.0	(335)	(4.0)	-	-	-	-
Hong Kong dollar	128	5.1	(128)	(5.1)	-	-	-	-
Canadian dollars	94	3.3	(94)	(3.3)	-	-	-	-
Costa Rican colon	65	7.9	(56)	(7.9)	-	-	9	7.9
Nigerian naira	62	10.7	(41)	(10.9)	-	-	21	10.2
Uruguayan peso	44	10.1	(44)	(10.1)	-	-	-	-
Peruvian Soles Nuevos	37	5.3	(37)	5.3	-	-	-	-
Rwandan franc	26	11.6	-	-	-	-	26	11.6
Zambian kwacha	20	15.0	-	-	-	-	20	15.0
Georgian Lari	13	6.9	-	-	-	-	13	6.9
Dominican peso	9	10.5	-	-	-	-	9	10.5
Ghanaian cedi	5	14.9	(5)	(14.9)	-	-	-	-
Armenian dram	4	9.7	-	-	-	-	4	9.7
Principal at face value	**48,422**		**$ 3,520**		**$ (195)**		**$ 51,747**	**0.5**
Short-term borrowings from market and other sources	1,352							
	49,774							
Unamortized discounts, net	(356)							
Total market borrowings	**49,418**							
Fair value adjustments	498							
Carrying amount of market borrowings	**$ 49,916**							

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K – BORROWINGS (continued)

	June 30, 2014							
	Market borrowings		Currency swaps payable (receivable)		Interest rate swaps notional principal payable (receivable)		Net currency obligation	
	Amount (US$ millions)	Weighted average rate (%)	Amount (US$ millions)	Weighted average rate (%)	Notional amount (US$ millions)	Weighted average rate (%)	Amount (US$ millions)	Weighted average rate (%)
US dollar	$ 27,566	1.6	$ 18,016	0.1	$ 35,574	0.2	$ 45,386	0.2
					(35,770)	(1.3)		
Australian dollar	7,317	4.4	(6,847)	(4.5)	376	2.9	470	2.9
					(376)	(3.5)		
New Zealand dollar	2,019	4.3	(2,019)	(4.3)	-	-	-	-
Brazilian real	1,910	7.4	(1,910)	(7.4)	-	-	-	-
Japanese yen	1,883	3.1	(1,883)	(3.1)	-	-	-	-
Turkish lira	1,196	7.2	(1,196)	(7.2)	-	-	-	-
Indian rupee	1,031	7.9	-	-	-	-	1,031	7.9
Pound sterling	1,011	1.4	(840)	(1.5)	170	0.5	171	0.5
					(170)	(0.6)		
Euro	744	2.4	(736)	(2.4)	8	0.5	8	0.5
					(8)	(0.5)		
Chinese renminbi	690	2.3	(161)	(1.9)	-	-	529	2.5
South African rand	538	6.3	(538)	(6.3)	-	-	-	-
Mexican peso	502	4.5	(502)	(4.5)	-	-	-	-
Russian ruble	480	3.4	(392)	(3.5)	-	-	117	4.5
			29	9.0				
Norwegian kroner	480	3.7	(480)	(3.7)	-	-	-	-
Hong Kong dollar	128	5.1	(128)	(5.1)	-	-	-	-
Swiss franc	77	2.1	(77)	(2.1)	-	-	-	-
Nigerian naira	74	10.2	(48)	(10.2)	-	-	26	10.2
Costa Rican colon	55	7.9	(55)	(7.9)	-	-	-	-
C.F.A. franc	41	4.3	-	-	-	-	41	4.3
Zambian kwacha	24	15.0	-	-	-	-	24	15.0
Rwandan franc	22	12.3	-	-	-	-	22	12.3
Uruguayan peso	10	11.1	(10)	(11.1)	-	-	-	-
Dominican peso	9	10.5	-	-	-	-	9	10.5
Ghanaian cedi	7	14.9	(7)	(14.9)	-	-	-	-
Armenian dram	5	9.7	-	-	-	-	5	9.7
Principal at face value	**47,819**		**$ 216**		**$ (196)**		**$ 47,839**	**0.4**
Short-term borrowings from market and other sources	1,445							
	49,264							
Unamortized discounts, net	(453)							
Total market borrowings	**48,811**							
Fair value adjustments	449							
Carrying amount of market borrowings	**$ 49,260**							

The net currency obligations not fully hedged by borrowings related swaps have generally been invested and/or on lent to the clients in such currencies.

The weighted average remaining maturity of IFC's borrowings from market sources was 3.3 years at June 30, 2015 (3.9 years - June 30, 2014).

Charges on borrowings for the year ended June 30, 2015 include $3 million of interest expense on secured borrowings ($3 million - year ended June 30, 2014; $4 million - year ended June 30, 2013) and is net of $2 million of gains on buybacks of market borrowings ($3 million - June 30, 2014; $11 million - year ended June 30, 2013).

The net nominal amount payable from currency swaps of $3,520 million and the net notional amount receivable from interest rate swaps of $195 million at June 30, 2015 (payable of $216 million from currency swaps and receivable of $196 million from interest rate swaps - June 30, 2014), shown in the above table, are represented by currency and interest rate swap assets at fair value of $619 million and currency and interest rate swap liabilities at fair value of $3,721 million ($1,456 million and $1,317 million - June 30, 2014), included in derivative assets and derivative liabilities, respectively, on the consolidated balance sheet.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K – BORROWINGS (continued)

Short-term market 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, 2015 is $1,343 million ($1,328 million - June 30, 2014). Charges on borrowings for the year ended June 30, 2015, include $4 million in respect of this program ($4 million - June 30, 2014; $2 million - June 30, 2013).

Borrowings from IBRD

Borrowings outstanding from IBRD and currency are summarized below:

	June 30, 2015		June 30, 2014	
	Principal amount (US$ millions)	Weighted average cost (%)	Principal amount (US$ millions)	Weighted average cost (%)
Saudi Arabian riyal	$ 17	4.0	$ 25	4.0
US dollar	196	0.2	196	0.1
Total borrowings outstanding from IBRD	**$ 213**		**$ 221**	

The weighted average remaining maturity of borrowings from IBRD was 2.0 years at June 30, 2015 (2.9 years - June 30, 2014). Charges on borrowings for the year ended June 30, 2015, includes $1 million ($1 million - year ended June 30, 2014; $2 million - year ended June 30, 2013) in respect of borrowings from IBRD.

Borrowings from IDA

Borrowing outstanding from IDA is summarized below:

	June 30, 2015					
	IDA Borrowing		Interest rate swap notional principal payable (receivable)		Net currency obligation	
	Principal amount (US$ millions)	Weighted average cost (%)	Notional amount (US$ millions)	Weighted average cost (%)	Notional amount (US$ millions)	Weighted average cost (%)
US dollar	$ 1,154	1.8	$ 1,154	0.2	$ 1,154	0.2
			(1,154)	(1.8)		
Total IDA borrowing outstanding	**1,154**		**$ -**		**$ 1,154**	**0.2**
Fair value adjustments	**(18)**					
Carrying amount of IDA borrowing	**$ 1,136**					

There was no IDA borrowing outstanding as of June 30, 2014.

The weighted average remaining maturity of borrowings from IDA was 5.7 years at June 30, 2015. Charges on borrowings for the year ended June 30, 2015, includes $18 million ($0 - year ended June 30, 2014; $0 - year ended June 30, 2013) in respect of borrowings from IDA.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K – BORROWINGS (continued)

Maturity of borrowings

The principal amounts repayable on borrowings outstanding in all currencies, gross of any premiums or discounts, during the years ending June 30, 2016, through June 30, 2020, and thereafter are summarized below (US$ millions):

	2016	2017	2018	2019	2020	Thereafter	Total
Borrowings from market sources	$ 8,614	$ 11,976	$ 9,975	$ 6,681	$ 6,404	$ 4,772	$ 48,422
Short-term borrowings from market and other sources	1,352	-	-	-	-	-	1,352
Borrowings from IBRD	8	9	196	-	-	-	213
Borrowings from IDA	72	113	127	122	124	596	1,154
Total borrowings, gross	**$ 10,046**	**$ 12,098**	**$ 10,298**	**$ 6,803**	**$ 6,528**	**$ 5,368**	**$ 51,141**
Unamortized discounts, net							(356)
Fair value adjustments							480
Carrying amount of borrowings							**$ 51,265**

After the effect of interest rate and currency swaps, IFC's borrowings generally reprice within one year.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L – PAYABLES AND OTHER LIABILITIES

Payables and other liabilities are summarized below (US$ millions):

	June 30, 2015	June 30, 2014
Accrued charges on borrowings	$ 356	$ 391
Accrued charges on derivative instruments	173	138
Payables for unsettled security trades	350	1,080
Secured borrowings	223	71
Liabilities under retirement benefit plans	277	367
Accounts payable, accrued expenses and other liabilities	1,419	1,209
Deferred income	139	130
Total payables and other liabilities	**$ 2,937**	**$ 3,386**

NOTE M – CAPITAL TRANSACTIONS

During the year ended June 30, 2015, 63,749 shares, at a par value of $1,000 each, were subscribed and paid by member countries (99,233 shares at a par value of $1,000 each - year ended June 30, 2014; 31,321 shares at a par value of $1,000 each - year ended June 30, 2013).

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 reserves provided on the date of withdrawal.

NOTE N – OTHER INCOME

Other income for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 comprise the following (US$ millions):

	June 30, 2015	June 30, 2014	June 30, 2013
Income from consolidated entities	$ 59	$ 57	$ 40
Fees collected from clients	22	25	25
Other reimbursable arrangements	19	8	8
Others	24	42	28
Total Other Income	**$ 124**	**$ 132**	**$ 101**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O – RETAINED EARNINGS DESIGNATIONS AND RELATED EXPENDITURES AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Designated retained earnings

The components of designated retained earnings and related expenditures are summarized below (US$ millions):

	Grants to IDA	Advisory services	Performance-based grants	SME Ventures for IDA countries	Global Infrastructure Project Development Fund	Total designated retained earnings
At June 30, 2012	$ -	$ 219	$ 41	$ 32	$ 30	$ 322
Year ended June 30, 2013						
Designations of retained earnings	340	80	-	-	-	420
Expenditures against designated retained earnings	(340)	(100)	(10)	(4)	(10)	(464)
At June 30, 2013	$ -	$ 199	$ 31	$ 28	$ 20	$ 278
Year ended June 30, 2014						
Designations of retained earnings	251	-	-	-	-	251
Expenditures against designated retained earnings	(251)	(68)	(10)	(3)	(3)	(335)
At June 30, 2014	$ -	$ 131	$ 21	$ 25	$ 17	$ 194
Year ended June 30, 2015						
Designations of retained earnings	340	58	-	-	-	398
Expenditures against designated retained earnings	(340)	(52)	(5)	(4)	(7)	(408)
At June 30, 2015	**$ -**	**$ 137**	**$ 16**	**$ 21**	**$ 10**	**$ 184**

On August 7, 2014, the Board of Directors approved a designation of $340 million of IFC's retained earnings for grants to IDA and a designation of $58 million of IFC's retained earnings for Advisory Services. On October 10, 2014, the Board of Governors noted with approval the designations approved by the Board of Directors. IFC recognizes designation of retained earnings for advisory services when the Board of Directors approves it and recognizes designation of retained earnings for grants to IDA when it is noted with approval by the Board of Governors.

On January 16, 2015, IFC recognized grants to IDA of $340 million on the signed of a grant agreement between IDA and IFC concerning the transfer to IDA and use of funds corresponding to the designation of retained earnings for grants to IDA approved by IFC's Board of Directors on August 7, 2014 and noted with approval by IFC's Board of Governors on October 10, 2014.

Accumulated other comprehensive income

The components of accumulated other comprehensive income at June 30, 2015 and June 30, 2014 are summarized as follows (US$ millions):

	June 30, 2015	June 30, 2014
Net unrealized gains and losses on available-for-sale debt securities	$ (12)	$ 67
Net unrealized gains and losses on available-for-sale equity investments	2,052	2,177
Unrecognized net actuarial losses and unrecognized prior service costs on benefit plans	(843)	(1,005)
Total accumulated other comprehensive income	**$ 1,197**	**$ 1,239**

INTERNATIONAL FINANCE CORPORATION

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, 2015, June 30, 2014 and June 30, 2013 comprises (US$ millions):

	2015	2014	2013
Unrealized gains and losses on loans, debt securities and associated derivatives:			
Unrealized (losses) gains on loans and associated derivatives	$ (51)	$ 31	$ 314
Unrealized (losses) gains on debt securities and associated derivatives	(3)	-	95
Total net unrealized gains and losses on loans, debt securities and associated derivatives	**(54)**	**31**	**409**
Unrealized gains and losses on borrowings from market, IDA and associated derivatives:			
Unrealized gains and losses on market borrowings accounted for at fair value:			
Credit spread component	15	(64)	31
Interest rate, foreign exchange and other components	(63)	(208)	755
Total unrealized (losses) gains on market borrowings	(48)	(272)	786
Unrealized (losses) gains on derivatives associated with market borrowings	(22)	198	(754)
Unrealized gains on borrowings from IDA accounted for at fair value	18	-	-
Total net unrealized gains and losses on borrowings from market, IDA and associated derivatives	**(52)**	**(74)**	**32**
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	**$ (106)**	**$ (43)**	**$ 441**

As discussed in Note A, “Summary of significant accounting and related policies”, market borrowings economically hedged with financial instruments, including derivatives, accounted for at fair value with changes therein reported in earnings are accounted for at fair value under the Fair Value Option. Differences arise between the movement in the fair value of market borrowings and the fair value of the associated derivatives primarily due to the different credit characteristics. The change in fair value reported in “Unrealized gains and losses on borrowings from market, IDA and associated derivatives” includes the impact of changes in IFC’s own credit spread. As credit spreads widen, unrealized gains are recorded and when such credit spreads narrow, unrealized losses are recorded (notwithstanding the impact of other factors, such as changes in risk-free interest and foreign currency exchange rates). The magnitude and direction (gain or loss) can be volatile from period to period but they do not alter the timing of the cash flows on the market borrowings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE Q – DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

As discussed in Note A, "Summary of significant accounting and related policies", 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 hedging instruments under ASC Topic 815. Note A describes how and why IFC uses derivative instruments. The fair value of derivative instrument assets and liabilities by risk type at June 30, 2015 and June 30, 2014 is summarized as follows (US$ millions):

Consolidated balance sheet location	June 30, 2015	June 30, 2014
Derivative assets		
Interest rate	$ 426	$ 521
Foreign exchange	221	34
Interest rate and currency	2,319	1,799
Equity and other	289	559
Total derivative assets	**$ 3,255**	**$ 2,913**
Derivative liabilities		
Interest rate	$ 268	$ 313
Foreign exchange	154	109
Interest rate and currency	3,799	1,545
Equity and other	4	18
Total derivative liabilities	**$ 4,225**	**$ 1,985**

The effect of derivative instrument contracts on the consolidated income statement for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 is summarized as follows (US$ millions):

Derivative risk category	Income statement location	2015	2014	2013
Interest rate	Income from loans and guarantees, realized gains and losses on loans and associated derivatives	$ (31)	$ (35)	$ (48)
	Income from debt securities and realized gains and losses on debt securities and associated derivatives	(3)	(2)	-
	Income from liquid asset trading activities	(181)	(157)	(237)
	Charges on borrowings	423	401	373
	Other income	1	1	9
	Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	(66)	5	(365)
Foreign exchange	Income from equity investments and associated derivatives	-	1	14
	Income from liquid asset trading activities	(188)	(111)	(179)
	Foreign currency transaction gains and losses on non-trading activities	177	111	134
	Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	2	-	-
Interest rate and currency	Income from loans and guarantees, realized gains and losses on loans and associated derivatives	(189)	(172)	(157)
	Income from debt securities and realized gains and losses on debt securities and associated derivatives	(21)	(23)	(29)
	Income from liquid asset trading activities	57	(71)	164
	Charges on borrowings	776	685	910
	Other income	-	-	(7)
	Foreign currency transaction gains and losses on non-trading activities	(1,906)	30	(2,829)
	Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	58	189	(105)
Equity	Income from equity investments and associated derivatives	(229)	48	108
	Income from loans and guarantees, realized gains and losses on loans and associated derivatives	3	-	(28)
	Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	(33)	24	13
Other derivative contracts	Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	-	(1)	(1)
	Total	**$ (1,350)**	**$ 923**	**$ (2,260)**

The income related to each derivative risk category includes realized and unrealized gains and losses.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE Q – DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS (continued)

At June 30, 2015, the outstanding volume, measured by US$ equivalent notional, of interest rate contracts was $55,792 million ($54,563 million at June 30, 2014), foreign exchange contracts was $12,020 million ($9,830 million at June 30, 2014) and interest rate and currency contracts was $33,034 million ($32,935 million at June 30, 2014). At June 30, 2015, there were 288 equity contracts related to IFC's loan and equity investment portfolio and 2 other derivative contracts recognized as derivatives assets or liabilities under ASC Topic 815 (285 equity risk and other contracts at June 30, 2014).

NOTE R – FAIR VALUE MEASUREMENTS

Many of IFC's financial instruments are not actively traded in any market. Accordingly, estimates and present value calculations of future cash flows are used to estimate the fair values. Determining future cash flows for fair value estimation is subjective and imprecise, and minor changes in assumptions or methodologies may materially affect the estimated values. The excess or deficit resulting from the difference between the carrying amounts and the fair values presented does not necessarily reflect the values which will ultimately be realized, since IFC generally holds loans, borrowings and other financial instruments with contractual maturities, with the aim of realizing their contractual cash flows.

The estimated fair values as of June 30 2015 and June 2014 reflect multiple factors such as interest rates, credit risk, foreign currency exchange rates and commodity prices. Reasonable comparability of fair values among financial institutions is not likely, because of the wide range of permitted valuation techniques and numerous estimates that must be made in the absence of secondary market prices. This lack of objective pricing standard in the market introduces a greater degree of subjectivity and volatility to these derived or estimated fair values. Therefore, while disclosure of estimated fair values of financial instruments is required, readers are cautioned in using these data for purposes of evaluating the financial condition of IFC. The fair values of the individual financial instruments do not represent the fair value of IFC taken as a whole.

All of IFC's financial instruments in its liquid assets portfolio are managed according to an investment authority approved by the Board of Directors and investment guidelines approved by IFC's Corporate Risk Committee (CRC), a subcommittee of IFC's Management Team. Third party independent vendor prices are used to price the vast majority of the liquid assets. The vendor prices are evaluated by IFC's Treasury department and IFC's Corporate and Portfolio Risk Management department maintains oversight for the pricing of liquid assets.

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). IFC's Portfolio Valuation Unit and Loss Provisioning Unit, provide oversight over the fair valuation process by monitoring and reviewing the fair values of IFC's investment portfolio. Prior to October 1, 2014, IFC's Valuation Oversight Subcommittee (VOS), which was a subcommittee of CRC, reviewed significant valuation principles and the reasonableness of high exposure valuations quarterly. Pursuant to a simplification of IFC's organizational structure effective October 1, 2014, the committees of IFC's Management Team, including the VOS, are being reassessed.

IFC's borrowings are fair valued by the Quantitative Analysis Group in IFC's Treasury department under the oversight of the Corporate and Portfolio Risk Management department.

The methodologies used and key assumptions made to estimate fair values as of June 30, 2015, and June 30, 2014, 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 exchange traded futures, options, and US Treasuries. For exchange traded futures and options, exchange quoted prices are obtained and these are classified as Level 1 in accordance with ASC 820. Liquid assets valued using quoted market prices are also classified as Level 1. Securities valued using vendor prices for which there is evidence of high market trade activity may also be classified as Level 1. US Treasuries are valued using index prices and also 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 yield-pricing approach or comparables model approach 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R – FAIR VALUE MEASUREMENTS (continued)

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. All 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 valuation techniques and significant unobservable inputs for loans and debt securities classified as Level 3 as of June 30, 2015 and June 30, 2014 are presented below:

June 30, 2015

	Valuation technique	Fair value (US$ millions)	Significant inputs	Range (%)	Weighted average (%)
Debt securities – preferred shares	Discounted cash flows	$ 274	Discount rate	6.9 – 30.0	10.4
	Relative valuations	126	Valuation multiples*		
	Recent transactions	140			
	Other techniques	15			
Total preferred shares		555			
Loans and other debt securities	Discounted cash flows	1,724	Credit default swap spreads	1.2 – 20.0	3.0
			Expected recovery rates	10.0 –85.0	41.6
	Recent transactions	495			
	Other techniques	60			
Total loans and other debt securities		2,279			
Total		**$ 2,834**			

June 30, 2014

	Valuation technique	Fair value (US$ millions)	Significant inputs	Range (%)	Weighted average (%)
Debt securities – preferred shares	Discounted cash flows	$ 293	Discount rate	6.8 – 28.0	11.7
	Relative valuations	51	Valuation multiples*		
	Recent transactions	384			
	Other techniques	32			
Total preferred shares		760			
Loans and other debt securities	Discounted cash flows	1,493	Credit default swap spreads	1.4- 6.9	2.6
			Expected recovery rates	10.0 – 85.0	43.3
	Recent transactions	663			
	Other techniques	82			
Total loans and other debt securities		2,238			
Total		**$ 2,998**			

* In case of valuation techniques with multiple significant inputs, the range and weighted average are not provided.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R – FAIR VALUE MEASUREMENTS (continued)

Borrowings – Fair values derived by using quoted prices in active markets are classified as Level 1. 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. 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, 2015, IFC had bond issuances with a total fair value of $103 million classified as level 3 in Costa Rican colones, Rwandan francs, Armenian drams and Georgian Lari, where the significant unobservable inputs were yield curve data.

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 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, 2015 and June 30, 2014 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.

June 30, 2015

Level 3 derivatives	Type	Fair value (US$ millions)	Significant inputs	Range (%)	Weighted average (%)
Equity related derivatives	Fixed strike price options	$ 34	Volatilities	12.0 – 50.2	24.7
	Variable strike price options	249	Contractual strike price*		
	Other	2			
Interest rate and currency swap assets	Vanilla swaps	40	Yield curve points, exchange rates		
Interest rate and currency swap liabilities	Vanilla swaps	(30)	Yield curve points, exchange rates		
Total		**$ 295**			

June 30, 2014

Level 3 derivatives	Type	Fair value (US$ millions)	Significant inputs	Range (%)	Weighted average (%)
Equity related derivatives	Fixed strike price options	$ 78	Volatilities	12.0 – 37.6	24.4
	Variable strike price options	463	Contractual strike price*		
Interest rate and currency swap assets	Vanilla swaps	5	Yield curve points		
Borrowing related structured currency swap liabilities	Inflation index linked note, other	(63)	Inflation index weights and correlations		
Total		**$ 483**			

* In case of valuation techniques with multiple significant inputs, the range and weighted average are not provided.

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 were valued using quoted prices in inactive markets. The valuation techniques and significant unobservable inputs for equity investments classified as Level 3 as of June 30, 2015 and June 30, 2014 are presented below:

		June 30, 2015			
Sector	Valuation technique	Fair value (US$ millions)	Significant inputs	Range	Weighted average
Banking and other financial Institutions	Discounted cash flows	$ 580	Cost of equity (%)	10.2 – 22.6	15.1
			Asset growth rate (%)	(18.2) – 392.0	11.6
			Return on assets (%)	(8.9) – 6.8	1.8
			Perpetual growth rate (%)	2.5 – 11.0	5.0
	Relative valuations	17	Valuation multiples*		
	Listed price (adjusted)	36	Discount for lock-up (%)	0.0 – 10.2	6.0
	Recent transactions	216			
	Other techniques	52			
Total banking and other financial institutions		901			
Funds	Recent transactions	55			
Total funds		55			
Others	Discounted cash flows	522	Weighted average cost of capital (%)	6.6 – 23.2	12.0
			Cost of equity (%)	12.3 – 15.0	14.6
	Relative valuations	338	Valuation multiples*		
	Listed price (adjusted)	201	Discount for lock-up (%)	1.0 - 10.6	7.6
	Recent transactions	517			
	Other techniques	94			
Total others		1,672			
Total		**$ 2,628**			

* In case of valuation techniques with multiple significant inputs, the range and weighted average are not provided.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R – FAIR VALUE MEASUREMENTS (continued)

		June 30, 2014			
Sector	Valuation technique	Fair value (US$ millions)	Significant inputs	Range	Weighted average
Banking and other financial Institutions	Discounted cash flows	$ 681	Cost of equity (%)	9.7 – 22.6	15.3
			Asset growth rate (%)	(88.5) – 83.0	11.9
			Return on assets (%)	(6.7) – 6.5	2.4
			Perpetual growth rate (%)	3.0 – 11.0	5.0
	Relative valuations	222	Price/book value	1.2- 1.9	1.2
	Listed price (adjusted)	110	Discount for lock-up (%)	3.7 – 18.3	8.8
	Recent transactions	253			
	Other techniques	46			
Total banking and other financial institutions		1,312			
Funds	Recent transactions	45			
Total funds		45			
Others	Discounted cash flows	374	Weighted average cost of capital (%)	6.6 – 16.9	11.2
			Cost of equity (%)	10.8 - 15.0	13.0
	Relative valuations	223	Valuation multiples*		
	Listed price (adjusted)	113	Discount for lock-up (%)	1.2 - 13.0	7.3
	Recent transactions	217			
	Other techniques	83			
Total others		1,010			
Total		**$ 2,367**			

* In case of valuation techniques with multiple significant inputs, the range and weighted average are not provided.

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, 2015 and June 30, 2014 are summarized below (US$ millions).

	June 30, 2015		June 30, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and due from banks, time deposits, trading securities and securities purchased under resale agreements	$ 43,817	$ 43,817	$ 40,442	$ 40,442
Investments:				
Loans at amortized cost, net of reserves against losses	20,552	21,758	21,876	23,624
Loans held for sale at lower of amortized cost or fair value	-	-	30	83
Loans accounted for at fair value under the Fair Value Option	784	784	683	683
Total loans	21,336	22,542	22,589	24,390
Equity investments at cost less impairment	3,250	4,581	2,965	4,867
Equity investments accounted for at fair value as available-for-sale	4,557	4,557	4,840	4,840
Equity investments accounted for at fair value	5,696	5,696	5,183	5,183
Total equity investments	13,503	14,834	12,988	14,890
Debt securities accounted for at fair value as available-for-sale	2,317	2,317	2,234	2,234
Debt securities accounted for at fair value under the Fair Value Option	422	422	365	365
Total debt securities	2,739	2,739	2,599	2,599
Total investments	37,578	40,115	38,176	41,879
Derivative assets:				
Borrowings-related	620	620	1,456	1,456
Liquid asset portfolio-related and other	851	851	219	219
Investment-related	1,615	1,615	1,132	1,132
Client risk management-related	169	169	106	106
Total derivative assets	3,255	3,255	2,913	2,913
Other investment-related financial assets	1	75	2	128
Financial liabilities				
Securities sold under repurchase agreements and payable for cash collateral received	$ 4,695	$ 4,695	$ 5,288	$ 5,288
Market, IBRD, IDA and other borrowings outstanding	51,265	51,264	49,481	49,475
Derivative liabilities:				
Borrowings-related	3,722	3,722	1,317	1,317
Liquid asset portfolio-related and other	244	244	277	277
Investment-related	82	82	276	276
Client risk management-related	177	177	115	115
Total derivative liabilities	4,225	4,225	1,985	1,985

Other investment-related financial assets comprise standalone options and warrants that do not meet the definition of a derivative.

The fair value of loan commitments amounted to $34 million at June 30, 2015 ($23 million - June 30, 2014). Fair values of loan commitments are based on present value of loan commitment fees.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R – FAIR VALUE MEASUREMENTS (continued)

Fair value hierarchy

The following tables provide information as of June 30, 2015 and June 30, 2014, about IFC's financial assets and financial liabilities measured at fair value on a recurring basis. 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 (US$ millions):

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Trading securities:				
Government and agency obligations	$ 10,725	$ 4,342	$ 22	$ 15,089
Asset-backed securities	-	12,793	-	12,793
Corporate securities	3,613	2,080	64	5,757
Money market funds	1,092	-	-	1,092
Total trading securities	15,430*	19,215	86	34,731
Loans (outstanding principal balance $802)	-	-	784	784
Equity investments:				
Banking and other financial institutions	2,387	176	901	3,464
Funds	-	-	55	55
Others	1,561	92	1,672	3,325
Equity investments measured at net asset value***				3,409
Total equity investments	3,948	268	2,628	10,253
Debt securities:				
Corporate debt securities	326	-	1,371	1,697
Preferred shares	-	-	555	555
Asset-backed securities	-	-	122	122
Other debt securities	-	-	2	2
Debt securities measured at net asset value***				363
Total debt securities	326	-	2,050	2,739
Derivative assets:				
Interest rate	-	426	-	426
Foreign exchange	-	221	-	221
Interest rate and currency	-	2,279	40	2,319
Equity and other	-	-	289	289
Total derivative assets	-	2,926	329	3,255
Total assets at fair value	**$ 19,704**	**$ 22,409**	**$ 5,877**	**$ 51,762**
Borrowings:				
Structured bonds	$ -	$ 4,732	$ -	$ 4,732
Unstructured bonds	39,671	4,959	103	44,733
Total borrowings (outstanding principal balance $49,342**)	39,671	9,691	103	49,465
Derivative liabilities:				
Interest rate	-	268	-	268
Foreign exchange	-	154	-	154
Interest rate and currency	-	3,769	30	3,799
Equity and other	-	-	4	4
Total derivative liabilities	-	4,191	34	4,225
Total liabilities at fair value	**$ 39,671**	**$ 13,882**	**$ 137**	**$ 53,690**

* includes securities priced at par plus accrued interest, which approximates fair value, with a fair value of $1,092 million at June 30, 2015.
** includes discount notes (not under the short-term Discount Note Program), with original maturities greater than one year, with principal due at maturity of $1,755 million, with a fair value of $1,364 million as of June 30, 2015.
***In accordance with ASU 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 sheet.

Note: For the year ended June 30, 2015: Trading securities with fair value of $1,447 million transferred from level 1 to level 2 and $615 million from level 2 to level 1 due to decrease/ increase in market activities. Equity investments with fair value of $92 million transferred from level 1 to level 2 and $8 million from level 2 to level 1 due to decrease/increase in market activities. Bonds issued by IFC with a fair value $13 million transferred from level 1 to level 2, while bonds with a fair value of $428 million were transferred from level 2 to level 1 due to change in quality of market price information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R – FAIR VALUE MEASUREMENTS (continued)

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Trading securities:				
Government and agency obligations	$ 10,472	$ 4,454	$ 22	$ 14,948
Asset-backed securities	-	11,731	20	11,751
Corporate securities	4,890	1,028	146	6,064
Money market funds	524	-	-	524
Total trading securities	15,886*	17,213	188	33,287
Loans (outstanding principal balance $648)	-	-	683	683
Equity investments:				
Banking and other financial institutions	2,362	28	1,312	3,702
Funds	-	-	45	45
Others	1,819	80	1,010	2,909
Equity investments measured at net asset value***				3,367
Total equity investments	4,181	108	2,367	10,023
Debt securities:				
Corporate debt securities	102	-	1,410	1,512
Preferred shares	-	-	760	760
Asset-backed securities	-	-	144	144
Other debt securities	-	-	1	1
Debt securities measured at net asset value***				182
Total debt securities	102	-	2,315	2,599
Derivative assets:				
Interest rate	-	521	-	521
Foreign exchange	-	34	-	34
Interest rate and currency	-	1,794	5	1,799
Equity and other	-	-	559	559
Total derivative assets	-	2,349	564	2,913
Total assets at fair value	**$ 20,169**	**$ 19,670**	**$ 6,117**	**$ 49,505**
Borrowings:				
Structured bonds	$ -	$ 3,729	$ 361	$ 4,090
Unstructured bonds	38,366	5,008	70	43,444
Total borrowings (outstanding principal balance $47,538**)	38,366	8,737	431	47,534
Derivative liabilities:				
Interest rate	-	313	-	313
Foreign exchange	-	109	-	109
Interest rate and currency	-	1,482	63	1,545
Equity and other	-	-	18	18
Total derivative liabilities	-	1,904	81	1,985
Total liabilities at fair value	**$ 38,366**	**$ 10,641**	**$ 512**	**$ 49,519**

* includes securities priced at par plus accrued interest, which approximates fair value, with a fair value of $524 million at June 30, 2014.
** includes discount notes (not under the short-term Discount Note Program), with original maturities greater than one year, with principal due at maturity of $2,222 million, with a fair value of $1,788 million as of June 30, 2014.
***In accordance with ASU 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 sheet.

Note: For the year ended June 30, 2014: Trading securities with fair value of $72 million were transferred from level 1 to level 2 and $308 million from level 2 to level 1 due to decrease/increase in market activities. Equity investments with fair value of $48 million were transferred from level 1 to level 2 and $119 million from level 2 to level 1 due to decrease/increase in market activities. Borrowings issued by IFC with a fair value of $7,001 million transferred from level 2 to level 1 due to an assessed change in information quality.

INTERNATIONAL FINANCE CORPORATION

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, 2015 and June 30, 2014 (US$ millions). IFC's policy is to recognize transfers in and transfers out at the beginning of the reporting period.

	Year ended June 30, 2015							
		Net gains and losses (realized and unrealized) included in						
	Balance as of July 1, 2014	Net Income	Other comprehensive income	Purchases, issuances, sales, settlements and others	Transfers into Level 3 (*)	Transfers out of Level 3 (**)	Balance as of June 30, 2015	Net unrealized gains/losses included in net income related to assets / liabilities held at year end
Trading securities:								
Asset-backed securities	$ 20	$ -	$ -	$ (20)	$ -	$ -	$ -	$ -
Corporate securities	146	(35)	-	34	11	(92)	64	(66)
Government and agency obligations	22	-	-	-	-	-	22	-
Total trading securities	188	(35)	-	14	11	(92)	86	(66)
Loans	683	(85)	-	186	-	-	784	(80)
Equity investments:								
Banking and other financial institutions	1,312	110	(57)	(273)	81	(272)	901	(106)
Funds	45	1	-	9	-	-	55	2
Others	1,010	62	76	523	116	(115)	1,672	38
Total equity investments	2,367	173	19	259	197	(387)	2,628	(66)
Debt securities:								
Corporate debt securities	1,410	18	(45)	97	-	(109)	1,371	4
Preferred shares	760	16	(12)	(209)	-	-	555	(23)
Asset-backed securities	144	-	(16)	(6)	-	-	122	-
Other debt securities	1	1	-	-	-	-	2	1
Total debt securities	2,315	35	(73)	(118)	-	(109)	2,050	(18)
Derivative assets:								
Interest rate and currency	5	40	-	12	-	(17)	40	19
Equity and other	559	(271)	-	1	-	-	289	10
Total derivative assets	564	(231)	-	13	-	(17)	329	29
Total assets at fair value	**$ 6,117**	**$ (143)**	**$ (54)**	**$ 354**	**$ 208**	**$ (605)**	**$ 5,877**	**$ (201)**
Borrowings:								
Structured bonds	$ (361)	$ 189	$ -	$ -	$ -	$ 172	$ -	$ -
Unstructured bonds	(70)	(14)	-	(19)	-	-	(103)	(14)
Total borrowings	(431)	175	-	(19)	-	172	(103)	(14)
Derivative liabilities:								
Interest rate	-	(7)	-	(5)	-	12	-	-
Interest rate and currency	(63)	(167)	-	(4)	-	204	(30)	(32)
Equity and other	(18)	11	-	3	-	-	(4)	11
Total derivative liabilities	(81)	(163)	-	(6)	-	216	(34)	(21)
Total liabilities at fair value	**$ (512)**	**$ 12**	**$ -**	**$ (25)**	**$ -**	**$ 388**	**$ (137)**	**$ (35)**

(*) 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, 2015.
(**)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, 2014 beginning balance as of June 30, 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R – FAIR VALUE MEASUREMENTS (continued)

	Year ended June 30, 2014							
		Net gains and losses (realized and unrealized) included in						
	Balance as of July 1, 2013	Net income	Other comprehensive income	Purchases, issuances, sales, settlements and others	Transfers into Level 3 (*)	Transfers out of Level 3 (**)	Balance as of June 30, 2014	Net unrealized gains and losses included in net income related to assets and liabilities held at year end
Trading securities:								
Asset-backed securities	$ 85	$ 3	$ -	$ (27)	$ -	$ (41)	$ 20	$ 2
Corporate securities	-	2	-	144	-	-	146	2
Government and agency obligations	-	-	-	22	-	-	22	-
Total trading securities	85	5	-	139	-	(41)	188	4
Loans	493	18	-	172	-	-	683	16
Equity investments:								
Banking and other financial institutions	1,457	121	20	(103)	172	(355)	1,312	90
Funds	44	3	-	(2)	-	-	45	3
Others	804	45	32	118	38	(27)	1,010	38
Total equity investments	2,305	169	52	13	210	(382)	2,367	131
Debt securities:								
Corporate debt securities	1,352	(1)	34	25	-	-	1,410	2
Preferred shares	448	14	(12)	310	-	-	760	(16)
Asset-backed securities	77	-	(6)	73	-	-	144	-
Other debt securities	5	(1)	-	(3)	-	-	1	(2)
Total debt securities	1,882	12	16	405	-	-	2,315	(16)
Derivative assets:								
Interest rate and currency	-	-	-	2	3	-	5	6
Equity and other	781	89	-	(311)	-	-	559	103
Total derivative assets	781	89	-	(309)	3	-	564	109
Total assets at fair value	**$ 5,546**	**$ 293**	**$ 68**	**$ 420**	**$ 213**	**$ (423)**	**$ 6,117**	**$ 244**
Borrowings:								
Structured bonds	$ (391)	$ 30	$ -	$ -	$ -	$ -	$ (361)	$ 30
Unstructured bonds	-	2	-	(27)	(45)	-	(70)	2
Total borrowings	(391)	32	-	(27)	(45)	-	(431)	32
Derivative liabilities:								
Interest rate and currency	(26)	(31)	-	(1)	(5)	-	(63)	(38)
Equity and other	-	(18)	-	-	-	-	(18)	(18)
Total derivative liabilities	(26)	(49)	-	(1)	(5)	-	(81)	(56)
Total liabilities at fair value	**$ (417)**	**$ (17)**	**$ -**	**$ (28)**	**$ (50)**	**$ -**	**$ (512)**	**$ (24)**

(*) 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, 2014.
(**)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, 2013 beginning balance as of June 30, 2014.

INTERNATIONAL FINANCE CORPORATION

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, 2015 and June 30, 2014 (US$ millions).

	Year ended June 30, 2015				
	Purchases	Sales	Issuances	Settlements and others	Net
Trading securities:					
Asset-backed securities	$ -	$ (15)	$ -	$ (5)	$ (20)
Corporate securities	131	(89)	-	(8)	34
Total trading securities	131	(104)	-	(13)	14
Loans	-	-	248	(62)	186
Equity investments:					
Banking and other financial institutions	199	(467)	-	(5)	(273)
Funds	97	-	-	(88)	9
Others	476	(63)	-	110	523
Total equity investments	772	(530)	-	17	259
Debt securities:					
Corporate debt securities	369	-	-	(272)	97
Preferred shares	56	(110)	-	(155)	(209)
Asset-backed securities	2	-	-	(8)	(6)
Total debt securities	427	(110)	-	(435)	(118)
Derivative assets:					
Interest rate and currency	-	-	12	-	12
Equity and other	-	-	12	(11)	1
Total derivative assets	-	-	24	(11)	13
Total assets at fair value	**$ 1,330**	**$ (744)**	**$ 272**	**$ (504)**	**$ 354**
Borrowings:					
Structured Bonds	-	-	-	-	-
Unstructured Bonds	-	-	(19)	-	(19)
Total Borrowings	-	-	(19)	-	(19)
Derivative liabilities:					
Interest rate	-	-	-	(5)	(5)
Interest rate and currency	-	-	(9)	5	(4)
Equity and other	-	-	-	3	3
Total derivative liabilities	-	-	(9)	3	(6)
Total liabilities at fair value	**$ -**	**$ -**	**$ (28)**	**$ 3**	**$ (25)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R – FAIR VALUE MEASUREMENTS (continued)

	Year ended June 30, 2014				
	Purchases	Sales	Issuances	Settlements and others	Net
Trading securities:					
Asset-backed securities	$ -	$ -	$ -	$ (27)	$ (27)
Corporate securities	144	-	-	-	144
Government and agency obligations	22	-	-	-	22
Total trading securities	166	-	-	(27)	139
Loans	-	-	226	(54)	172
Equity investments:					
Banking and other financial institutions	50	(177)	-	24	(103)
Funds	64	-	-	(66)	(2)
Others	126	(33)	-	25	118
Total equity investments	240	(210)	-	(17)	13
Debt securities:					
Corporate debt securities	354	-	-	(329)	25
Preferred shares	187	(10)	-	133	310
Asset-backed securities	61	-	-	12	73
Other debt securities	-	(3)	-	-	(3)
Total debt securities	602	(13)	-	(184)	405
Derivative assets:					
Interest rate and currency	-	-	2	-	2
Equity and other	-	-	-	(311)	(311)
Total derivative assets	-	-	2	(311)	(309)
Total assets at fair value	**$ 1,008**	**$ (223)**	**$ 228**	**$ (593)**	**$ 420**
Borrowings:					
Unstructured bonds	$ -	$ -	$ (27)	$ -	$ (27)
Total borrowings	-	-	(27)	-	(27)
Derivative liabilities:					
Interest rate and currency	-	-	(1)	-	(1)
Total derivative liabilities	-	-	(1)	-	(1)
Total liabilities at fair value	**$ -**	**$ -**	**$ (28)**	**$ -**	**$ (28)**

Gains and losses (realized and unrealized) from trading securities, loans, equity investments and debt securities included in net income for the period are reported on the consolidated income statement in income from liquid asset trading activities, income from loans and guarantees, realized gains and losses on loans and associated derivatives, income from equity investments and associated derivatives, income from debt securities and realized gains and losses on debt securities and associated derivatives and net unrealized gains and losses on non-trading financial instruments accounted for at fair value.

As of June 30, 2015, equity investments, accounted for at cost less impairment, with a carrying amount of $1,401 million were written down to their fair value of $1,050 million ($949 million and $842 million – June 30, 2014), resulting in a loss of $351 million, which was included in income from equity investments and associated derivatives in the consolidated income statement during the year ended June 30, 2015 (loss of $107 million - year ended June 30, 2014). The amount of the write-down was based on a Level 3 measure of fair value.

NOTE S – SEGMENT REPORTING

For management purposes, IFC's business comprises three segments: investment services, treasury services and advisory services. The investment services segment consists primarily of lending and investing in debt and equity securities. The investment services segment also includes AMC, which is not separately disclosed due to its immaterial impact. Further information about the impact of AMC on IFC's consolidated balance sheets and income statements can be found in Note B. Operationally, the treasury services segment consists of the borrowing, liquid asset management, asset and liability management and client risk management activities. Advisory services provide consultation services to governments and the private sector. 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 advisory services is assessed by senior management on the basis of net income for each segment, return on assets, and return on capital employed. 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.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE S – SEGMENT REPORTING (continued)

An analysis of IFC's major components of income and expense by business segment for the years ended June 30, 2015, June 30, 2014 and June 30, 2013, is provided below (US$ millions):

June 30, 2015	Investment services	Treasury services	Advisory services	Total
Income from loans and guarantees, realized gains and losses on loans and associated derivatives	$ 1,123	$ -	$ -	$ 1,123
Provision for losses on loans, guarantees and other receivables	(171)	-	-	(171)
Income from equity investments and associated derivatives	427	-	-	427
Income from debt securities and realized gains and losses on debt securities and associated derivatives	132	-	-	132
Income from liquid asset trading activities	-	467	-	467
Charges on borrowings	(62)	(196)	-	(258)
Advisory services income	-	-	244	244
Other income	261	-	-	261
Administrative expenses	(821)	(21)	(59)	(901)
Advisory services expenses	-	-	(285)	(285)
Expense from pension and other postretirement benefit plans	(139)	(8)	(50)	(197)
Other expenses	(40)	-	-	(40)
Foreign currency transaction gains and losses on non-trading activities	53	-	-	53
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**763**	**242**	**(150)**	**855**
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	(54)	(52)	-	(106)
Income (loss) before grants to IDA	**709**	**190**	**(150)**	**749**
Grants to IDA	(340)	-	-	(340)
Net income (loss)	**369**	**190**	**(150)**	**409**
Less: Net losses/(gains) attributable to non-controlling interests	36	-	-	36
Net income (loss) attributable to IFC	**$ 405**	**$ 190**	**$ (150)**	**$ 445**

June 30, 2014	Investment services	Treasury services	Advisory services	Total
Income from loans and guarantees, realized gains and losses on loans and associated derivatives	$ 1,065	$ -	$ -	$ 1,065
Provision for losses on loans, guarantees and other receivables	(88)	-	-	(88)
Income from equity investments and associated derivatives	1,289	-	-	1,289
Income from debt securities and realized gains and losses on debt securities and associated derivatives	89	-	-	89
Income from liquid asset trading activities	-	599	-	599
Charges on borrowings	(91)	(105)	-	(196)
Advisory services income	-	-	254	254
Service fees	75	-	-	75
Other income	132	-	-	132
Administrative expenses	(801)	(24)	(63)	(888)
Advisory services expenses	-	-	(324)	(324)
Expense from pension and other postretirement benefit plans	(119)	(6)	(48)	(173)
Other expenses	(33)	-	-	(33)
Foreign currency transaction gains and losses on non-trading activities	(19)	-	-	(19)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**1,499**	**464**	**(181)**	**1,782**
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	31	(74)	-	(43)
Income (loss) before grants to IDA	**1,530**	**390**	**(181)**	**1,739**
Grants to IDA	(251)	-	-	(251)
Net income (loss)	**1,279**	**390**	**(181)**	**1,488**
Less: Net gains attributable to non-controlling interests	(5)	-	-	(5)
Net income (loss) attributable to IFC	**$ 1,274**	**$ 390**	**$ (181)**	**$ 1,483**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE S – SEGMENT REPORTING (continued)

June 30, 2013	Investment services	Treasury services	Advisory services	Total
Income from loans and guarantees, realized gains and losses on loans and associated derivatives	$ 996	$ -	$ -	$ 996
Provision for losses on loans, guarantees and other receivables	(243)	-	-	(243)
Income from equity investments and associated derivatives	732	-	-	732
Income from debt securities and realized gains and losses on debt securities and associated derivatives	69	-	-	69
Income from liquid asset trading activities	-	500	-	500
Charges on borrowings	(109)	(111)	-	(220)
Advisory services income	-	-	239	239
Service fees	101	-	-	101
Other income	101	-	-	101
Administrative expenses	(781)	(22)	(42)	(845)
Advisory services expenses	-	-	(351)	(351)
Expense from pension and other postretirement benefit plans	(120)	(6)	(47)	(173)
Other expenses	(32)	-	-	(32)
Foreign currency transaction gains and losses on non-trading activities	35	-	-	35
Income (loss) before net gains and losses on other non-trading financial instruments accounted for at fair value and grants to IDA	**749**	**361**	**(201)**	**909**
Net unrealized gains and losses on non-trading financial instruments accounted for at fair value	409	32	-	441
Income (loss) before grants to IDA	**1,158**	**393**	**(201)**	**1,350**
Grants to IDA	(340)	-	-	(340)
Net income (loss)	**818**	**393**	**(201)**	**1,010**
Less: Net loss attributable to noncontrolling interests	8	-	-	8
Net income (loss) attributable to IFC	**$ 826**	**$ 393**	**$ (201)**	**$ 1,018**

NOTE T – VARIABLE INTEREST ENTITIES

Significant variable interests

IFC has identified 163 investments in VIEs which are not consolidated by IFC but in which it is deemed to hold significant variable interests at June 30, 2015 (159 investments - June 30, 2014).

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 absorb the majority of funds' expected losses or expected residual returns 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 interests in these VIEs are recorded on IFC's consolidated balance sheet primarily in equity investments, loans, debt securities, and other liabilities, as appropriate.

Based on the most recent available data of these VIEs, the balance sheet size, including committed funding, in which IFC is deemed to hold significant variable interests, totaled $26,173 million at June 30, 2015 ($25,421 million - June 30, 2014). IFC's maximum exposure to loss as a result of its investments in these VIEs, comprising both carrying value of investments and amounts committed but not yet disbursed, was $4,096 million at June 30, 2015 ($4,501 million - June 30, 2014).

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE T – VARIABLE INTEREST ENTITIES (continued)

The industry sector and geographical regional analysis of IFC's maximum exposures as a result of its investment in these VIEs at June 30, 2015 and June 30, 2014 is as follows (US$ millions):

	June 30, 2015					
	Loans	Equity investments	Debt securities	Guarantees	Risk management	Total
Manufacturing, agribusiness and services						
Asia	$ 164	$ 13	$ -	$ -	$ -	$ 177
Europe, Middle East and North Africa	328	37	-	-	-	365
Sub-Saharan Africa, Latin America and Caribbean	181	97	-	-	1	279
Total manufacturing, agribusiness and services	673	147	-	-	1	821
Financial markets						
Asia	167	-	-	-	10	177
Europe, Middle East and North Africa	23	13	118	2	-	156
Sub-Saharan Africa, Latin America and Caribbean	6	1	124	-	-	131
Other	3	-	218	-	9	230
Total financial markets	199	14	460	2	19	694
Infrastructure and natural resources						
Asia	450	57	2	-	-	509
Europe, Middle East and North Africa	439	31	51	-	19	540
Sub-Saharan Africa, Latin America and Caribbean	1,059	25	1	4	44	1,133
Other	-	1	-	-	-	1
Total infrastructure and natural resources	1,948	114	54	4	63	2,183
Telecom, media & technology, and venture investing						
Asia	2	71	13	-	-	86
Europe, Middle East and North Africa	-	25	17	-	-	42
Sub-Saharan Africa, Latin America and Caribbean	44	99	9	-	1	153
Other	-	109	8	-	-	117
Total telecom, media & technology, and venture investing	46	304	47	-	1	398
Maximum exposure to VIEs	**$ 2,866**	**$ 579**	**$ 561**	**$ 6**	**$ 84**	**$ 4,096**
of which:						
Carrying value	2,553	368	507	6	54	3,488
Committed but not disbursed	313	211	54	0	30	608

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE T – VARIABLE INTEREST ENTITIES (continued)

	June 30, 2014					
	Loans	Equity investments	Debt securities	Guarantees	Risk management	Total
Manufacturing, agribusiness and services						
Asia	$ 100	$ -	$ 19	$ -	$ -	$ 119
Europe, Middle East and North Africa	352	19	-	-	-	371
Sub-Saharan Africa, Latin America and Caribbean	195	47	-	-	1	243
Total manufacturing, agribusiness and services	647	66	19	-	1	733
Financial markets						
Asia	156	17	-	-	10	183
Europe, Middle East and North Africa	10	375	200	3	-	588
Sub-Saharan Africa, Latin America and Caribbean	43	64	70	75	-	252
Other	3	8	210	-	1	222
Total financial markets	212	464	480	78	11	1,245
Infrastructure and natural resources						
Asia	548	64	14	-	-	626
Europe, Middle East and North Africa	601	29	10	-	53	693
Sub-Saharan Africa, Latin America and Caribbean	1,114	39	13	6	32	1,204
Total infrastructure and natural resources	2,263	132	37	6	85	2,523
Maximum exposure to VIEs	**$ 3,122**	**$ 662**	**$ 536**	**$ 84**	**$ 97**	**$ 4,501**
of which:						
Carrying value	2,610	660	536	84	74	3,964
Committed but not disbursed	512	2	-	-	23	537

The carrying value of investments and maximum exposure to VIEs at June 30, 2015 and June 30, 2014 is as follows (US$ millions):

	June 30, 2015		
Investment category	Carrying value of investments	Committed but not yet disbursed	Maximum exposure
Loans	$ 2,553	$ 313	$ 2,866
Equity investments	368	211	579
Debt securities	507	54	561
Guarantees	6	-	6
Risk management	54	30	84
Maximum exposure to VIEs	**$ 3,488**	**$ 608**	**$ 4,096**

	June 30, 2014		
Investment category	Carrying value of investments	Committed but not yet disbursed	Maximum exposure
Loans	$ 2,610	$ 512	$ 3,122
Equity investments	660	2	662
Debt securities	536	-	536
Guarantees	84	-	84
Risk management	74	23	97
Maximum exposure to VIEs	**$ 3,964**	**$ 537**	**$ 4,501**

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE U – ADVISORY SERVICES

IFC provides advisory services to government and private sector clients. Since July 1, 2014, IFC advisory services to governments on investment climate and financial sector development have been delivered in partnership with IBRD through WBG Global Practices. IFC funds this business line by a combination of cash received from government and other donors and IFC's operations via retained earnings and operating budget allocations as well as fees received from the recipients of the services.

IFC administers donor funds through trust funds. Donor funds are restricted for purposes specified in agreements with the donors.

Donor funds under administration and IFC's funding can be comingled in accordance with administration agreements with donors. The comingled funds are held in a separate liquid asset investment portfolio managed by IBRD, which is not commingled with IFC's other liquid assets and is reported at fair value in other assets. Donor funds are refundable until expended for their designated purpose.

As of June 30, 2015, other assets include undisbursed donor funds of $467 million ($437 million - June 30, 2014) and IFC's advisory services funding of $165 million ($175 million - June 30, 2014). Included in other liabilities as of June 30, 2015 is $467 million ($437 million - June 30, 2014) of refundable undisbursed donor funds.

NOTE V – PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, IFC and MIGA participate in a defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan and Trust (RSBP) and a Post-Employment Benefits Plan (PEBP) that cover substantially all of their staff members.

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. Costs allocated to IBRD are then shared between IBRD and IDA based on an agreed cost-sharing ratio. The expenses for the SRP, RSBP, and PEBP are included in expense from pension and other postretirement benefit plans.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP allocated to IFC for the years ended June 30, 2015, June 30, 2014 and June 30, 2013 (US$ millions):

	SRP			RSBP			PEBP		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Benefit cost									
Service cost	$ 139	$ 121	$ 116	$ 35	$ 26	$ 25	$ 21	$ 14	$ 11
Interest cost	131	121	101	23	21	17	13	9	7
Expected return on plan assets	(185)	(155)	(141)	(27)	(21)	(18)	-	-	-
Amortization of prior service cost	1	1	1	3	3	2	2	*	*
Amortization of unrecognized net loss	21	21	36	6	6	9	14	6	7
Net periodic pension cost	**$ 107**	**$ 109**	**$ 113**	**$ 40**	**$ 35**	**$ 35**	**$ 50**	**$ 29**	**$ 25**

* Less than $0.5 million

The expenses for the SRP, RSBP, and PEBP are included in expense from pension and other postretirement benefit plans. For the years ended June 30, 2015, June 30, 2014 and June 30, 2013, expenses for these plans of $197 million, $173 million and $173 million, respectively, were allocated to IFC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V – PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

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, 2015 and June 30, 2014 (US$ millions). 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 plan. The assets of the PEBP are mostly invested in fixed income, equity instruments and alternative investments.

	SRP		RSBP		PEBP	
	2015	2014	2015	2014	2015	2014
Projected benefit obligations						
Beginning of year	$ 3,188	$ 2,703	$ 531	$ 433	$ 326	$ 195
Service cost	139	121	35	26	21	14
Interest cost	131	121	23	21	14	9
Net entity transfers	(32)	(36)	(5)	(8)	-	-
Participant contributions	41	32	2	2	9	1
Federal subsidy received	-	-	*	*	-	-
Plan amendments	-	11	-	-	-	16
Benefits paid	(124)	(116)	(8)	(7)	(6)	(6)
Actuarial loss (gain)	(90)	352	(72)	64	(19)	97
End of year	3,253	3,188	506	531	345	326
Fair value of plan assets						
Beginning of year	2,939	2,613	412	340	-	-
Net entity transfers	(32)	(36)	(5)	(8)	-	-
Participant contributions	41	32	2	2	-	-
Actual return on assets	126	360	21	51	-	-
Employer contributions	77	86	33	34	-	-
Benefits paid	(124)	(116)	(8)	(7)	-	-
End of year	3,027	2,939	455	412	-	-
Funded status**	**(226)**	**(249)**	**(51)**	**(119)**	**(345)**	**(326)**
Accumulated benefit obligations	**$ 2,786**	**$ 2,684**	**$ 506**	**$ 531**	**$ 258**	**$ 235**

* Less than $0.5 million
** Negative funded status is included in Payables and other liabilities under liabilities under retirement benefits plans, in Note L.

During the fiscal year ended June 30, 2015, there were no amendments made to the retirement benefit plans.

During the fiscal year ended June 30, 2014, several amendments were made to the SRP. The primary amendments that resulted in an overall increase in SRP and PEBP PBO are as follows: (i) Improvements to the survivors' benefits, (ii) Increasing the Mandatory Retirement Age for all current and future participants from age 62 to age 67 for all staff on board on or after December 31, 2015, (iii) Increasing the Normal Retirement Age (NRA) to age 65 for all participants entering the SRP on or after December 31, 2015, the NRA remains at age 62 for all other participating in the SRP before that date, and (iv) Ceasing pension accrual for certain participants after the age of 62.

The following tables present the amounts included in Accumulated Other Comprehensive Income relating to Pension and Other Postretirement Benefits (US$ millions):

Amounts included in Accumulated other comprehensive loss in the year ended June 30, 2015:

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 560	$ 71	$ 165	$ 796
Prior service cost	12	20	15	47
Net amount recognized in accumulated other comprehensive loss	$ 572	$ 91	$ 180	$ 843

Amounts included in Accumulated other comprehensive income in the year ended June 30, 2014:

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 611	$ 144	$ 197	$ 952
Prior service cost	13	23	17	53
Net amount recognized in accumulated other comprehensive loss	$ 624	$ 167	$ 214	$ 1,005

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V – PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

The estimated amounts that will be amortized from Accumulated Other Comprehensive Income into net periodic benefit cost in the year ending June 30, 2016 are as follows (US$ millions):

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 15	$ 0	$ 12	$ 27
Prior service cost	1	2	2	5
Net amount recognized in accumulated other comprehensive loss	$ 16	$ 2	$ 14	$ 32

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 inflation, real bond yield, 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 and the net periodic pension costs for the years ended June 30, 2015, June 30, 2014, and June 30, 2013:

Weighted average assumptions used to determine projected benefit obligation (%), except years

	SRP			RSBP			PEBP		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Discount rate	4.30	4.20	4.60	4.50	4.40	4.80	4.40	4.30	4.50
Rate of compensation increase	5.40	5.40	5.70				5.40	5.40	5.70
Health care growth rates - at end of fiscal year				4.90	5.30	5.90			
Ultimate health care growth rate				4.10	4.10	3.90			
Year in which ultimate rate is reached				2030	2022	2022			

Weighted average assumptions used to determine net periodic pension cost (%), except years

	SRP			RSBP			PEBP		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Discount rate	4.20	4.60	3.90	4.40	4.80	4.10	4.30	4.50	3.90
Expected return on plan assets	6.30	5.90	5.80	6.30	6.00	6.10			
Rate of compensation increase	5.40	5.70	5.40				5.40	5.70	5.40
Health care growth rates - at end of fiscal year				5.30	5.90	6.30			
Ultimate health care growth rate				4.10	3.90	3.60			
Year in which ultimate rate is reached				2022	2022	2022			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V – PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

The medical cost trend rate can significantly affect the reported postretirement benefit income or costs and benefit obligations for the RSBP. The following table shows the effects of a one-percentage-point change in the assumed healthcare cost trend rate (US$ millions):

	One-percentage-point increase		One-percentage-point decrease	
Effect on total service and interest cost	$	20	$	14
Effect on postretirement benefit obligation	$	135	$	101

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 plans are invested. The SAA for the plans is reviewed in detail and reset about every three years, with more frequent reviews and changes if and as needed based on market conditions.

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 public and private equity and real estate.

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 desired liquidity needs of the plans. The SAA is comprised of a diversified portfolio drawn from among fixed-income, equity, real assets and absolute return strategies.

The following table presents the policy asset allocation at June 30, 2015 and the actual asset allocation at June 30, 2015 and June 30, 2014 by asset category for the SRP and RSBP.

	SRP			RSBP		
	Policy Allocation 2015 (%)	% of Plan Assets 2015	% of Plan Assets 2014	Policy Allocation 2015 (%)	% of Plan Assets 2015	% of Plan Assets 2014
Asset class						
Public equity	33	35	35	33	35	35
Fixed income & cash	26	22	23	26	24	25
Private equity	20	17	18	20	18	19
Hedge funds	8	10	9	8	9	9
Real assets*	13	13	12	13	11	10
Other**	-	3	3	-	3	2
Total	**100**	**100**	**100**	**100**	**100**	**100**

* Real assets include public and private real estate, infrastructure and timber.
** Includes investments that are outside the policy allocations such as directional hedge funds and long-term private debt 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, 2015, the largest exposure to a single counterparty was 6% and 5% of the plan assets in SRP and RSBP, respectively.

Risk management practices

Managing investment risk is an integral part of managing the assets of the Plans. Asset diversification and consideration of the characteristics of the liabilities are central to the overall investment strategy and risk management approach for the SRP. 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 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, is carried out on a regular basis as part of the risk monitoring process. 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.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V – PENSION AND OTHER POSTRETIREMENT 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 table presents the fair value hierarchy of major categories of plan assets as of June 30, 2015 and June 30, 2014 (US$ millions):

	June 30, 2015							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities								
Time deposits	$ 2	$ -	$ -	$ 2	$ *	$ -	$ -	$ *
Securities purchased under resale agreements	31	-	-	31	9	-	-	9
Government and agency securities	476	114	-	590	70	35	-	105
Corporate and convertible bonds	-	31	-	31	-	5	-	5
Asset-backed securities	-	18	-	18	-	3	-	3
Mortgage-backed securities	-	26	-	26	-	3	-	3
Total debt securities	509	189	-	698	79	46	-	125
Equity securities								
US common stocks	100	-	-	100	11	-	-	11
Non-US common stocks	523	-	-	523	75	-	-	75
Mutual funds	60	-	-	60	14	-	-	14
Real estate investment trusts	80	-	-	80	9	-	-	9
Total equity securities	763	-	-	763	109	-	-	109
Other funds at NAV**								
Commingled funds	-	-	-	340	-	-	-	46
Private equity	-	-	-	543	-	-	-	89
Hedge funds	-	-	-	356	-	-	-	50
Real estate (including infrastructure and timber)	-	-	-	319	-	-	-	40
Total other funds				1,558				225
Derivative assets/ liabilities	*	2	-	2	*	*	-	*
Other assets/ liabilities***, net	-	-	-	6	-	-	-	(4)
Total Assets	**$ 1,272**	**$ 191**	**$ -**	**$ 3,027**	**$ 188**	**$ 46**	**$ -**	**$ 455**

* Less than $0.5 million.
** Investments measured at fair value using NAV, have not been classified under the fair value hierarchy.
*** Includes receivables and payables carried at amounts that approximate fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V – PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

	June 30, 2014							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities								
Time deposits	$ -	$ *	$ -	$ -	$ -	$ *	$ -	$ *
Securities purchased under resale agreements	11	-	-	11	3	-	-	3
Government and agency securities	480	102	-	582	44	53	-	97
Corporate and convertible bonds	-	25	-	25	-	*	-	*
Asset-backed securities	-	12	-	12	-	*	-	*
Mortgage-backed securities	-	29	-	29	-	1	-	1
Total debt securities	491	168	-	659	47	54	-	101
Equity securities								
US common stocks	111	-	-	111	11	-	-	11
Non-US common stocks	505	-	-	505	70	-	-	70
Mutual funds	93	-	-	93	18	-	-	18
Real estate investment trusts	67	-	-	67	7	-	-	7
Total equity securities	776	-	-	776	106	-	-	106
Other funds at NAV**								
Commingled funds	-	-	-	327	-	-	-	45
Private equity	-	-	-	524	-	-	-	81
Hedge funds	-	-	-	356	-	-	-	44
Real estate (including infrastructure and timber)	-	-	-	289	-	-	-	33
Total other funds				1,496				203
Derivative assets/ liabilities	*	(1)	-	(1)	*	*	*	*
Other assets/ liabilities***, net	-	-	-	9	-	-	-	2
Total Assets	**$ 1,267**	**$ 167**	**$ -**	**$ 2,939**	**$ 153**	**$ 54**	**$ -**	**$ 412**

* Less than $0.5 million.
** Investments measured at fair value using NAV, have not been classified under the fair value hierarchy.
*** 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. It is important to note that the 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 time deposits, U.S. treasuries and agencies, debt obligations of foreign governments and debt obligations in corporations of domestic and foreign issuers. Fixed income also includes investments in ABS such as collateralized mortgage obligations and mortgage backed securities. 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 REITs) are invested in companies 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.

Commingled funds

Commingled funds are typically common or collective trusts reported at NAV as provided by the investment manager or sponsor of the fund based on valuation of underlying investments.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE V – PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

Private equity

Private equity includes investments primarily in leveraged buyouts, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. A large number 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. The underlying investments are valued using inputs such as cost, operating results, discounted future cash flows and trading multiples of comparable public securities.

Real estate

Real estate includes several funds which invest in core real estate as well as non-core type of real estate investments such as debt, value add, and opportunistic equity investments. Real estate 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. The valuations of underlying investments are based on income and/or cost approaches or comparable sales approach, and taking into account discount and capitalization rates, financial conditions, local market conditions among others.

Hedge fund investments

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 NAVs provided by external managers or fund administrators (based on the valuations of underlying investments) on a monthly basis, 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. Reporting of those asset classes with a reporting lag, management estimates are based on the latest available information taking into account underlying market fundamentals and significant events through the balance sheet date.

Investment in derivatives

Investment in derivatives such as equity or bond futures, TBA securities, 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 market observable 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 at June 30, 2015 (US$ millions):

	SRP	RSBP		PEBP
		Before Federal subsidy	Federal subsidy**	
July 1, 2015 - June 30, 2016	$ 113	$ 6	$ *	$ 9
July 1, 2016 - June 30, 2017	122	7	-	10
July 1, 2017 - June 30, 2018	130	8	-	11
July 1, 2018 - June 30, 2019	139	9	-	12
July 1, 2019 - June 30, 2020	148	11	-	13
July 1, 2020 - June 30, 2025	899	77	-	86

* Less than $0.5 million.
** Following on from the decision by the Management during the fiscal year ended June 30, 2015, effective January 1, 2016, IFC will be moving from Retiree Drug Subsidy to Employer Group Waiver Plan.

Expected contributions

IFC's contribution to the SRP and RSBP varies from year to year, as determined by the Pension Finance Committee, 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 for IFC during the year beginning July 1, 2015 is $77 million and $26 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE W – OFFSETTING OF DERIVATIVES, RESALE, REPURCHASE AND SECURITIES LENDING AGREEMENTS AND COLLATERAL

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 sheet. 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 that are subject to enforceable counterparty credit support and netting agreements described below (US$ millions). Collateral amounts are included only to the extent of the related net derivative fair values or net resale, repurchase and securities lending agreements amounts.

June 30, 2015				
Assets	Gross amount of assets presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
		Financial instruments	Collateral received	
Derivative assets	$ 3,626*	$ 1,759	$ 966***	$ 901
Resale agreements	68	67	-	1
Total assets	**$ 3,694**	**$ 1,826**	**$ 966**	**$ 902**

June 30, 2015				
Liabilities	Gross amount of liabilities presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
		Financial instruments	Collateral pledged	
Derivative liabilities	$ 4,398**	$ 1,759	$ -	$ 2,639
Repurchase and securities lending agreements	4,458	4,418	-	40
Total liabilities	**$ 8,856**	**$ 6,177**	**$ -**	**$ 2,679**

June 30, 2014				
Assets	Gross amount of assets presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
		Financial instruments	Collateral received	
Derivative assets	$ 3,328*	$ 1,133	$ 986***	$ 1,209
Resale agreements	420	420	-	-
Total	**$ 3,748**	**$ 1,553**	**$ 986**	**$ 1,209**

June 30, 2014				
Liabilities	Gross amount of liabilities presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
		Financial instruments	Collateral pledged	
Derivative liabilities	$ 2,123**	$ 1,133	$ -	$ 990
Repurchase and securities lending agreements	5,167	5,167	-	-
Total	**$ 7,290**	**$ 6,300**	**$ -**	**$ 990**

* Includes accrued income of $371 million and $416 million as of June 30, 2015 and June 30, 2014 respectively.
** Includes accrued charges of $173 million and $138 million as of June 30, 2015 and June 30, 2014 respectively.
*** Includes cash collateral of $216 million and $95 million as of June 30, 2015 and June 30, 2014 respectively. The remaining amounts of collateral received consist of off-balance-sheet US Treasury securities reported in the above table at fair value.

INTERNATIONAL FINANCE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE W – OFFSETTING OF DERIVATIVES, RESALE, REPURCHASE AND SECURITIES LENDING AGREEMENTS AND COLLATERAL (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 for the obligation to return it on its balance sheet. Securities received as collateral are not recognized on IFC's balance sheet. No collateral was posted under CSAs as of June 30, 2015 or June 30, 2014. 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, 2015, IFC had $237 million ($120 million at June 30, 2014) of outstanding obligations to return cash collateral under CSAs. The estimated fair value of all securities received and held as collateral under CSAs of June 30, 2015, all of which may be rehypothecated, was $756 million ($925 million - June 30, 2014). As of June 30, 2015, $210 million of such collateral was rehypothecated under securities lending agreements ($781 million - June 30, 2014).

Collateral posted by IFC in connection with repurchase agreements approximates the amounts classified as Securities sold under repurchase agreements. At June 30, 2015, trading securities with a carrying amount (fair value) of $171 million ($207 million - June 30, 2014) were pledged in connection with borrowings under a short-term discount note program, the carrying amount of which was $1,343 million ($1,328 million - June 30, 2014).

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 $1,862 million at June 30, 2015 ($680 million at June 30, 2014). At June 30, 2015, 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 $1,097 million would be required to be posted against net liability positions with counterparties at June 30, 2015 ($282 million at June 30, 2014).

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 liquidate the purchased or borrowed securities in the event of counterparty default. The estimated fair value of all securities received and held as collateral under these master netting agreements as of June 30, 2015 was $68 million ($420 million - June 30, 2014).

The following table presents an analysis of IFC's repurchase and securities lending transactions by (1) class of collateral pledged and (2) their remaining contractual maturity as of June 30, 2015 (US$ millions):

	Remaining Contractual Maturity of the Agreements, as of June 30 2015				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Repurchase agreements					
U.S. Treasury securities	$ 8	$ 3,409	$ 11	$ -	$ 3,428
Agency securities	-	70	95	64	229
Municipal securities and other	18	394	141	-	553
Total Repurchase agreements	26	3,873	247	64	4,210
Securities lending transactions					
U.S. Treasury securities	$ 209	$ -	$ -	$ -	$ 209
Agency securities	-	-	-	-	-
Covered Bonds and other	-	-	-	-	-
Total Securities lending transactions	209	-	-	-	209
Total Repurchase agreements and Securities lending transactions	**$ 235**	**$ 3,873**	**$ 247**	**$ 64**	**$ 4,419**

As of June 30, 2015, IFC has no repurchase-to-maturity transactions outstanding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE X – SERVICE 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 communications, internal auditing, administrative support, supplies, and insurance. IFC makes payments for these services to IBRD based on negotiated fees, chargebacks and allocated charges, where chargeback is not feasible. Expenses allocated to IFC for the year ended June 30, 2015, were $118 million ($97 million - year ended June 30, 2014; $60 million - year ended June 30, 2013). Other chargebacks include $17 million for the year ended June 30, 2015 ($20 million - year ended June 30, 2014; $30 million - year ended June 30, 2013).

NOTE Y – RELATED PARTY TRANSACTION

During the year ended June 30, 2015, IFC issued an amortizing, non-interest bearing promissory note, maturing September 15, 2039, to IDA (the Note) in exchange for $1,179 million. The Note requires payments totaling $1,318 million, resulting in an effective interest rate of 1.84%. With IFC's consent, IDA may redeem the Note after September 2, 2019, upon an adverse change in its financial condition or outlook. The amount due IDA upon such redemption is equal to the present value of the all unpaid amounts discounted at the effective interest rate. IDA may transfer the Note; however, its redemption right is not transferrable. IFC has elected the Fair Value Option for the Note.

NOTE Z – CONTINGENCIES

In the normal course of its business, IFC is from time to time named as a defendant or co-defendant in various legal actions on different grounds in various jurisdictions. Although there can be no assurances, based on the information currently available, IFC's Management does not believe the outcome of any of the various existing legal actions will have a material adverse effect on IFC's financial position, results of operations or cash flows.

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Board of Directors
International Finance Corporation:

We have audited the accompanying consolidated financial statements of the International Finance Corporation (IFC), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of income, changes in capital, and cash flows for each of the years in the three-year period ended June 30, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the International Finance Corporation as of June 30, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2015 in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated statement of capital stock and voting power as of June 30, 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion, included in the accompanying Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting, that IFC maintained effective internal control over financial reporting as of June 30, 2015, based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 6, 2015 expressed an unqualified opinion on management's assertion.

KPMG LLP

August 6, 2015

INVESTMENT PORTFOLIO

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
SUB-SAHARAN AFRICA					
	Angola	9	385,795.30	–	385,795.30
	Benin	11	232,312.90	–	232,312.90
	Botswana	6	35,451.60	–	35,451.60
	Burkina Faso	18	227,315.91	–	227,315.91
	Burundi	10	51,648.14	–	51,648.14
	Cameroon	40	647,714.70	471,500.00	1,119,214.70
	Cape Verde	6	15,901.91	–	15,901.91
	Central African Republic	1	7,880.62	–	7,880.62
	Chad	10	139,265.59	13,900.00	153,165.59
	Congo, Democratic Republic of	26	389,114.76	94,000.00	483,114.76
	Congo, Republic of	8	145,085.68	25,000.00	170,085.68
	Cote D'Ivoire	52	785,764.22	70,963.80	856,728.02
	Djibouti	1	4,000.00	–	4,000.00
	Eritrea	1	949.22	–	949.22
	Ethiopia	14	401,181.96	11,149.00	412,330.96
	Gabon	5	210,588.01	110,000.00	320,588.01
	Gambia, The	10	31,362.99	–	31,362.99
	Ghana	76	2,256,360.44	432,750.00	2,689,110.44
	Guinea	16	319,673.09	11,000.00	330,673.09
	Guinea-Bissau	4	7,245.99	–	7,245.99
	Kenya	104	1,857,070.08	100,662.05	1,957,732.13
	Lesotho	2	454.00	–	454.00
	Liberia	10	140,445.92	–	140,445.92
	Madagascar	21	266,909.39	21,000.00	287,909.39
	Malawi	22	178,747.75	9,500.00	188,247.75
	Mali	27	255,852.94	40,000.00	295,852.94
	Mauritania	14	273,264.40	9,502.61	282,767.01
	Mauritius	20	158,523.00	96.00	158,619.00
	Mozambique	31	425,987.79	–	425,987.79
	Namibia	7	68,258.69	–	68,258.69
	Niger	3	25,609.60	–	25,609.60
	Nigeria	112	8,835,979.36	343,655.04	9,179,634.39
	Rwanda	18	140,343.72	–	140,343.72
	Sao Tome and Principe	1	552.15	–	552.15
	Senegal	37	428,137.73	79,330.49	507,468.22
	Seychelles	7	39,443.21	2,500.00	41,943.21
	Sierra Leone	9	80,519.76	25,000.00	105,519.76
	Somalia	2	974.61	–	974.61
	South Africa	88	2,508,821.88	15,000.00	2,523,821.88
	South Sudan	1	5,000.00	–	5,000.00
	Sudan	6	27,267.78	6,488.79	33,756.57
	Swaziland	9	47,779.49	–	47,779.49
	Tanzania	62	433,552.52	15,540.51	449,093.03
	Togo	13	224,184.95	–	224,184.95
	Uganda	53	491,984.93	13,088.37	505,073.30
	Zambia	38	254,019.34	20,285.82	274,305.16
	Zimbabwe	51	284,261.86	99,000.00	383,261.86
	Regional Investments: Sub-Saharan Africa	101	2,974,088.25	183,398.47	3,157,486.72

Statement of Cumulative Gross Commitments[1] (at June 30, 2015)
(US$ Thousands)

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
EAST ASIA AND THE PACIFIC					
	Cambodia	13	316,463.25	155,000.00	471,463.25
	China	264	8,199,672.61	1,830,109.29	10,029,781.90
	Fiji	10	52,493.22	2,500.00	54,993.22
	Indonesia	126	4,068,991.86	2,512,055.37	6,581,047.23
	Kiribati	1	1,798.00	–	1,798.00
	Korea, Republic of	51	868,449.18	195,700.00	1,064,149.18
	Lao People's Democratic Republic	13	66,026.45	–	66,026.45
	Malaysia	12	154,868.40	5,389.13	160,257.52
	Mongolia	18	335,725.36	31,000.00	366,725.36
	Myanmar	4	87,140.66	–	87,140.66
	Papua New Guinea	12	374,518.93	25,000.00	399,518.93
	Philippines	103	2,876,429.26	695,879.60	3,572,308.86
	Samoa	7	20,096.57	–	20,096.57
	Solomon Islands	2	45,000.00	–	45,000.00
	Thailand	86	2,142,267.43	1,748,419.34	3,890,686.77
	Timor-Leste	1	500.00	–	500.00
	Tonga	1	6,787.00	–	6,787.00
	Vanuatu	4	18,104.05	–	18,104.05
	Vietnam	54	4,972,039.20	253,135.00	5,225,174.20
	Regional Investments: East Asia and the Pacific	45	1,376,564.03	–	1,376,564.03
SOUTH ASIA					
	Bangladesh	44	2,570,700.71	92,745.40	2,663,446.11
	Bhutan	4	49,853.59	–	49,853.59
	India	404	11,514,730.68	1,743,639.77	13,258,370.45
	Maldives	7	168,250.00	8,500.00	176,750.00
	Nepal	27	215,574.60	39,000.00	254,574.60
	Sri Lanka	43	668,591.85	128,615.60	797,207.45
	Regional Investments: South Asia	12	250,988.18	–	250,988.18
EUROPE AND CENTRAL ASIA					
	Albania	21	487,756.81	65,691.91	553,448.72
	Armenia	16	343,801.18	–	343,801.18
	Azerbaijan	27	559,687.48	197,930.00	757,617.48
	Belarus	19	598,994.48	6,000.00	604,994.48
	Bosnia and Herzegovina	32	345,343.16	10,577.55	355,920.71
	Bulgaria	26	810,557.98	183,646.71	994,204.70
	Croatia	22	774,637.47	228,199.03	1,002,836.50
	Czech Republic	19	482,772.92	245,587.93	728,360.84
	Estonia	11	137,806.09	11,854.97	149,661.07
	Georgia	24	890,791.40	38,325.25	929,116.65
	Hungary	34	437,985.38	70,334.83	508,320.21
	Kazakhstan	35	1,385,519.99	282,916.67	1,668,436.65
	Kosovo	4	35,802.11	–	35,802.11
	Kyrgyz Republic	15	123,526.17	–	123,526.17
	Latvia	7	80,966.79	35,000.00	115,966.79
	Lithuania	11	95,040.95	9,309.00	104,349.95
	Macedonia, Former Yugoslav Republic of	16	236,682.68	25,000.00	261,682.68
	Moldova	18	263,322.94	45,000.00	308,322.94
	Montenegro	6	86,754.20	–	86,754.20
	Poland	46	454,925.93	115,316.83	570,242.77
	Romania	50	2,265,739.56	478,163.46	2,743,903.02
	Russian Federation	194	8,797,860.99	2,523,371.96	11,321,232.95
	Serbia	38	1,469,522.71	135,630.26	1,605,152.96
	Slovak Republic	7	115,543.69	–	115,543.69
	Slovenia	12	241,309.47	47,382.71	288,692.18

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
EUROPE AND CENTRAL ASIA					
	Tajikistan	20	143,465.69	–	143,465.69
	Turkey	190	9,256,835.67	3,664,969.42	12,921,805.09
	Ukraine	51	2,341,247.68	776,700.00	3,117,947.68
	Uzbekistan	17	120,513.67	12,900.00	133,413.67
	Regional Investments: Europe and Central Asia	63	2,811,202.04	200,880.02	3,012,082.06
LATIN AMERICA AND THE CARIBBEAN					
	Antigua and Barbuda	1	30,000.00	–	30,000.00
	Argentina	195	5,332,187.01	3,680,163.01	9,012,350.02
	Barbados	6	128,625.08	–	128,625.08
	Belize	4	33,066.33	11,000.00	44,066.33
	Bolivia	32	512,949.12	140,500.00	653,449.12
	Brazil	267	14,473,494.45	6,787,477.70	21,260,972.15
	Chile	67	2,229,233.82	1,183,104.66	3,412,338.48
	Colombia	130	3,160,813.42	1,286,631.03	4,447,444.44
	Costa Rica	33	757,670.01	99,708.82	857,378.83
	Dominica	1	700.00	–	700.00
	Dominican Republic	36	658,559.59	241,850.00	900,409.59
	Ecuador	24	451,227.78	39,240.06	490,467.84
	El Salvador	19	486,271.94	113,500.00	599,771.94
	Grenada	2	8,000.00	–	8,000.00
	Guatemala	28	1,294,742.30	210,000.00	1,504,742.30
	Guyana	7	76,416.96	–	76,416.96
	Haiti	12	131,664.48	25,250.00	156,914.48
	Honduras	26	1,312,214.71	142,900.75	1,455,115.46
	Jamaica	24	505,295.60	194,244.48	699,540.09
	Mexico	201	6,811,502.82	2,832,133.53	9,643,636.35
	Nicaragua	24	526,651.16	12,428.57	539,079.73
	Panama	32	1,869,488.55	153,300.00	2,022,788.55
	Paraguay	18	1,117,986.51	10,000.00	1,127,986.51
	Peru	78	2,192,293.70	963,099.31	3,155,393.01
	St. Lucia	3	45,421.91	–	45,421.91
	Suriname	1	4,065.88	–	4,065.88
	Trinidad and Tobago	15	358,653.74	235,000.00	593,653.74
	Uruguay	19	347,857.83	120,000.00	467,857.83
	Venezuela, Republica Bolivariana de	39	897,229.54	703,791.42	1,601,020.96
	Regional Investments: Latin America and the Caribbean	78	1,765,247.38	350,000.00	2,115,247.38
MIDDLE EAST AND NORTH AFRICA					
	Afghanistan	8	221,320.27	–	221,320.27
	Algeria	14	253,557.27	5,556.90	259,114.17
	Bahrain	1	216,274.05	–	216,274.05
	Egypt, Arab Republic of	96	2,889,660.25	814,871.26	3,704,531.50
	Iran, Islamic Republic of	11	63,342.91	8,199.46	71,542.37
	Iraq	11	435,951.18	50,000.00	485,951.18
	Jordan	57	1,377,250.90	604,488.31	1,981,739.21
	Lebanon	37	3,285,558.93	230,430.00	3,515,988.93
	Morocco	45	965,950.97	515,014.09	1,480,965.06
	Oman	7	319,853.40	57,000.00	376,853.40
	Pakistan	136	5,714,368.98	643,307.01	6,357,675.99
	Saudi Arabia	10	361,276.71	–	361,276.71
	Syrian Arab Republic	4	24,731.60	–	24,731.60
	Tunisia	31	474,686.92	417,227.80	891,914.72
	United Arab Emirates	3	55,000.00	–	55,000.00
	Yemen, Republic of	14	206,004.20	56,104.66	262,108.86
	Regional Investments: Middle East and North Africa	46	1,761,941.03	33,000.00	1,794,941.03

Statement of Cumulative Gross Commitments[1] (at June 30, 2015)
(US$ Thousands)

REGION	COUNTRY	NUMBER OF ENTERPRISES	IFC	LOAN & GUARANTEE PARTICIPATIONS	TOTAL
WORLDWIDE					
	Australia	2	975.00	–	975.00
	Cyprus	7	32,181.47	645.25	32,826.72
	Finland	4	1,233.13	1,914.51	3,147.64
	Greece	6	25,742.34	40,131.25	65,873.59
	Israel	1	10,500.00	–	10,500.00
	Italy	1	960.00	–	960.00
	Portugal	7	51,811.13	11,000.00	62,811.13
	Spain	5	19,042.51	1,685.00	20,727.51
	Regional Investments: Worldwide	136	8,301,046.50	183,000.00	8,484,046.50
	Other[2]	25	332,651.21	11,400.00	344,051.21
		5,759	179,263,594.92	44,321,986.81	223,585,581.73

1. Commitments are composed of funds to be provided by IFC for its own account and funds to be provided by participants through the purchase of an interest in IFC's investment.
2. Of this amount, $9.8 million ($8.4m for IFC and $1.4m 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 West Bank and Gaza, Taiwan, China and Hong Kong SAR, China.

IFC International Finance Corporation
WORLD BANK GROUP

CREATING
OPPORTUNITY WHERE
IT'S NEEDED MOST

2121 PENNSYLVANIA AVENUE, NW
WASHINGTON, DC 20433 USA

202 473 3800
ifc.org

WORLD BANK GROUP