Creating Markets, Creating Opportunities

Management's Discussion and Analysis
and
Condensed Consolidated Financial Statements
December 31, 2023
(Unaudited)

December 31, 2023

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SECTION I: INTRODUCTION

This Management's Discussion and Analysis (MD&A) discusses the financial results of the International Finance Corporation (IFC or the Corporation) for the three months ended December 31, 2023 (FY24 Q2) and the six months ended December 31, 2023 (FY24 YTD). This document should be read in conjunction with the IFC's Consolidated Financial Statements and MD&A issued for the year ended June 30, 2023 (FY23). IFC undertakes no obligation to update any forward-looking statements.

BASIS OF PREPARATION OF IFC'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accounting and reporting policies of IFC conform with accounting principles generally accepted in the United States of America (U.S. GAAP). IFC's accounting policies are discussed in more detail in Note A to the June 30, 2023 audited financial statements and IFC's condensed consolidated financial statements as of and for the six months ended December 31, 2023 (FY24 YTD condensed consolidated financial statements). Certain reclassifications of prior years' information have been made to conform with the current year's presentation.

IFC uses Income Available for Designations (a non-U.S. GAAP measure) as a basis for designations of retained earnings. Income Available for Designations comprises net income excluding unrealized gains and losses on investments and borrowings[1].

Table 1: Financial Data Summary

	For the three months ended		For the six months ended	
(US$ in millions)	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Investments Highlights (Section III)				
Long-Term Finance (LTF) Commitments (Own Account and Core Mobilization)	**$ 12,517**	$ 10,380	**$ 19,617**	$ 12,894
Short-Term Finance (STF) Commitments (Own Account and Core Mobilization)[a]	**3,145**	3,280	**5,863**	6,873
Disbursements	**5,659**	5,738	**10,555**	10,575
Income Statement				
Net income (Section VII)	**$ 309**	**$ 221**	**$ 723**	**$ 159**
Adjustments to reconcile Net Income to Income Available for Designations				
Unrealized (gains) losses on investments	**252**	(85)	**173**	20
Unrealized losses (gains) on borrowings	**44**	101	**102**	(12)
Income Available for Designations	**$ 605**	**$ 237**	**$ 998**	**$ 167**

(US$ in millions)	December 31, 2023	June 30, 2023
Balance Sheet		
Total assets	**$ 112,065**	$ 110,547
Liquid assets [b] (Section IV)	**38,949**	40,120
Investments (Section III)	**56,808**	51,502
Borrowings outstanding, including fair value adjustments (Section V)	**56,544**	52,443
Total capital (Section V)	**36,288**	35,038

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

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

1 Unrealized gains and losses on investments and borrowings presented in Table 1 includes unrealized gains and losses from associated derivatives.

Table 2: Key Financial Ratios

(US$ in billions, except ratios)	December 31, 2023	June 30, 2023
Overall liquidity ratio [a]	**86%**	104%
Debt to equity ratio [b]	**1.7**	1.6
Total reserve against losses on loans to total disbursed portfolio [c]	**3.3%**	3.7%
Capital measures:		
Capital Available [d]	**36.0**	34.8
Capital Required [e]	**21.9**	21.1
Capital Utilization Ratio (CUR) [f]	**60.7%**	60.7%

a Overall Liquidity Policy states that IFC would at all times maintain a minimum level of liquidity, plus undrawn borrowing commitments from the IBRD, such that it would cover at least 45% of the next three years' estimated net cash requirements.

b Debt to equity (leverage) ratio is defined as outstanding borrowings plus committed guarantees divided by total capital (comprises of paid-in capital, retained earnings and Accumulated other comprehensive income).

c Total reserve against losses on loans to total disbursed loan portfolio is defined as reserve against losses on loans as a percentage of the total disbursed loan portfolio.

d Capital Available: Resources available to absorb potential losses, calculated as: Balance Sheet Capital less Designated Retained Earnings.

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

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

IFC's Capital Adequacy, as measured by the Capital Utilization Ratio (CUR) stood at 60.7% as of December 31, 2023, unchanged from June 30, 2023. During FY24 YTD, there were diverse increases in Capital Available, driven by growth in undesignated retained earnings, accumulated other comprehensive income, and paid-in capital. Capital Required also increased during the period primarily due to the need for additional capital to support the Loan and Equity portfolios.

IFC's debt to equity ratio was 1.7, well within the maximum of 4 required by the policy approved by IFC's Board of Directors. IFC's overall liquidity as a percentage of the next three years' estimated net cash needs stood at 86%, above the minimum requirement of the Board of 45%.

SECTION II: EXECUTIVE SUMMARY

IFC is the largest global development institution focused on the private sector in developing countries. Established in 1956, IFC is owned by 186 member countries, a group that collectively determines its policies. IFC is a member of the World Bank Group (WBG)[2] but is a legal entity separate and distinct from IBRD, IDA, MIGA, and ICSID, with its own Articles of Agreement, share capital, financial structure, management, and staff. Membership in IFC is open only to member countries of IBRD. IFC is not liable for the obligations of the other institutions.

IFC's mission – as one of the WBG entities – is to end extreme poverty and boost shared prosperity on a livable planet. As the private sector arm of the WBG, IFC provides financing and advisory services to support private sector development in developing economies as a key engine of growth in line with good environmental, social and governance standards. To further support these efforts, the Board and Management have been working on an Evolution Roadmap for the WBG to better address the scale of development challenges. As part of this evolution, in October 2023, the Board of Governors endorsed the new vision and mission, as well as initiatives to increase impact, modernize the approach to delivery, and increase financing capacity. IFC stands at the center of these reform efforts in view of its private sector mandate as well as the need for private sector mobilization to close the financing gap to what government actors can provide on their own to address global challenges. This includes exploring new ways to move to an originate to distribute model, identifying bottlenecks to private sector activities, whilst leveraging partnerships with other development financial institutions (DFIs) and multilateral development banks (MDBs) to scale impact – among others.

In April 2018 IFC's Board of Governors approved a capital increase package comprising a three-step capital raising process: conversion of a portion of retained earnings into paid-in capital, a Selective Capital Increase (SCI) and General Capital Increase (GCI) that would together provide up to $5.5 billion in additional paid-in capital. In April 2023, the subscription deadline for the SCI and GCI was extended to April 16, 2025 and April 16, 2024, respectively, and the payment deadline for SCI was extended to April 16, 2025, to be aligned with the GCI payment deadline. As of December 31, 2023, 126 countries have subscribed a total of $4.4 billion, and payments of $3.2 billion have been received from 105 countries.

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

Aligned with the capital increase, IFC continued to grow its footprint in the poorest countries and fragile areas. New and ongoing challenges continue to influence the global outlook, disproportionately affecting the poor and vulnerable, and worsening global inequality. The global economy is set to have the slowest half-decade of GDP growth in 30 years[3] highlighting the geopolitical tensions as well as slowing growth in most major economies, sluggish global trade, and the tightest financial conditions in decades. In response, IFC has been working with partners at global and country levels to support its clients in enhancing resilience and laying the groundwork for rebuilding better through various platforms. For example, in August 2023, IFC announced a $400 million increase and one-year extension of the Base of the Pyramid (BOP) platform, bringing IFC’s total investment to $1 billion. First launched in 2021, the platform aims to help financial services providers deliver critical funding to small and informal businesses, and low-income households. In September 2023, IFC signed a $3.5 billion credit insurance policy with 13 global insurance companies under its Managed Co-Lending Portfolio Program (MCPP). The initiative, MCPP Financial Institutions III, will increase access to finance for micro, small and medium enterprises, including women-owned businesses, as well as firms addressing climate change.

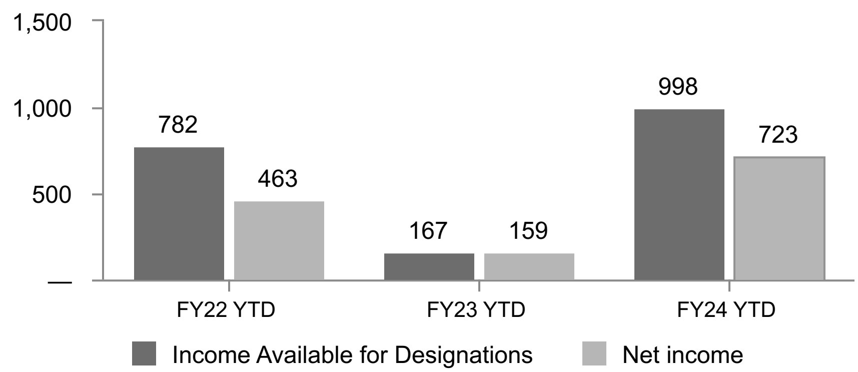
FINANCIAL PERFORMANCE SUMMARY

IFC’s financial performance has been significantly influenced by the volatile emerging equity markets as well as changes in interest rates.

Net Income and Income Available for Designations

IFC's net income was $723 million in FY24 YTD, as compared to net income of $159 million in the six months ended December 31, 2022 (FY23 YTD). Income Available for Designations totaled $998 million in FY24 YTD, as compared to a loss of $167 million in FY23 YTD. The increase was mainly driven by higher treasury income in FY24 YTD.

Figure 1: Income Measures (US$ in millions)



On August 3, 2023, the Board of Directors approved a designation of $60 million to the Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS). This designation was approved by the Board of Governors on October 13, 2023. See more details in *Section V - Funding Resources - Capital and Retained Earnings*.

Investment Operations

In FY24 YTD, IFC delivered a combined total of $25.5 billion in long-term and short-term financing, representing a substantial increase of 29% compared to FY23 YTD. This includes $10.6 billion which IFC disbursed from its own account in FY24 YTD ($10.6 billion in FY23 YTD). See more details in *Section III - Client Services*.

Investment Portfolio

As of December 31, 2023, IFC's outstanding investment portfolio was $56.8 billion, an increase of $5.3 billion compared to June 30, 2023, primarily driven by $5.1 billion of net disbursements (disbursements and purchases net of repayments, prepayments and divestments).

Liquid Assets

The Net Asset Value (NAV) of the liquid asset portfolio decreased by $1.2 billion to $38.9 billion as of December 31, 2023 from June 30, 2023. This reflected a decline of $1.2 billion in the Funded Liquidity Portfolio since net loan disbursements exceeded inflows from net borrowings.

[3] According to the World Bank’s latest Global Economic Prospects report

Borrowings

Borrowings outstanding (including fair value adjustments) increased by $4.1 billion from $52.4 billion as of June 30, 2023 to $56.5 billion as of December 31, 2023, mainly due to net new issuances of $3.2 billion and fair value losses of $841 million. Fair value losses were more than offset by fair value gains of $977 million on associated derivatives.

New borrowings under the medium and long-term borrowing program (on a funding authorization basis) in FY24 YTD was $9.9 billion as compared to $7.6 billion in FY23 YTD.

SECTION III: CLIENT SERVICES

BUSINESS OVERVIEW

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

INVESTMENT SERVICES

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

IFC’s investment products and services are designed to meet the needs of clients in different industries – principally infrastructure, manufacturing, agribusiness, services, and financial markets. Investment services product lines include: loans, equity investments, debt securities, trade and supply-chain finance, local currency finance, partial credit guarantees, portfolio risk-sharing facilities, securitizations, blended finance, venture capital, the IDA Private Sector Window (IDA-PSW), client risk management (CRM) and various mobilization products such as loan participations, parallel loans and MCPP.

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

INVESTMENT PROGRAM

Commitments

Investment Commitments include Long-Term Finance and Short-Term Finance Commitments. In FY24 YTD, IFC's Long-Term Finance (LTF) Commitments totaled $19.6 billion, representing a significant increase of $6.7 billion or 52% from FY23 YTD. The LTF program included LTF Own Account Commitments of $10.7 billion ($7.4 billion in FY23 YTD) and Core Mobilization of $8.9 billion ($5.5 billion in FY23 YTD). These investments supported 188 LTF projects in developing countries. For FY24 YTD, Short-Term Finance (STF) Commitments totaled $5.9 billion, a decrease of $1.0 billion or 15% from FY23 YTD. The STF program consisted of Own Account Commitments of $5.3 billion ($6.1 billion in FY23 YTD) and Core Mobilization of $581 million ($760 million in FY23 YTD). Total program delivery (LTF and STF) amounted to $25.5 billion in FY24 YTD, compared to $19.8 billion in FY23 YTD.

The committed portfolio (sum of (i) committed but undisbursed balance; and (ii) disbursed and outstanding balance) increased by $6.2 billion from $69.5 billion as of June 30, 2023 to $75.7 billion as of December 31, 2023. The committed debt (including loan and loan-like instruments) portfolio increased by $5.0 billion from $49.7 billion as of June 30, 2023 to $54.7 billion as of December 31, 2023, mainly due to new commitments outpacing repayments, prepayments and cancellations. The committed equity (including equity and equity-like instruments) portfolio increased by $381 million from $14.2 billion as of June 30, 2023 to $14.6 billion as of December 31, 2023 due to new investment commitments in FY24 YTD in excess of sales and cancellations. Committed guarantees and risk management portfolio increased by $842 million from $5.6 billion as of June 30, 2023 and to $6.4 billion as of December 31, 2023 due to new commitments in excess of cancellations and maturities.

Core Mobilization

Core Mobilization is non-IFC financing or risk sharing arranged on commercial terms due to the active and direct involvement of IFC for the benefit of a client. IFC mobilizes such finance from other private and public entities through a number of means, as outlined in the table below.

Table 3: Long-Term Finance and Short-Term Finance Commitments (Own Account and Core Mobilization)

	For the six months ended	
(US$ in millions)	December 31, 2023	December 31, 2022
Long-Term Finance Own Account Commitments		
Loans	$ 8,823	$ 6,141
Equity Investments	1,089	647
Guarantees	768	592
Client Risk Management	33	29
Total Long-Term Finance Own Account Commitments	**$ 10,713**	**$ 7,409**
Core Mobilization		
Syndication	$ 3,842	$ 2,536
Advisory Mobilization	939	1,285
Anchor Investment Mobilization	658	560
Trade Finance Mobilization	787	1,005
Private Equity Funds Mobilization	985	97
AMC Mobilization (See definitions in the “investment Portfolio” section)	16	2
Other [a]	1,678	—
Total Long-Term Finance Core Mobilization	**$ 8,905**	**$ 5,485**
Total Long-Term Finance Commitments	**$ 19,618**	**$ 12,894**
Short-Term Finance Own Account Commitments		
Short-Term Finance Own Account	$ 5,282	$ 6,113
Short-Term Finance Core Mobilization [b]	581	760
Total Short-Term Finance Commitments	**$ 5,863**	**$ 6,873**
Total Commitments [c] (Own Account and Core Mobilization)	**$ 25,481**	**$ 19,767**

a Other IFC Initiatives include Debt & Asset Recovery Program (DARP) Mobilization, Debt Securities – Direct Mobilization, and Mobilization by Decision.

b Starting from the FY23 annual MD&A, short-term finance core mobilization commitments were included in commitments reporting. Previous years' information was updated to conform with the current year’s presentation.

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

INVESTMENT DISBURSEMENTS

During FY24 YTD, IFC disbursed $10.6 billion for its own account ($10.6 billion in FY23 YTD): $8.0 billion of loans ($8.0 billion in FY23 YTD), $842 million in equity investments ($566 million in FY23 YTD), and $1.7 billion in debt securities ($2.0 billion in FY23 YTD).

INVESTMENT PORTFOLIO

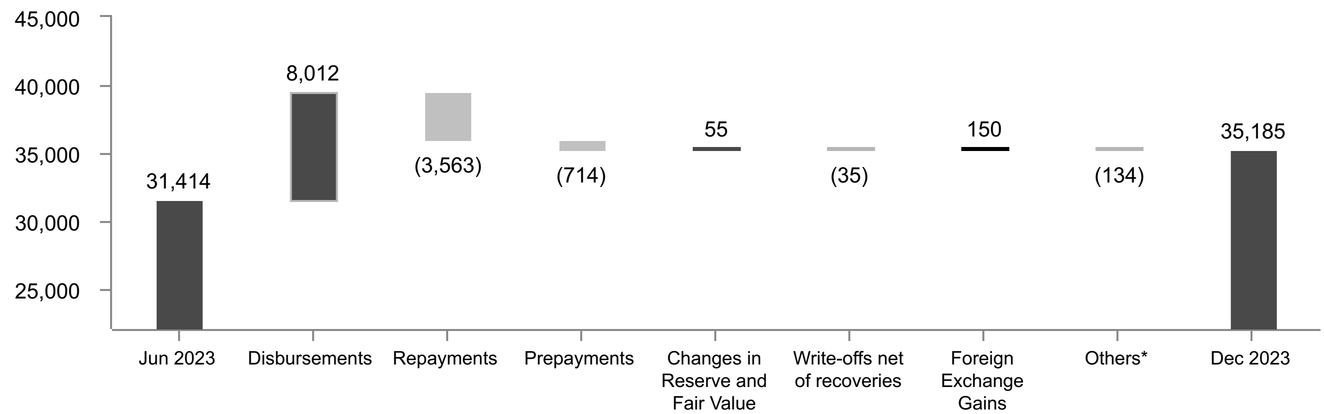
The carrying value of IFC’s investment portfolio comprises: (i) the disbursed investment portfolio; (ii) less reserve against losses on loans and debt securities; (iii) unamortized deferred loan origination fees; (iv) less disbursed amount allocated to a related financial instrument reported separately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

The carrying value of IFC’s investment portfolio was $56.8 billion as of December 31, 2023 ($51.5 billion as of June 30, 2023), comprising the loan portfolio of $35.2 billion ($31.4 billion as of June 30, 2023), the equity portfolio of $10.9 billion ($10.8 billion as of June 30, 2023), and the debt securities portfolio of $10.7 billion ($9.3 billion as of June 30, 2023).

Loans

The carrying value of IFC's loan portfolio (comprising the disbursed loan portfolio, together with adjustments as detailed in Note D to IFC's FY24 YTD condensed consolidated financial statements), increased by $3.8 billion (12.0%) to $35.2 billion as of December 31, 2023 ($31.4 billion as of June 30, 2023). The breakdown of this movement is as follows:

Figure 2: Carrying Value of Loan Portfolio (US$ in millions)



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

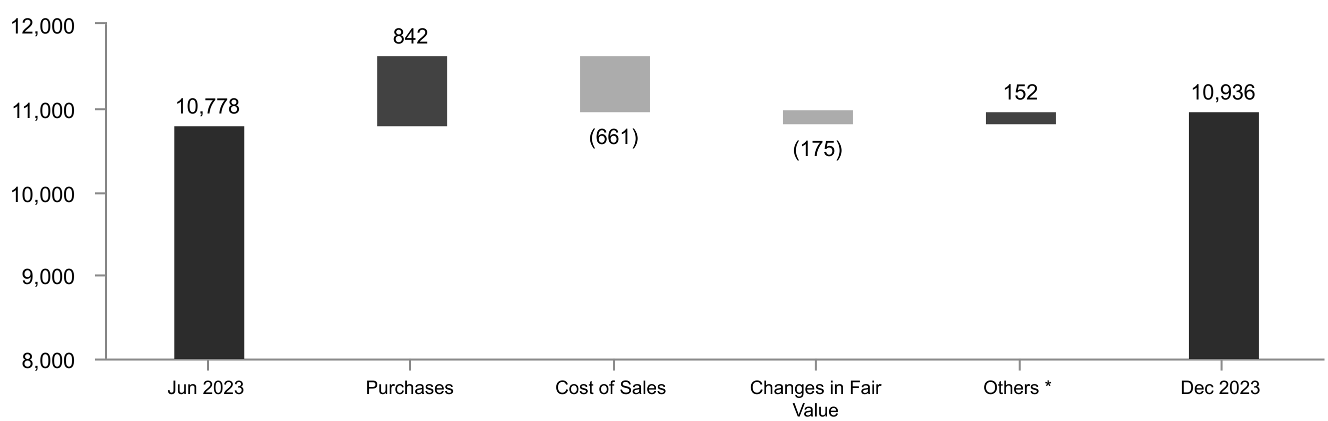
The increase of the carrying value of the loan portfolio was primarily driven by disbursements exceeding repayments and prepayments by $3.7 billion.

The weighted average contractual interest rate on loans as of December 31, 2023 was 7.9%, up from 7.8% as of June 30, 2023.

Equity Investments

The carrying value of IFC's equity investment portfolio (comprising the disbursed equity portfolio, together with adjustments as detailed in Note D to IFC's FY24 YTD condensed consolidated financial statements), grew by $158 million (1.5%) to $10.9 billion as of December 31, 2023 ($10.8 billion as of June 30, 2023). The breakdown of this movement is as follows:

Figure 3: Carrying Value of Equity Investment Portfolio (US$ in millions)



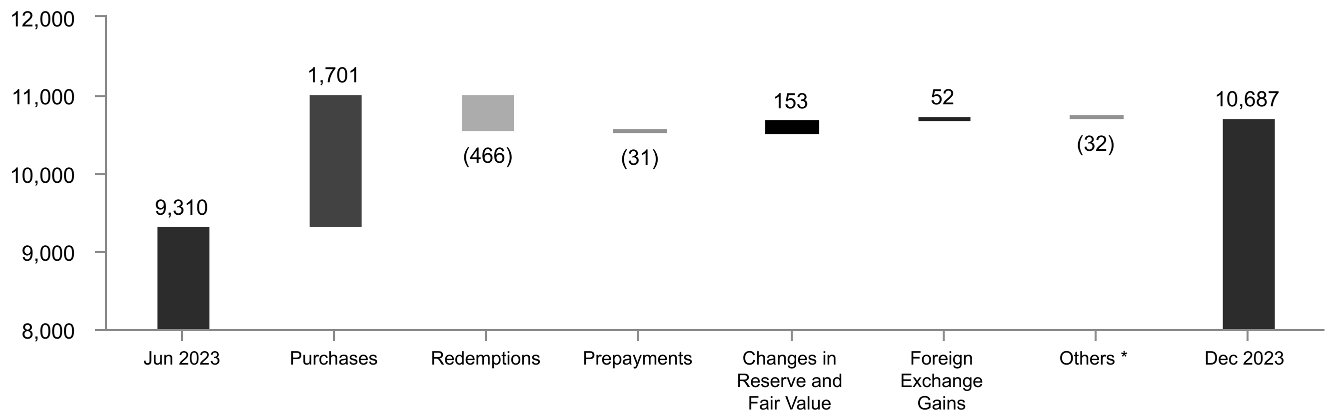
* Mainly represents conversions and transfers from loans and debt securities to equity investments.

The increase in the carrying value of the equity investment portfolio is mainly due to net new purchases (purchases net of sales).

Debt Securities

The carrying value of IFC's debt security portfolio (comprising the disbursed debt security portfolio, together with adjustments as detailed in Note D to IFC's FY24 YTD condensed consolidated financial statements), increased by $1.4 billion (14.8%) to $10.7 billion as of December 31, 2023 ($9.3 billion as of June 30, 2023). The breakdown of this movement is as follows:

Figure 4: Carrying Value of Debt Security Portfolio (US$ in millions)



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

The increase in the carrying value of the debt security portfolio was primarily driven by purchases exceeding redemptions and prepayments by $1.2 billion in FY24 YTD.

Guarantees and Partial Credit Guarantees

IFC offers partial credit guarantees to clients on a risk-sharing basis, covering client obligations on bonds and/or loans. IFC's guarantees are available for debt instruments and trade obligations of clients and cover commercial as well as non-commercial risks. IFC provides local currency guarantees, but when a guarantee is called, the client is generally obligated to reimburse IFC in U.S. dollars terms. Guarantee fees are consistent with IFC's loan pricing policies.

Guarantees of $5.0 billion were outstanding (i.e., not called) as of December 31, 2023 ($4.4 billion as of June 30, 2023).

MCPP

As of December 31, 2023, seventeen global investors have pledged $16.2 billion ($12.7 billion as of June 30, 2023) to the MCPP, with certain programs investing across all sectors and others focused on infrastructure or financial institutions exclusively. Investors have also approved funding for 278 projects totaling $10.5 billion across 66 countries as of December 31, 2023 (263 projects totaling $10.0 billion across 63 countries as of June 30, 2023), of which $8.9 billion ($8.3 billion as of June 30, 2023) has been committed. IFC will continue to deploy the remaining funds raised as IFC identifies projects that meet investors' investment criteria.

IDA-PSW

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

As of December 31, 2023, a combined total of $4.6 billion ($3.8 billion as of June 30, 2023) of instruments under the IDA18 through IDA20 replenishments had been approved, of which $3.2 billion ($2.8 billion as of June 30, 2023) related to IFC. Refer to Note B to the FY24 YTD condensed consolidated financial statements for more details.

AMC

IFC's Equity Mobilization Department (formally IFC Asset Management Company, or AMC), invests third-party capital and IFC capital, enabling outside investors to invest alongside IFC in developing markets. Investors in funds managed by AMC have included sovereign wealth funds, national pension funds, multilateral and bilateral development institutions, national development agencies and international financial institutions (IFIs).

As of December 31, 2023, AMC managed multiple funds (collectively referred to as the AMC Funds), in its capacity as General Partner (GP)/Manager of these funds. However, none of these funds require consolidation by IFC, because the third party limited partners of these funds have a substantive ability to remove IFC as GP/Manager. All AMC Funds are investment companies and are required to report their investment assets at fair value through net income. IFC's ownership interests in these AMC Funds are shown in the following table:

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

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

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

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

AMC Funds and their activities as of and for FY24 YTD and FY23 YTD are summarized as follows. As of December 31, 2023, all AMC Funds are in the post investment period.

Table 4: AMC Funds

	Through December 31, 2023				For the six months ended			
	Total funds raised since inception			Cumulative investment commitments [a]	December 31, 2023		December 31, 2022	
(US$ in millions)	Total	From IFC	From other investors		Committed Amount [b]	Disbursed Amount	Committed Amount [b]	Disbursed Amount
Current Funds								
IFC Capitalization (Equity) Fund, L.P. (Equity Capitalization Fund)	$ 1,275	$ 775	$ 500	$ 1,214	$ —	$ —	$ —	$ —
IFC Capitalization (Subordinated Debt) Fund, L.P. (Sub-Debt Capitalization Fund)	1,725	225	1,500	1,614	—	—	—	—
IFC African, Latin American and Caribbean Fund, LP (ALAC Fund)	1,000	200	800	864	—	—	—	—
IFC Catalyst Fund, LP, IFC Catalyst Fund (UK), LP and IFC Catalyst Fund (Japan), LP (collectively, Catalyst Funds)	418	75	343	363	—	6	—	4
IFC Global Infrastructure Fund, LP (Global Infrastructure Fund) [c]	1,430	200	1,230	902	—	—	—	—
IFC Global Emerging Markets Fund of Funds, LP and IFC Global Emerging Markets Fund of Funds (Japan Parallel), LP (collectively, GEM Funds)	800	150	650	757	—	22	—	47
Women Entrepreneurs Debt Fund, LP (WED Fund)	115	30	85	110	—	—	—	—
IFC Middle East and North Africa Fund, LP (MENA Fund)	162	60	102	86	—	—	4	7
IFC Financial Institutions Growth Fund, LP (FIG Fund)	505	150	355	354	10	10	—	3
IFC Emerging Asia Fund, LP (Asia Fund)	693	150	543	587	14	14	—	73
Current Funds Total	**$ 8,123**	**$ 2,015**	**$ 6,108**	**$ 6,851**	**$ 24**	**$ 52**	**$ 4**	**$ 134**
Former Funds								
Africa Capitalization Fund, Ltd. (Africa Capitalization Fund)	$ 182	$ —	$ 182	$ 130	$ —	$ —	$ —	$ —
China-Mexico Fund, LP (China-Mexico Fund) [d]	1,200	—	1,200	362	—	—	—	10
IFC Russian Bank Capitalization Fund, LP (Russian Bank Cap Fund)	550	250	300	82	—	—	—	—
Former Funds Total	**$ 1,932**	**$ 250**	**$ 1,682**	**$ 574**	**$ —**	**$—**	**$ —**	**$ 10**
Grand Total	**$ 10,055**	**$ 2,265**	**$ 7,790**	**$ 7,425**	**$ 24**	**$ 52**	**$ 4**	**$ 144**

a Net of commitment cancellations.

b Excludes commitment cancellations from prior periods.

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

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

UPSTREAM AND ADVISORY SERVICES

IFC's Upstream and Advisory engagements are critical enablers for advancing its corporate growth and impact ambitions by (i) creating the conditions and opportunities that will mobilize private capital into productive investments in emerging markets; (ii) developing a bankable pipeline of investment opportunities, particularly in challenging IDA and FCS markets; and (iii) enhancing the operational performance and management practices of private sector clients to attract the financing they need.

As part of these engagements, IFC delivers advisory services to public and private sector entities that help to improve the flow of private capital to accelerate sustainable growth and inclusive job creation in emerging markets. IFC also supports the creation of bankable investment projects in challenging markets and nascent sectors through early-stage project preparation and development activities. Examples of this work can include: working in collaboration with the IBRD to support governments to establish regulatory reforms that attract greater private investment; helping governments structure public-private partnerships to improve access to high-quality infrastructure and basic services; advising industry institutions to catalyze the adoption of global standards and best practices; providing tailored advice and market insights to private sector companies to improve their operational performance and expand their market reach; contributing to the costs and efforts necessary to determine the feasibility of a potential investment opportunity and bringing IFC expertise to specific project development activities, at times using its resources to fund capital and/or operational expenditures by the project with the aim of proving a new business model in a specific market.

In FY24 YTD, IFC spent $107 million[4] in support of Upstream and Advisory engagements with hundreds of clients across all regions and industries, in line with the FY23 YTD's program at $108 million.

SECTION IV: LIQUID ASSETS

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

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

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

IFC's liquid assets are accounted for as trading portfolios. As of December 31, 2023, the net asset value (NAV) of the liquid asset portfolio was $38.9 billion, a decrease of $1.2 billion from $40.1 billion as of June 30, 2023.

FUNDED LIQUIDITY PORTFOLIO

The Funded Liquidity Portfolio funded by market borrowings, was $21.9 billion as of December 31, 2023, a decrease of $1.2 billion from $23.2 billion as of June 30, 2023 as net loan disbursements to clients exceeded net issuances of market borrowings.

NET WORTH FUNDED PORTFOLIO

The Net Worth Funded Portfolio, funded by IFC's net worth, totaled $17.0 billion as of December 31, 2023, compared to $16.9 billion as of June 30, 2023.

[4] The program expenditure presented herein is based on the operational reporting methodology, which includes all project expenditures associated with IFC Upstream and Advisory projects, except Upstream project development activities that were approved prior to July 1, 2023.

SECTION V: FUNDING RESOURCES

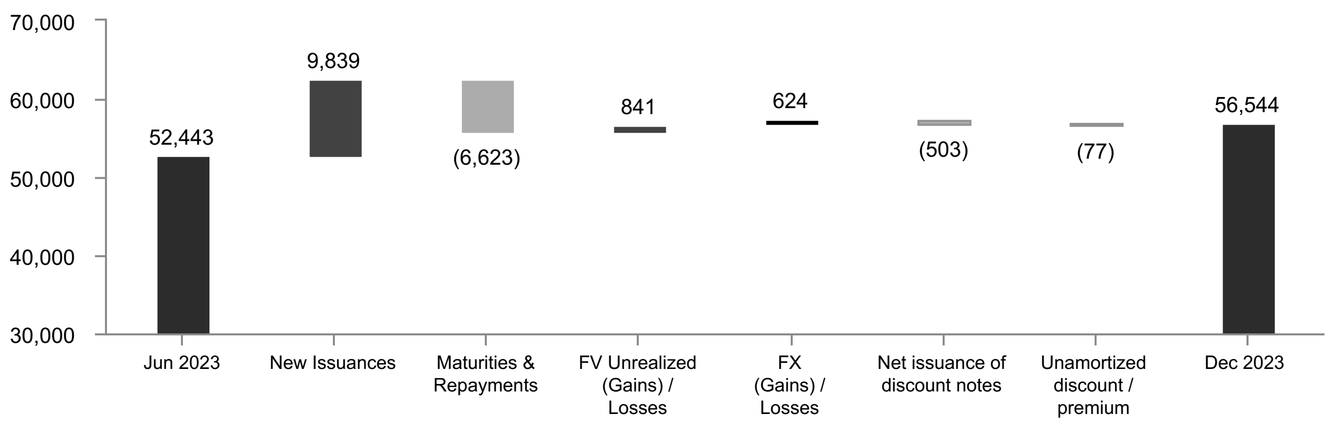
BORROWINGS

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

Substantially all borrowings are carried at fair value under the Fair Value Option. The change in the fair value of these borrowings resulting from changes in instrument-specific credit risk is reported in other comprehensive income, while the remaining change in fair value is reported in "Net unrealized gains and losses on non-trading financial instruments accounted for at fair value" in the condensed consolidated statements of operations. Changes in the net fair value of IFC's borrowings from market, IDA, and associated derivatives, include the impact of changes in IFC's own credit spread when measured against reference rates. IFC's policy is to generally match the currency, amount, and timing of cash flows on market borrowings with the cash flows on the associated derivatives entered into contemporaneously.

The outstanding borrowings (including fair value adjustments) on IFC's condensed consolidated balance sheets were $56.5 billion as of December 31, 2023, up from $52.4 billion as of June 30, 2023. As of December 31, 2023, this comprised an outstanding balance of $54.0 billion in medium and long-term borrowings ($49.4 billion as of June 30, 2023) and $2.5 billion in short-term borrowings under the discount note program ($3.0 billion as of June 30, 2023). The increase in outstanding borrowings was mainly due to new issuances, net of maturities and repayments, of $3.2 billion and fair value losses of $841 million shown below. Fair value losses are more than offset by gains of $977 million on associated derivatives.

Figure 5: Borrowings Portfolio (US$ in millions)



Market borrowings are generally swapped into floating-rate obligations denominated in U.S. dollars. On occasion, IFC uses its borrowings as a tool to promote capital markets development in emerging and frontier markets and this can result in raising local currency funds. As of December 31, 2023, non-U.S dollar denominated market borrowings with no interest rate or currency hedges accounted for 1% of the total borrowings from market sources (2% as of June 30, 2023), with outstanding balances amounting to $841 million ($1.0 billion as of June 30, 2023). These borrowings were denominated in various currencies, including Bangladeshi taka, Chinese renminbi, Georgian lari, Indian rupee, Kazakhstan tenge, new Azerbaijanian manat, new Romanian lei, Philippine peso, Sri Lankan rupee, Ukrainian hryvnia and Zambian kwacha.

During FY24 YTD, IFC raised $11.5 billion in medium and long term borrowings ($10.7 billion in FY23 YTD), net of derivatives and including discount notes with maturities greater than three months of $2.2 billion ($3.0 billion in FY23 YTD).

IFC also maintains short-term discount note programs in U.S. dollar and Chinese renminbi to provide an additional funding and liquidity management tool. These programs support IFC's trade finance and supply chain initiatives and expand the availability of short term local currency finance. The discount note programs offer issuances with maturities ranging from overnight to one year. During FY24 YTD, IFC issued $4.4 billion of discount notes ($5.7 billion in FY23 YTD). As of December 31, 2023, $2.5 billion were outstanding under the short-term discount note programs ($3.0 billion as of June 30, 2023).

CAPITAL AND RETAINED EARNINGS

As of December 31, 2023 and June 30, 2023, IFC's capital comprises the following:

Table 5: IFC's Capital

(US$ in millions)	December 31, 2023	June 30, 2023
Capital		
Authorized capital	$ 25,080	$ 25,080
Subscribed capital	23,995	23,939
Less: unpaid portion of subscriptions	(1,202)	(1,343)
Paid-in capital	22,793	22,596
Accumulated other comprehensive income	962	632
Retained earnings	12,533	11,810
Total Capital	**$ 36,288**	**$ 35,038**

As of December 31, 2023 and June 30, 2023, retained earnings comprises the following:

Table 6: IFC's Retained Earnings

(US$ in millions)	December 31, 2023	June 30, 2023
Undesignated Retained Earnings	**$ 12,281**	**$ 11,589**
Designated Retained Earnings:		
Creating Markets Advisory Window (CMAW)	144	161
Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS)	96	48
Small and Medium Enterprise (SME) Ventures	12	12
Total Designated Retained Earnings	**$ 252**	**$ 221**
Total Retained Earnings	**$ 12,533**	**$ 11,810**

Following the Spring Meetings in April 2018, a financing package was endorsed by the Board of Governors. This package comprised: (i) a three-step capital raising process: Conversion of a portion of retained earnings into paid-in capital, a GCI and SCI that would together provide up to $5.5 billion in additional paid-in capital; (ii) a planned suspension of grants to IDA after the conclusion of the IDA 18 replenishment; and (iii) internal measures for increased efficiency. The authorized capital stock as of December 31, 2023 is 25,079,991 shares of $1,000 par value each (unchanged from June 30, 2023).

The GCI and SCI Resolutions were adopted and became effective on April 16, 2020. $17 billion of retained earnings were converted into paid-in-capital in April 2020, and the capital subscription process was formally launched on April 22, 2020. In April 2023, the subscription deadline for the SCI and GCI was extended to April 16, 2025 and April 16, 2024, respectively, and the payment deadline for the SCI was extended to April 16, 2025, to be aligned with the GCI payment deadline. As of December 31, 2023, 126 countries have subscribed a total of $4.4 billion (GCI – $3.7 billion and SCI – $700 million) and payments of $3.2 billion (GCI – $2.6 billion and SCI – $662 million) were received from 105 countries.

Designations of Retained Earnings

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

IFC uses a sliding-scale formula as the methodology for calculating the incremental rate of designation. The approach approved by IFC’s Board of Directors establishes a threshold that no designations of any kind can take place if IFC’s CUR is above 88%. It also establishes a framework for prioritizing future designations to FMTAAS and for transfers to IDA, based on IFC’s CUR and a cushion for FMTAAS. IFC also created the CMAW in fiscal year 2018 to focus on market creation in eligible IDA countries and FCS.

On August 3, 2023, the Board of Directors approved a designation of $60 million to FMTAAS. This designation was approved by the Board of Governors on October 13, 2023.

SECTION VI: RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT

IFC’s enterprise risk management framework (ERM) is designed to enable the prudent management of potential financial and reputational impacts that originate from the Corporation’s business activities.

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

- **Development Impact** – IFC will maximize developmental impact by focusing on the World Bank Group’s mission to end extreme poverty and boost shared prosperity on a livable planet, while maintaining financial sustainability and safeguarding its brand.
- **Financial Sustainability** – IFC will generate and maintain sufficient financial resources, conduct its business and manage risk consistent with standards implied by a triple-A rating.
- **Safeguarding Reputation** – In determining what engagements and activities to pursue, IFC will assess whether any potential adverse impact to its reputation is in balance with the potential development impact.

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

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

Within IFC, (i) all financial risks and operational risks are consolidated under the Vice President of Risk and Finance, (ii) non-financial risks, except for Environment, Social and Corporate Governance (ESG) risks, are under the Vice President & General Counsel for Legal and Compliance Risk. ESG risks are managed by two departments: (a) the Environment and Social Policy and Risk department which reported directly to IFC’s Managing Director until December 31, 2023 and is reporting to the Vice President, Risk and Finance starting January 1, 2024, and (b) the ESG Sustainability Advice and Solutions Department reporting to the Vice President, Cross-Cutting Solutions.

The Corporate Support Vice Presidency supports alignment and coordination across all IFC Policies & Procedures, and is responsible for IFC's strategic stakeholder communication for managing potential and actual reputational impacts.

CREDIT RISK

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

Investment Operations

Credit risk in investment projects is actively managed throughout the project life cycle. Investment teams are responsible for gathering the necessary information from the client and other relevant stakeholders to verify the financial viability of each project, and for assigning a credit rating (CR) at defined stages in the project approval process. The credit rating, investment size, product type and other project-related risks determine the authority level required for the approval of each transaction. All projects are subject to independent credit assessment by a credit officer within the independent Risk and Finance Vice Presidency 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.

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

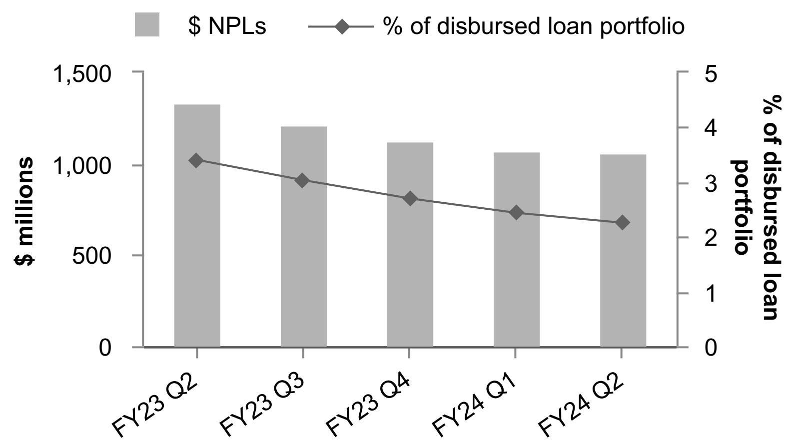
Selected indicators of credit risk exposure in IFC's loan portfolio, together with the five-quarter trend of non-performing loans (NPLs), are provided below:

Table 7: IFC Loan Portfolio Credit Risk Indicators

INDICATOR	December 31, 2023	June 30, 2023	Change
NPLs as % of the loan portfolio [a]	2.3 %	2.7 %	Down 0.4 %
Principal amount outstanding on NPLs	$1.1 billion	$1.1 billion	Down $60 million
Total reserve against losses on loans	$1.2 billion	$1.2 billion	Down $2 million
Total reserve against losses on loans as % of disbursed loan portfolio	3.3 %	3.7 %	Down 0.4 %
Total reserve against losses on loans as % of NPLs	113.4 %	107.6 %	Up 5.8 %
Total reserve against losses on outstanding guarantees	$23 million	$15 million	Up $8 million

a NPL ratio is calculated on loan portfolio inclusive of debt security portfolio.

Figure 6: NPLs as Percentage of Disbursed Loan Portfolio



Additional details are provided in *Section VII – Results of Operations - Provision for Losses on Loans, Off-balance Sheet Credit Exposures and Other Receivables*.

Treasury Operations

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

Treasury operations counterparties remain well diversified by sector and geography. In accordance with its agreements with counterparties, as of December 31, 2023, IFC held $173 million in cash and $1 million in securities as collateral for changes in mark-to-market exposures on open trades ($185 million in cash and $1 million in securities as of June 30, 2023). In terms of Treasury's credit profile, the liquid assets remain concentrated in the upper end of the credit spectrum with an average rating of A+, reflecting IFC's objective of principal protection and its resulting preference for high-quality investments.

MARKET RISK

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

LIBOR Transition

The Financial Conduct Authority (FCA), the regulator of LIBOR, confirmed that effective December 31, 2021, all the LIBOR settings, except for certain USD LIBOR, which were available until June 30, 2023 (the Cut-off Date), and ceased to be provided by any administrator or were no longer representative. In April 2023, the FCA announced its decision to require the ICE Benchmark Administrator to continue publication of 1-, 3- and 6-month US dollar LIBOR settings until September 30, 2024 using an unrepresentative "synthetic" methodology (Synthetic USD LIBOR). This announcement has provided additional time for certain transactions that can continue using Synthetic USD LIBOR, effectively extending the Cut-off Date for such projects to September 30, 2024.

As of December 31, 2023, IFC does not have any borrowings indexed to LIBOR on an after-swap basis. In line with global USD lending markets, IFC ceased the origination of LIBOR-based financial instruments on December 31, 2021 (with certain limited exceptions).

IFC has made significant progress with the conversion of its existing LIBOR-based portfolios to SOFR with 87% of the LIBOR book amended as of December 31, 2023 and with swap conversions substantially completed. IFC aims to complete the conversion of its remaining eligible LIBOR-based assets and liabilities to SOFR in advance of their respective next interest reset dates subsequent to June 30, 2023 or September 30, 2024 for the contracts using Synthetic USD LIBOR.

Equity Investments

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

During FY24 Q2, equity markets rebounded worldwide as expectations of the number of rate cuts in calendar year 2024 rose. The S&P 500, representing US markets, rose 11% approaching all-time highs, while Europe's largest stocks, as measured by Euro Stoxx 50, rose 8% reaching all-time highs. Emerging markets also increased, with the MSCI EM total return index up by 8%, though still significantly below the high from early 2021. The US dollar weakened 2% against a basket of emerging market currencies (JPMorgan EM currency index). IFC remains focused on strategic and selective additions on the new business front, and is actively managing its equity book, utilizing rigorous analysis of macroeconomic trends to inform its management decision-making throughout the project life cycle.

Liquid Asset Portfolios

Market risk in IFC's liquid asset portfolios is managed according to the risk appetite chosen by IFC Management 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. Overall market risk exposure is also subject to daily monitoring, based on Directives approved by the Corporate Risk Committee, which limit interest rate, credit spread, and foreign exchange risk.

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

LIQUIDITY, FUNDING AND ASSET LIABILITY MANAGEMENT (ALM) RISK

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

Liquid Asset Portfolios

As of December 31, 2023, IFC's liquid asset portfolios totaled $38.9 billion ($40.1 billion as of June 30, 2023). IFC's overall Liquidity Coverage Ratios (LCR) stood at 86%, above the minimum requirement of 45%.

Funding

IFC's funding operations ensure that IFC has the funds required for its lending operations, and that it has sufficient liquidity to safeguard its triple-A rating and fulfill IFC's counter-cyclical role. IFC can access a variety of funding markets, including the U.S. dollar market, British pound market and the Australian dollar market as well as private placement and retail markets. IFC's discount note program complements IFC's traditional funding sources by providing swift access to short-term funded liquidity. IFC's triple-A rating is critical to the Corporation's ability to maintain its low cost of funds. Regular issuance in a variety of markets serves to sustain investor confidence and maintain a diversified investor base. In FY24 YTD, IFC's funding costs increased when compared with FY23 YTD predominantly driven by the increase in short-term U.S dollar interest rates.

Asset-Liability Management

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

OTHER FINANCIAL RISKS

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

OPERATIONAL RISK MANAGEMENT

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

STRATEGIC AND BUSINESS RISK

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

Strategic Risk

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

Environment, Social and Governance (ESG) Risk

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

In addition to promoting ESG standards and disclosure across emerging markets, IFC builds internal and external capacity to identify, assess and mitigate ESG risks. IFC continuously strengthens its ESG approach by improving its internal ESG systems and procedures; building capacity through internal and external training and advisory or enhanced client supervision; fostering project-level grievance mechanisms; clarifying the application of IFC's E&S requirements for clients, including financial intermediaries; and mainstreaming cross-cutting topics such as climate change, gender, human rights, water, and contextual risk assessment in due diligence and supervision. IFC provides guidance and supports its clients in mitigating ESG risks across all regions through policies, guidance notes, handbooks, tools, and other knowledge products. At the project level, IFC manages ESG risks in accordance with its E&S Review Procedures and Corporate Governance Procedures.

Climate Risk

Climate risk is the risk that IFC's clients may directly or indirectly experience potential adverse impacts from climate change such as extreme weather, floods or droughts, and sea level rise, leading to reputational or financial risk.

IFC has a dedicated Climate Business Department integrated with IFC's Operations that provides in-house expertise on climate. The Climate Business Department helps set corporate climate strategy, engages with stakeholders, supports investment teams to identify decarbonization and climate investment opportunities, and manages climate risk using tools such as carbon pricing and has started the assessment of transition and physical climate risk in investment projects as part of the Paris Alignment process for all new projects.

Climate risk is integrated into IFC's operations through its commitment under the capital increase and more recently to align with the goals of the Paris Agreement. As part of its efforts to align with the Adaptation & Climate Resilience component of the Paris Agreement, IFC screens its projects for exposure to physical climate risk and potential impacts on the project's financial, environmental, and social performance during project appraisal. IFC has developed tools, methodologies and approaches to help industry, E&S, and climate specialists to conduct these assessments. Similarly, the Mitigation component of Paris Alignment assessments screens projects for exposure to stranded asset risk and carbon lock-in risk.

Highlights of climate risk management measures in FY24 YTD include:

- Implementation of counterparty approach for Paris Alignment for real and financial sector projects with undefined use of proceeds.
- Further integration of climate risk into IFC's enterprise risk framework and operations through a cross-organizational Climate Risk Working Group (CRWG), which led efforts to identify and manage IFC's overall exposure to climate-related risks and opportunities.
- Development of interdepartmental training of business units on Paris Alignment, climate finance, risk and strategy, and upcoming regulatory climate-related disclosure requirements.

The WBG's Climate Change Action Plan for FY21 to FY25, aims to increase support to deliver climate results, with a focus on reducing the trajectory of emissions and strengthening adaptation and resilience in developing countries. As part of this plan, IFC has committed to increase its direct climate financing to at least 35 percent of total commitments on average over the five-year period. IFC is also committed to aligning its financial flows with the objectives of the Paris Agreement. Starting July 1, 2023, 85 percent of Board approved operations are expected to be aligned with the Paris Agreement's goals, and 100 percent of these are expected to be aligned starting July 1, 2025.

Integrity, Money Laundering and Terrorist Financing, and Tax Risks

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

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

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

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

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

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

External Financing Risk

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

SECTION 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 other comprehensive income, and influences on the level and variability of net income and other comprehensive income from period to period are:

Table 8: Main Elements of Net Income and Other Comprehensive Income

ELEMENTS	SIGNIFICANT INFLUENCES
Net income:	
Yield on interest earning assets (principally loans)	Market conditions including spread levels and degree of competition. Nonaccruals and recoveries of interest on loans formerly in nonaccrual status, and income from participation notes on individual loans are also included in income from loans.
Liquid asset income	Realized and unrealized gains and losses on the liquid asset portfolios, in particular the portion of the liquid asset portfolio funded by net worth, which are driven by external factors such as the interest rate environment and liquidity of certain asset classes within the liquid asset portfolio.
Income from the equity investment portfolio	Global climate for emerging markets equities, fluctuations in currency markets and company-specific performance for equity investments. Overall performance of the equity portfolio.
Provision for losses on loans, guarantees, and available-for-sale debt securities	Risk assessment of borrowers, probability of default, loss given default, and expected balance at default considering prepayment and disbursement assumption used to estimate expected utilization rates.
Other income and expenses	Level of advisory services provided by IFC to its clients, the level of expense from the staff retirement and other benefits plans, the approved and actual administrative expenses, and other budget resources.
Gains and losses on other non-trading financial instruments accounted for at fair value	Principally, differences between changes in fair values of borrowings, excluding IFC's credit spread and associated derivative instruments and unrealized gains or losses associated with the investment portfolio including puts, warrants, and stock options, which in part are dependent on the global climate for emerging markets. These securities may be valued using internally developed models or methodologies, utilizing inputs that may be observable or non-observable.
Other comprehensive income:	
Unrealized gains and losses on debt securities accounted for as available-for-sale	Global climate for emerging markets, fluctuations in currency and commodity markets and company-specific performance, and consideration of the extent to which unrealized losses are considered a credit loss. Debt securities may be valued using internally developed models or methodologies, utilizing inputs that may be observable or non-observable.
Unrealized gains and losses attributable to instrument-specific credit risk on borrowings at fair value under the Fair Value Option	Fluctuations in IFC's own credit spread measured against reference rate, resulting from changes over time in market pricing of credit risk. As credit spreads widen, unrealized gains are recorded, and when credit spreads narrow, unrealized losses are recorded.
Unrecognized net actuarial gains and losses and unrecognized prior service costs on benefit plans	Returns on pension plan assets and the key assumptions that underlay projected benefit obligations, including financial market interest rates, staff expenses, past experience, and management's best estimate of future benefit cost changes and economic conditions.

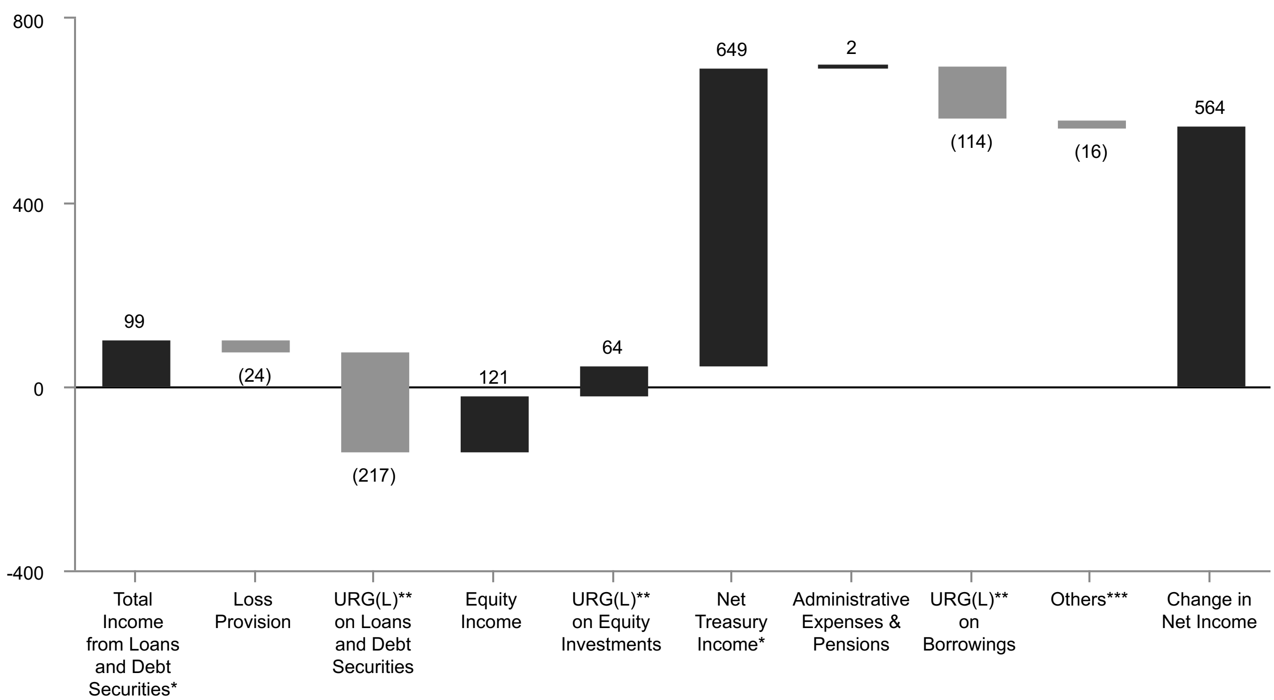
IFC's net income for the six months ended December 31, 2023 and December 31, 2022 are presented below:

Table 9: Summary of Financial Results

(US$ in millions)	For the six months ended December 31, 2023	For the six months ended December 31, 2022
Consolidated statement of operations highlights:		
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	$ 1,525	$ 953
(Provision) / release of provision for losses on loans, off-balance sheet credit exposures and other receivables	(30)	5
Income (loss) from equity investments and associated derivatives	42	(143)
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	395	268
Release of provision (provision) for losses on available-for-sale debt securities	3	(8)
Income from liquid asset trading activities	1,483	433
Charges on borrowings	(1,951)	(950)
Other income	264	216
Other expenses	(825)	(817)
Foreign currency transaction losses on non-trading activities	(110)	(56)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value	$ 796	$ (99)
Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	(73)	258
Net income	**$ 723**	**$ 159**

The following paragraphs detail significant variances between FY24 YTD and FY23 YTD covering the periods included in IFC's FY24 YTD condensed consolidated financial statements. The $564 million increase in net income was principally a result of the following:

Figure 7: Change in Net Income FY24 YTD vs FY23 YTD (US$ in millions)



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

** Unrealized gains (losses).

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

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

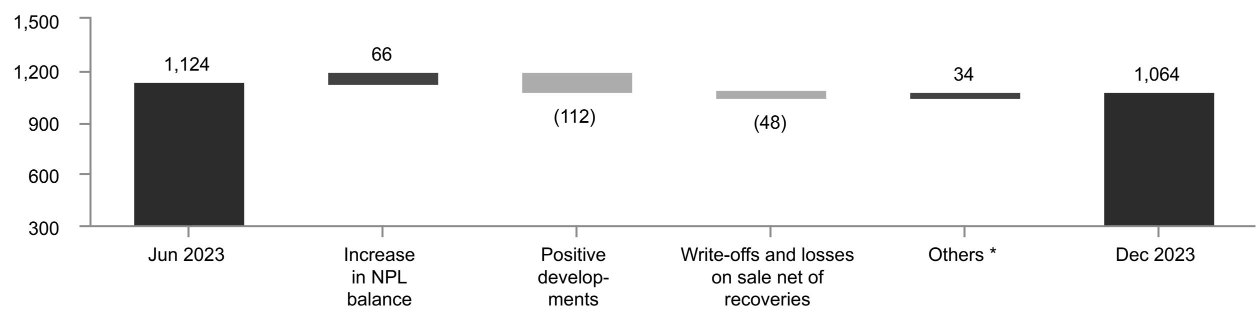
Income from Loans and Guarantees, including Realized Gains and Losses on Loans and Associated Derivatives

Income from loans and guarantees, including realized gains and losses on loans and associated derivatives for FY24 YTD amounted to $1.5 billion. This represents a significant increase of $572 million compared to $953 million in FY23 YTD, primarily due to higher interest rates and portfolio growth, leading to higher interest income.

Non-performing Loans (NPLs)

NPLs decreased by $60 million to $1.1 billion[5] of the disbursed loan portfolio as of December 31, 2023. The decrease was largely due to $112 million of positive developments and $48 million net write-offs, partially offset by $66 million new NPL additions. In FY24 YTD, two loans with individual amounts equal to or exceeding $10 million were placed in NPL status.

Figure 8: Non-performing Loans (US$ in millions)



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

Provision for Losses on Loans, Available-for-sale Debt Securities, Off-Balance Sheet Credit Exposures, and Other Receivables

IFC recorded a net provision for losses on loans, available-for-sale debt securities, off-balance sheet credit exposures and other receivables of $27 million in FY24 YTD (provision of $3 million in FY23 YTD), analyzed as below:

Table 10: Individual and Portfolio Provision (Release of Provision)

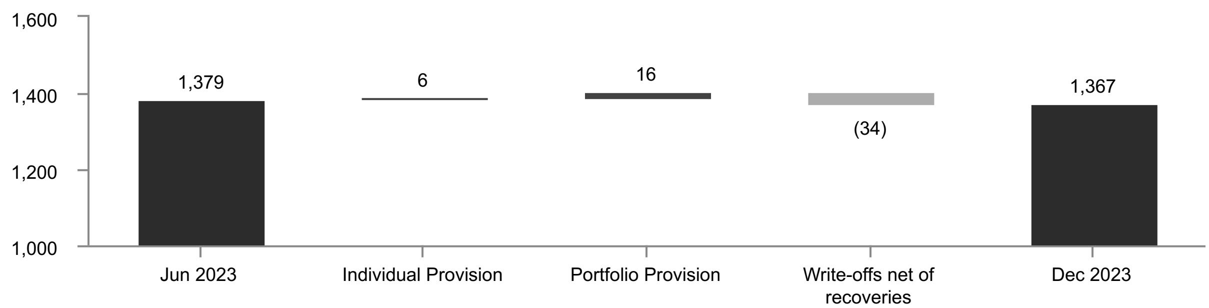
	For the six months ended	
(US$ in millions)	December 31, 2023	December 31, 2022
Portfolio provision on disbursed loans	$ 26	$ 64
Individual provision (release of provision) on disbursed loans	7	(37)
Release of portfolio provision on undisbursed loans	(10)	(40)
Release Individual provision on undisbursed loans	(1)	—
Provision on off-balance sheet credit exposures and other receivables	8	8
Individual (release of provision) provision on available-for-sale debt securities	(3)	8
Total	**$ 27**	**$ 3**

Total portfolio provision in FY24 YTD was mainly due to new commitments and disbursements, partially offset by a $51 million reduction in the qualitative overlay as further discussed below. Individual portfolio provision was largely unchanged.

[5] Includes $60 million reported as debt securities and $130 million reported as loans under Fair Value Option on the Balance Sheet as of December 31, 2023 ($59 million Debt securities and $137 million Fair Value Option loans as of June 30, 2023).

Total reserve against losses on loans disbursed and loans committed but not disbursed decreased by $12 million to $1.4 billion as of December 31, 2023 analyzed as follows:

Figure 9: Reserve Against Losses for Disbursed and Undisbursed Loans (US$ in millions)



As of December 31, 2023, the reserve against losses on disbursed loans remained stable at $1.2 billion or 3.5% of the carrying value of disbursed loans at amortized cost ($1.2 billion or 3.9% as of June 30, 2023). Reserve against losses on undisbursed loans totaled $160 million or 2.4% of loans committed but not disbursed ($170 million or 2.5% as of June 30, 2023).

The reserve against losses as of December 31, 2023 reflected credit risk assessments as of that date. The assessment of the level of reserve against losses carried a heightened degree of uncertainty and judgment particularly in light of the impact of Russia's invasion of Ukraine. As of December 31, 2023, a $84 million qualitative overlay was applied to account for the impact of the invasion and its spillover macroeconomic effect ($135 million as of June 30, 2023). This represents a reduction of $51 million in FY24 Q2, since the effects of the invasion and related spillover are gradually being reflected in the credit ratings and reserve, especially for the Ukraine portfolio.

Individual reserve against losses on disbursed loans as of December 31, 2023 was $341 million ($366 million as of June 30, 2023), held against impaired disbursed loans of $1.1 billion ($1.2 billion as of June 30, 2023), a coverage ratio of 30.3% (30.2% as of June 30, 2023). The decrease in individual reserve against losses on disbursed loans was mainly due to a $86 million decrease in the impaired disbursed loan portfolio.

Individual reserve against losses on undisbursed loans as of December 31, 2023 were less than $1 million ($1 million as of June 30, 2023), held against undisbursed impaired loans of $51 million ($46 million as of June 30, 2023), a coverage ratio of less than 1% (2% as of June 30, 2023).

In FY24 YTD, the top ten largest individual provisions and top ten largest individual releases of provision comprised 86% and 58% of the total individual provisions and total individual releases of provision, respectively, for losses on loans.

Income from Equity Investments and Associated Derivatives

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

Income from equity investments and associated derivatives (consisting of dividends, and net realized/unrealized gains and losses), increased by $185 million from losses of $143 million in FY23 YTD to an income of $42 million in FY24 YTD.

Realized net gains on equity investments and associated derivatives were $175 million in FY24 YTD, as compared to net gains of $59 million in FY23 YTD, an increase of $116 million. Realized gains on equity investments and associated derivatives were concentrated in a small number of investments. In FY24 YTD, the top five investments with realized capital gains totaled $165 million, while the top five investments with realized capital losses were $69 million. In comparison, the top five investments with realized capital gains were $111 million and the top five investments with realized capital losses were $120 million in FY23 YTD. Dividend income as well as custody, fees and other totaled $69 million in FY24 YTD, as compared with $64 million in FY23 YTD.

Net unrealized losses on equity investments and associated derivatives were $202 million in FY24 YTD compared to net unrealized losses of $266 million in FY23 YTD. The unrealized losses in FY24 YTD were primarily a result of reclassifying gains from unrealized to realized upon sales and lower valuations, while FY23 YTD unrealized losses were mainly due to lower valuations.

Income from Debt Securities and Realized Gains and Losses on Debt Securities, and Associated Derivatives

Income from debt securities and associated derivatives increased by $127 million from $268 million in FY23 YTD to $395 million in FY24 YTD. The increase was primarily due to an increase in interest income by $185 million resulting from higher outstanding balances, partially offset by a decrease in realized gains of $58 million.

Income (Loss) from Liquid Asset Trading Activities

Liquid assets trading activities, gross of funding costs, generated income of $1.5 billion in FY24 YTD, comprising $929 million from the Market Funded Liquidity Portfolio, and $554 million from the Net Worth Funded Portfolio.

Liquid assets trading activities, net of allocated funding costs, generated income of $629 million in FY24 YTD ($20 million loss in FY23 YTD), which comprises: (i) net income of $554 million from the Net Worth Funded Portfolio attributable to higher accrued interest in FY24 YTD and mark-to-market gains, mostly in FY24 Q2 when treasury yields decreased ($144 million loss in FY23 YTD when U.S. Treasury yields rose rapidly), and (ii) net income of $75 million from the Funded Liquidity Portfolio ($124 million income in FY23 YTD) mainly driven by a decline in net interest income on bonds and money market instruments, partially offset by higher gains from favorable credit spreads and swap basis spread movements.

Charges on Borrowings

IFC's charges on borrowings increased by $1.0 billion, from $950 million in FY23 YTD to $2.0 billion in FY24 YTD, primarily due to increases in reference rates in FY24 YTD compared to FY23 YTD.

Other Income

Other income increased by $48 million, from $216 million in FY23 YTD to $264 million in FY24 YTD mainly driven by an increase in Advisory services income of $11 million, an increase in investment returns on Post-Employment Benefit Plan assets of $9 million, and an increase in Post-retirement Contributions Reserve Fund (PCRF) income of $8 million.

Other Expenses

Other Expenses increased marginally by $8 million from $817 million in FY23 YTD to $825 million in FY24 YTD. The increase is mainly due to higher staff costs partially offset by lower pension expenses.

Foreign Currency Transaction Gains and Losses on Non-Trading Activities

Foreign currency transaction gains and losses are recognized in both net income and other comprehensive income. For debt securities classified as available-for-sale, the gains or losses from foreign currency transactions are reported in other comprehensive income, while the impact from the associated derivatives are reported in net income. In FY24 YTD, there were total losses of $110 million (losses of $56 million in FY23 YTD) reported in net income and gains of $105 million (gains of $76 million in FY23 YTD) reported in other comprehensive income. Overall, IFC reported foreign exchange related losses of $5 million in FY24 YTD (gains of $20 million in FY23 YTD) in a combination of net income and other comprehensive income.

Net Unrealized Gains and Losses on Non-Trading Financial Instruments

IFC accounts for certain financial instruments at fair value with unrealized gains and losses on such financial instruments being reported in net income, namely: (i) market borrowings with associated currency or interest rate swaps; (ii) unrealized gains and losses on certain loans, debt securities and associated derivatives; and (iii) borrowings from IDA.

Table 11: Net Unrealized Gains (Losses) on Non-Trading Financial Instruments

(US$ in millions)	For the six months ended December 31, 2023	For the six months ended December 31, 2022
Unrealized gains (losses) on the loan and debt securities portfolio carried at fair value	$ 210	$ (78)
Unrealized (losses) gains on associated derivatives	(181)	324
Unrealized gains on loans, debt securities and associated derivatives	**$ 29**	**$ 246**
Unrealized (losses) gains on borrowings from market and IDA	(1,079)	1,040
Unrealized gains (losses) on associated derivatives	977	(1,028)
Unrealized (losses) gains on borrowings from market, IDA and associated derivatives	**$ (102)**	**$ 12**
Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	**$ (73)**	**$ 258**

IFC reported $29 million of unrealized gains on loans, debt securities, net of associated derivatives in FY24 YTD. The unrealized losses on associated derivatives of $181 million in FY24 YTD, which consists of $105 million losses on client risk management swaps mainly on larger Euro and U.S. dollar interest rate swaps, and an additional $64 million losses on lending related currency and interest rate swaps due to lower U.S. dollar swaps rates in FY24 YTD

IFC reported $102 million of unrealized losses on borrowings from market sources and IDA, net of associated derivatives in FY24 YTD. These net after-swap unrealized losses comprised losses on U.S. dollar, Euro and British pound portfolios.

OTHER COMPREHENSIVE INCOME

Unrealized Gains and Losses on Debt Securities and Borrowings

Table 12: Other Comprehensive Income – Unrealized Gains and Losses on Debt Securities and Borrowings

	For the six months ended	
(US$ in millions)	December 31, 2023	December 31, 2022
Net unrealized gains and losses on debt securities arising during the period:		
Unrealized gains	$ 126	$ 214
Unrealized losses	(23)	(117)
Reclassification adjustment for realized gains and credit related portion of impairments which were recognized in net income	(4)	(57)
Net unrealized gains (losses) on debt securities	**$ 99**	**$ 40**
Net unrealized gains and losses attributable to instrument-specific credit risk on borrowings at fair value under the Fair Value Option:		
Unrealized gains	$ 335	$ 271
Unrealized losses	(98)	(283)
Reclassification adjustment for realized gains included in net income upon derecognition of borrowings	—	6
Net unrealized gains (losses) on borrowings	**$ 237**	**$ (6)**
Total unrealized gains on debt securities and borrowings	**$ 336**	**$ 34**

Net unrealized gains on debt securities totaled $99 million in FY24 YTD (net unrealized gains of $40 million in FY23 YTD) which included foreign currency gains of $105 million on debt securities accounted for as available-for-sale, primarily representing reversals of unrealized losses upon sales.

Net unrealized gains on borrowings of $237 million was recognized through other comprehensive income in FY24 YTD (net unrealized losses of $6 million in FY23 YTD). This was mainly due to widening of IFC credit spread in U.S. dollar, Australian dollar and British pound issuance.

SECTION VIII: GOVERNANCE AND CONTROL

SENIOR MANAGEMENT

The following is a list of the principal officers of IFC as of December 31, 2023:

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

SECTION IX: APPENDIX

GLOSSARY OF TERMS

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

Articles: IFC's Articles of Agreement.

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

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

Capital Available: Under IFC's economic capital framework, resources available to absorb potential losses, calculated as: Balance Sheet Capital less Designated Retained Earnings.

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

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

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

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

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

IDA18: IDA's Eighteenth Replenishment of Resources.

IDA19: IDA's Nineteenth Replenishment of Resources.

IDA20: IDA's Twentieth Replenishment of Resources

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

Income Available for Designations: Income Available for Designations (a non-U.S. GAAP measure) is used as a basis for designations of retained earnings. Beginning in FY20, IFC uses "income excluding unrealized gains and losses on investments and borrowings" as the metric for Income Available for Designations.

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

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

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

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

World Bank: The World Bank comprises IBRD and IDA.

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

ABBREVIATIONS AND ACRONYMS

ABS	:	Asset-Backed Securities
ALM	:	Asset Liability Management
AML/CFT	:	Anti-Money Laundering/ Combating the Financing of Terrorism
CMAW	:	Creating Markets Advisory Window
CR	:	Credit Rating
CRM	:	Client Risk Management
CUR	:	Capital Utilization Ratio
DARP	:	Debt & Asset Recovery Program
E&S	:	Environmental and Social
ERA	:	Economic Resilience Action
ERM	:	Enterprise Risk Management Framework
ESG	:	Environment, Social and Governance
FCA	:	Financial Conduct Authority
FCS	:	Fragile and Conflict-Affected Situations
FMTAAS	:	Funding Mechanism for Technical Assistance and Advisory Services
GCI	:	General Capital Increase
GP	:	General Partner
GTFP	:	Global Trade Finance Program
IBRD	:	International Bank for Reconstruction and Development
ICSID	:	International Centre for Settlement of Investment Disputes
IDA	:	International Development Association
IDA-PSW	:	IDA Private Sector Window
IFC or the Corporation	:	International Finance Corporation
IFIs	:	International Financial Institutions
ISDA	:	International Swaps and Derivatives Association
LCR	:	Liquidity Coverage Ratios
LTF	:	Long-Term Finance
MBS	:	Mortgage-Backed Securities
MCPP	:	Managed Co-Lending Portfolio Program
MD&A	:	Management’s Discussion and Analysis
MIGA	:	Multilateral Investment Guarantee Agency
NAV	:	Net Asset Value
NPLs	:	Non-performing Loans
PSW	:	Private Sector Window
PCRF	:	Post-retirement Contributions Reserve Fund
RSBP	:	Retired Staff Benefits Plan
SCI	:	Selective Capital Increase
SME	:	Small and Medium Enterprise
SOFR	:	Secured Overnight Financing Rate
SRP	:	Staff Retirement Plan
STF	:	Short-Term Finance
VPU	:	Vice Presidency Unit

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2023

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Deloitte.

Deloitte & Touche LLP
7900 Tysons One Place
Suite 800
McLean, VA 22102
USA

Tel: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT

President and Board of Directors
International Finance Corporation:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of the International Finance Corporation ("IFC") as of December 31, 2023, and the related condensed consolidated statements of operations, comprehensive income (loss) for the three-month and six-month periods ended December 31, 2023 and 2022, and changes in capital and cash flows for the six-month periods ended December 31, 2023 and 2022, and the related notes (collectively referred to as the "interim financial information").

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of IFC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Consolidated Balance Sheet as of June 30, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of IFC as of June 30, 2023, and the related consolidated statements of operations, comprehensive income (loss), changes in capital, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 4, 2023. In our opinion, the accompanying condensed consolidated balance sheet of IFC as of June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

February 14, 2024

CONDENSED CONSOLIDATED BALANCE SHEETS

as of December 31, 2023 (unaudited) and June 30, 2023 (unaudited)

(US$ in millions)	December 31, 2023	June 30, 2023
Assets		
Cash and due from banks – Note C	$ 676	$ 1,051
Time deposits – Note C	13,691	10,215
Trading securities – Notes C and K	30,118	31,020
(includes $9,308 and $6,446 securities pledged to creditors under repurchase and collateral agreements as of December 31, 2023 and June 30, 2023, respectively)		
Securities purchased under resale agreements and receivable for cash collateral pledged – Notes C, K and P	1,644	5,192
Investments – Notes B, D, E, F, G, K and M		
Loans		
(includes $1,574 and $1,506 loans held at fair value as of December 31, 2023 and June 30, 2023, respectively; net of reserve against losses of $1,207 and $1,209 at December 31, 2023 and June 30, 2023, respectively)		
– Notes D, E, K and M	35,185	31,414
Equity investments		
– Notes B, D, G, K and M	10,936	10,778
Debt securities – Notes D, F, K and M	10,687	9,310
(includes available-for-sale securities of $1,165 and $1,394, with associated amortized cost of $1,304 and $1,632, and reserve against credit losses of $18 and $21 as of December 31, 2023 and June 30, 2023, respectively)		
Total investments	56,808	51,502
Derivative assets – Notes B, C, J, K and P	2,798	5,722
Receivables and other assets – Notes B, C, M and N	6,330	5,845
Total assets	**$ 112,065**	**$ 110,547**
Liabilities and capital		
Liabilities		
Securities sold under repurchase agreements and payable for cash collateral received – Notes C and P	$ 6,411	$ 6,631
Borrowings outstanding – Notes B and K		
From market and other sources at amortized cost	2,709	3,327
From market sources at fair value	53,632	48,873
From International Development Association at fair value	203	243
Total borrowings	56,544	52,443
Derivative liabilities – Notes B, C, J, K and P	7,472	11,195
Payables and other liabilities – Notes B, C, E, M, N and O	5,350	5,240
Total liabilities	**75,777**	**75,509**
Capital		
Authorized capital, shares of $1,000 par value each		
(25,079,991 shares as of December 31, 2023 and June 30, 2023)		
Subscribed capital	23,995	23,939
Less: unpaid portion of subscriptions	(1,202)	(1,343)
Paid-in capital	22,793	22,596
Accumulated other comprehensive income – Note H	962	632
Retained earnings – Note H	12,533	11,810
Total capital	36,288	35,038
Total liabilities and capital	**$ 112,065**	**$ 110,547**

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

for the three and six months ended December 31, 2023 (unaudited) and December 31, 2022 (unaudited)

	Three months ended December 31,		Six months ended December 31,	
(US$ in millions)	2023	2022	2023	2022
Income from investments				
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives – Note E	$ 781	$ 528	$ 1,525	$ 953
(Provision) / release of provision for losses on loans, off-balance sheet credit exposures and other receivables – Note E	(6)	(3)	(30)	5
Income (loss) from equity investments and associated derivatives – Note G	32	161	42	(143)
Income from debt securities, including realized gains and losses on debt securities and associated derivatives – Note F	195	118	395	268
Release of provision (provision) for losses on available-for-sale debt securities – Note F	5	(6)	3	(8)
Total income from investments	**1,007**	**798**	**1,935**	**1,075**
Income from liquid asset trading activities – Note C	886	499	1,483	433
Charges on borrowings	(997)	(612)	(1,951)	(950)
Income from investments and liquid asset trading activities, after charges on borrowings	**896**	**685**	**1,467**	**558**
Other income				
Upstream and advisory services income – Note N	73	69	118	107
Service fees	24	25	51	47
Other	74	69	95	62
Total other income	**171**	**163**	**264**	**216**
Other expenses				
Administrative expenses – Notes B and O	(360)	(362)	(700)	(704)
Upstream and advisory services expenses – Note N	(87)	(82)	(139)	(134)
Other, net – Note O	9	13	14	21
Total other expenses	**(438)**	**(431)**	**(825)**	**(817)**
Foreign currency transaction losses on non-trading activities	(101)	(107)	(110)	(56)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value	**528**	**310**	**796**	**(99)**
Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value – Note I	(219)	(89)	(73)	258
Net income – Note L	**$ 309**	**$ 221**	**$ 723**	**$ 159**

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the three and six months ended December 31, 2023 (unaudited) and December 31, 2022 (unaudited)

	Three months ended December 31,		Six months ended December 31,	
(US$ in millions)	2023	2022	2023	2022
Net income – Note L	**$ 309**	**$ 221**	**$ 723**	**$ 159**
Other comprehensive income				
Unrealized gains and losses on debt securities				
Net unrealized gains on available-for-sale debt securities arising during the period	104	127	103	97
Reclassification adjustment for realized gains (losses) included in net income (income from debt securities and realized gains and losses on debt securities and associated derivatives)	—	1	(1)	(65)
Reclassification adjustment for impairments related to credit loss included in net income (Release of provision for losses on available-for-sale debt securities)	(5)	6	(3)	8
Net unrealized gains on debt securities	**99**	**134**	**99**	**40**
Unrealized gains and losses on borrowings				
Net unrealized gains (losses) arising during the period attributable to instrument-specific credit risk on borrowings at fair value under the fair value option	151	(4)	237	(12)
Reclassification adjustment for realized gains included in net income upon derecognition of borrowings	—	—	—	6
Net unrealized gains (losses) on borrowings	**151**	**(4)**	**237**	**(6)**
Net unrecognized net actuarial losses and unrecognized prior service cost on benefit plans – Note O	**(3)**	**—**	**(6)**	**—**
Total other comprehensive income	**247**	**130**	**330**	**34**
Total comprehensive income	**$ 556**	**$ 351**	**$ 1,053**	**$ 193**

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL

for the six months ended December 31, 2023 (unaudited) and December 31, 2022 (unaudited)

(US$ in millions)	Undesignated retained earnings	Designated retained earnings	**Total retained earnings**	Accumulated other comprehensive income (loss) – Note H	Paid-in capital	**Total capital**
As of June 30, 2022	**$ 10,840**	**$ 298**	**$ 11,138**	**$ (82)**	**$ 21,749**	**$ 32,805**
Six months ended December 31, 2022						
Net income	159		159			159
Other comprehensive income				34		34
Payments received for subscribed capital					248	248
Designations of retained earnings – Note H	(6)	6	—			—
Expenditures against designated retained earnings – Note H	26	(26)	—			—
As of December 31, 2022	**$ 11,019**	**$ 278**	**$ 11,297**	**$ (48)**	**$ 21,997**	**$ 33,246**
As of June 30, 2023	**$ 11,589**	**$ 221**	**$ 11,810**	**$ 632**	**$ 22,596**	**$ 35,038**
Six months ended December 31, 2023						
Net income	723		723			723
Other comprehensive income				330		330
Payments received for subscribed capital					197	197
Designations of retained earnings – Note H	(60)	60	—			—
Expenditures against designated retained earnings – Note H	29	(29)	—			—
As of December 31, 2023	**$ 12,281**	**$ 252**	**$ 12,533**	**$ 962**	**$ 22,793**	**$ 36,288**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

for the six months ended December 31, 2023 (unaudited) and December 31, 2022 (unaudited)

(US$ in millions)	For the six months ended December 31, 2023	December 31, 2022
Cash flows from investing activities		
Loan disbursements	$ (7,824)	$ (7,694)
Investments in equity securities	(832)	(568)
Investments in debt securities	(1,685)	(2,010)
Loan repayments	4,089	4,047
Debt securities repayments	474	589
Proceeds from sales of loans	2	67
Proceeds from sales of equity investments	863	670
Proceeds from sales of debt securities	5	79
Loan origination fees received	53	66
Investment in fixed assets	(47)	(24)
Net cash used in investing activities	**(4,902)**	**(4,778)**
Cash flows from financing activities		
Medium and long-term borrowings		
Issuance	11,778	10,609
Retirement	(9,222)	(6,569)
Change in derivatives associated with borrowings, net	(282)	(232)
Short-term borrowings, net	(43)	(67)
Capital subscriptions	197	248
Net cash provided by financing activities	**2,428**	**3,989**
Cash flows from operating activities		
Net income	723	159
Adjustments to reconcile net income or loss to net cash provided by operating activities:		
Realized losses (gains) on loans and associated derivatives, net	1	(13)
Realized gains on debt securities and associated derivatives, net	(13)	(70)
Losses on equity investments and related derivatives, net	27	207
Provision	27	3
Accretion of net discounts, premiums and loan origination fees	31	2
Depreciation expenses	27	28
Foreign currency transaction losses on non-trading activities	110	56
Net unrealized losses (gains) on non-trading financial instruments accounted for at fair value	73	(258)
Net discounts paid on retirement of borrowings	(76)	(17)
Change in accrued income on loans and debt securities (after swaps), net	(134)	(197)
Change in accrued expenses on borrowings (after swaps), net	116	375
Change in liquid asset trading portfolio	4,264	6,632
Change in derivatives associated with loans and client risk management, net	117	282
Change in payables and other liabilities	53	98
Change in receivables and other assets	(147)	(10)
Net cash provided by operating activities	**5,199**	**7,277**
Change in cash and cash equivalents	2,725	6,488
Effect of exchange rate changes on cash and cash equivalents	154	199
Net change in cash and cash equivalents	2,879	6,687
Beginning cash and cash equivalents	8,799	3,322
Ending cash and cash equivalents	**$ 11,678**	**$ 10,009**
Composition of cash and cash equivalents		
Cash and due from banks	$ 676	$ 704
Time deposits with maturities under three months	11,002	9,305
Total cash and cash equivalents	**$ 11,678**	**$ 10,009**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

for the six months ended December 31, 2023 (unaudited) and December 31, 2022 (unaudited)

(US$ in millions)	For the six months ended December 31, 2023	For the six months ended December 31, 2022
Supplemental disclosure		
Change in ending balances resulting from currency exchange rate fluctuations:		
Loans outstanding	$ 150	$ (36)
Debt securities	52	(65)
Loan and debt security-related currency swaps	(211)	117
Borrowings	(632)	231
Borrowing-related currency swaps	633	(214)
Charges on borrowings paid, net	$ 1,911	$ 592
Non-cash items:		
Loan and debt security conversion to equity, net	$ 21	$ 58

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PURPOSE

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed financial statements and notes should be read in conjunction with the June 30, 2023 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2023 audited financial statements, has not been audited. The accounting and reporting policies of IFC conform with accounting principles generally accepted in the United States of America (U.S. GAAP). In the opinion of management, the condensed consolidated financial statements reflect all adjustments necessary for the fair presentation of IFC's financial position and results of operations.

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

The preparation of the condensed 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 condensed 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 available-for-sale debt securities and, off-balance sheet credit exposures; impairment of debt securities; estimated fair values of financial instruments accounted for at fair value (including equity investments, debt securities, loans, trading securities and derivative instruments); projected pension benefit obligations, fair value of pension and other postretirement benefit plan assets, and net periodic pension income or expense. There are inherent risks and uncertainties related to IFC's operations. The possibility exists that changing economic conditions could have an adverse effect on the financial position of IFC.

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

Recently adopted accounting standards

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

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.* The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this Update also require certain disclosures for equity securities subject to contractual sale restrictions. IFC early adopted ASU 2022-03 effective July 1, 2023, with no material impact on IFC's condensed consolidated financial statements.

Accounting standards and regulations under evaluation

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

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

NOTE B – RELATED PARTY TRANSACTIONS

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

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

	December 31, 2023				June 30, 2023			
(US$ in millions)	IBRD	IDA	MIGA	Total	IBRD	IDA	MIGA	Total
Services and Support Receivables (Payables)	$ (33)	$ —	$ 4	$ (29)	$ (35)	$ —	$ 4	$ (31)
PSW – Local Currency Facility [b]	—	84	—	84	—	50 [a]	—	50
PSW – Blended Finance Facility [c]	—	(98)	—	(98)	—	(93)	—	(93)
Borrowings	—	(203)	—	(203)	—	(243)	—	(243)
Pension and Other Post-retirement Benefits	731	—	—	731	704	—	—	704
Post-retirement Contribution Reserve Fund [d]	458	—	—	458	385	—	—	385
	$ 1,156	**$ (217)**	**$ 4**	**$ 943**	**$ 1,054**	**$ (286)**	**$ 4**	**$ 772**

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

b Represents currency swaps with IDA to support local currency denominated loans and is included in Derivative assets on the condensed consolidated balance sheets.

c Represents IFC's liability to IDA for IDA-PSW synthetic equity investments included as equity investments on IFC's condensed consolidated balance sheets. The liability to IDA is included in Payables and other liabilities on the condensed consolidated balance sheets.

d Receivable from IBRD for IFC's share of investments associated with Post-Retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.

Services and Support Payments

IFC obtains certain administrative and overhead services from IBRD in those areas where common services can be efficiently provided by IBRD. This includes shared costs of the Boards of Governors and Directors, and other services such as IT support services and human resource shared services. IFC makes payments for these services to IBRD based on negotiated fees and chargebacks, and allocated charges. Expenses allocated to IFC for the three and six months ended December 31, 2023, were $39 million and $79 million, respectively, ($40 million and $79 million – for the three and six months ended December 31, 2022). Other chargebacks include $7 million and $12 million, respectively, for the three and six months ended December 31, 2023 ($7 million and $11 million for the three and six months ended December 31, 2022). These expenses are included in Administrative expenses on the condensed consolidated statements of operations. The associated payables are included in the Payables and other liabilities on the condensed consolidated balance sheets.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE B – RELATED PARTY TRANSACTIONS (continued)

Fee Income from MIGA

Transactions with MIGA include marketing fees received for referral and due diligence services on jointly-developed guarantee projects. Fee income received from MIGA for the three and six months ended December 31, 2023 were $1 million and $2 million, respectively, ($1 million and $2 million – for the three and six months ended December 31, 2022) included in Other Income on the condensed consolidated statements of operations. The associated receivables are included in Receivables and other assets on the condensed consolidated balance sheets.

IDA Private Sector Window (IDA-PSW)

The PSW was created under IDA's Eighteenth Replenishment of Resources (IDA18) to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations (FCS). The PSW continued under IDA's Twentieth Replenishment of Resources (IDA20), which commenced on July 1, 2022, with an initial allocation set at $2.5 billion. Under the fee arrangement for the IDA-PSW, IDA receives fee income for transactions executed under this window and reimburses IFC for the related costs incurred in administering these transactions. As of December 31, 2023 and June 30, 2023, IFC committed $1.3 billion for IDA guarantees to support IFC's Guarantee Programs in IDA-PSW eligible countries under the Blended Finance facility.

Borrowings

In September 2014, IFC issued an amortizing, non-interest bearing promissory note, maturing September 15, 2039, to IDA (the Note) in exchange for $1.2 billion with an effective interest rate of 1.84%. IFC has elected the Fair Value Option for the Note, which is included in the Borrowings from IDA at fair value on the condensed consolidated balance sheets. IFC recognized interest expense of $1 million and $2 million for the three and six months ended December 31, 2023 ($1 million and $3 million for the three and six months ended December 31, 2022)

IFC has a Local Currency Loan Facility Agreement with IBRD, which is capped at $300 million. As of December 31, 2023 and June 30, 2023, IFC had no borrowings outstanding under this facility.

Pension and Other Post-retirement Benefits

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

IFC managed AMC funds

IFC's Equity Mobilization Department (formally IFC Asset Management Company, or AMC), invests third-party capital and IFC capital, enabling outside investors to invest alongside IFC in developing markets. As of December 31, 2023, AMC managed multiple funds (collectively referred to as the AMC Funds), in its capacity as General Partner (GP) / Manager of these funds, none of which require consolidation by IFC. A management fee is charged for the management services provided to the AMC funds. IFC's ownership interests in these AMC Funds are shown in the following table:

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE B – RELATED PARTY TRANSACTIONS (continued)

As of December 31, 2023, IFC invested $495 million ($505 million as of June 30, 2023) as a limited partner in funds managed by AMC. These investments were included in Equity investments on the condensed consolidated balance sheets. $5 million and $11 million, respectively, of management fee income were recognized for the three and six months ended December 31, 2023 ($6 million and $12 million for the three and six months ended December 31, 2022), which is included in other income on the condensed consolidated statements of operations.

NOTE C – LIQUID ASSET PORTFOLIO

Composition of liquid asset portfolio

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

(US$ in millions)	December 31, 2023	June 30, 2023
Assets		
Cash and due from banks [a]	$ 23	$ 43
Time deposits [b]	13,691	10,215
Trading securities	30,118	31,020
Securities purchased under resale agreements and receivable for cash collateral pledged	1,644	5,192
Derivative assets	201	433
Receivables and other assets:		
Receivables from unsettled security trades	875	791
Accrued interest income on time deposits and securities	271	243
Accrued income on derivative instruments	169	248
Total assets	**46,992**	**48,185**
Liabilities		
Securities sold under repurchase agreements and payable for cash collateral received	6,411	6,631
Derivative liabilities	690	241
Payables and other liabilities:		
Payables for purchase of securities	824	1,002
Accrued charges on derivative instruments	118	191
Total liabilities	**8,043**	**8,065**
Total net liquid asset portfolio	**$ 38,949**	**$ 40,120**

a Represents cash and due from banks from the liquid asset portfolio and does not include cash and due from banks from other cash accounts of $653 million and $1.0 billion as of December 31, 2023 and June 30, 2023, respectively.

b Includes time deposits with maturities greater than three months of $2.7 billion and $2.5 billion, as of December 31, 2023 and June 30, 2023, respectively.

The liquid asset portfolio is denominated primarily in U.S. dollars. Investments in other currencies, net of the effect of associated derivative instruments that convert non-U.S. dollar securities into U.S. dollar securities, represent 1.6% of the portfolio as of December 31, 2023 (2.1% as of June 30, 2023).

Income from liquid asset trading activities

Income from liquid asset trading activities for the three and six months ended December 31, 2023 and December 31, 2022 comprises:

	For the three months ended December 31,		For the six months ended December 31,	
(US$ in millions)	2023	2022	2023	2022
Interest income, net	$ 465	$ 335	$ 926	$ 547
Net gains (losses) on asset-backed and mortgage-backed securities	14	11	24	(2)
Net gains (losses) on other trading securities	407	153	533	(112)
Net gains (losses) on trading activities (realized and unrealized)	421	164	557	(114)
Total income from liquid asset trading activities	**$ 886**	**$ 499**	**$ 1,483**	**$ 433**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE D – INVESTMENTS

The carrying value of investments as of December 31, 2023 and June 30, 2023 comprises:

(US$ in millions)	December 31, 2023	June 30, 2023
Loans		
Loans at amortized cost	$ 34,818	$ 31,117
Less: Reserve against losses on loans	(1,207)	(1,209)
Loans at amortized cost less reserve against losses	33,611	29,908
Loans accounted for at fair value under the Fair Value Option		
(amortized cost $1,657 as of December 31, 2023, $1,642 as of June 30, 2023)	1,574	1,506
Total loans	**35,185**	**31,414**
Equity investments		
Equity investments accounted for at fair value [a b]		
(cost $10,664 as of December 31, 2023, $10,331 as of June 30, 2023)	10,936	10,778
Total equity investments	**10,936**	**10,778**
Debt securities		
Debt securities accounted for at fair value as available-for-sale		
(amortized cost $1,304 as of December 31, 2023, $1,632 as of June 30, 2023)	1,165	1,394
Less: Reserve against losses on available-for sale debt securities	(18)	(21)
Debt securities, available-for-sale less reserve against losses	1,147	1,373
Debt securities accounted for at fair value under the Fair Value Option		
(amortized cost $9,591 as of December 31, 2023, $8,145 as of June 30, 2023)	9,540	7,937
Total debt securities	**10,687**	**9,310**
Total carrying value of investments	**$ 56,808**	**$ 51,502**

a Equity investments at fair value as of December 31, 2023 comprises investments in common or preferred shares of $5.6 billion ($5.5 billion as of June 30, 2023), equity interests in private equity funds of $5.3 billion ($5.2 billion as of June 30, 2023), and equity-related options and other financial instruments of $35 million ($36 million as of June 30, 2023).

b Includes $3 million and $2 million, respectively, as of December 31, 2023 and June 30, 2023 of equity investments primarily accounted for under the cost recovery method. As the recovery of invested capital is uncertain, the fair value measurement is not applicable to these investments.

Reconciliation of total disbursed portfolio to carrying value of investments is as follows:

(US$ in millions)	December 31, 2023				June 30, 2023			
Sector	Loans	Equity investments	Debt securities	Total	Loans	Equity investments	Debt securities	Total
Total disbursed investment portfolio	**$ 36,615**	**$ 10,687**	**$10,779**	**$ 58,081**	**$ 32,886**	**$ 10,371**	**$ 9,556**	**$ 52,813**
Reserve against losses on loans and debt securities	(1,207)	—	(18)	(1,225)	(1,209)	—	(21)	(1,230)
Unamortized deferred loan origination fees, net and other	(140)	—	—	(140)	(127)	—	—	(127)
Disbursed amount allocated to a related financial instrument reported separately in other assets or derivative assets	—	(19)	—	(19)	—	(36)	—	(36)
Unrealized losses on equity investments held by consolidated VIEs	—	(4)	—	(4)	—	(4)	—	(4)
Unrealized losses on investments accounted for at fair value as available-for-sale	—	—	(23)	(23)	—	—	(17)	(17)
Unrealized (losses) gains on investments accounted for under the Fair Value Option	(83)	272	(51)	138	(136)	447	(208)	103
Carrying value of investments	**$ 35,185**	**$ 10,936**	**$10,687**	**$ 56,808**	**$ 31,414**	**$ 10,778**	**$ 9,310**	**$ 51,502**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES

Loans

Income from loans and guarantees, including realized gains and losses on loans and associated derivatives for the three and six months ended December 31, 2023 and December 31, 2022 comprise the following:

(US$ in millions)	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the six months ended December 31, 2023	For the six months ended December 31, 2022
Interest income	$ 734	$ 495	$ 1,439	$ 869
Commitment fees	11	12	22	26
Other financial fees	36	21	65	45
Realized (losses) gains on loans, guarantees and associated derivatives [a]	—	—	(1)	13
Income from loans and guarantees, including realized gains (losses) on loans and associated derivatives	**$ 781**	**$ 528**	**$ 1,525**	**$ 953**

a Includes realized gains and losses on loans under the Fair Value Option, nil for the three and six months ended December 31, 2023 (nil and $13 million for the three and six months ended December 31, 2022).

Reserve against losses on loans and provision for losses on loans

Reserve against losses on loans as of December 31, 2023 reflects credit risk assessments as of that date. The assessment of the level of reserve against losses carried a heightened degree of judgment particularly in light of Russia's invasion of Ukraine. As of December 31, 2023, a $84 million qualitative overlay was applied to account for the impact of the invasion and its spillover macroeconomic effect ($135 million as of June 30, 2023). This represents a reduction of $51 million in the three and six months ended December 31, 2023, since the effects of the invasion and related spillover are gradually being reflected in the credit ratings and reserve, especially for the Ukraine portfolio.

Changes in the reserve against losses on loans disbursed and loans committed but not disbursed for the three and six months ended December 31, 2023 and December 31, 2022 as well as the related loans at amortized cost evaluated for impairment individually and on a pool basis (portfolio reserve) are summarized below:

	For the three months ended December 31, 2023					
	Loans Disbursed			Loans Committed but not Disbursed		
(US$ in millions)	Individual reserve	Portfolio reserve	Total reserve	Individual reserve	Portfolio reserve	Total reserve
Beginning balance	$ 359	$ 875	$ 1,234	$ 1	$ 158	$ 159
Provision (release of provision) for losses	11	(15)	(4)	(1)	—	(1)
Write-offs	(34)	—	(34)	—	—	—
Foreign currency transaction adjustments	2	8	10	—	2	2
Other adjustments [a]	3	(2)	1	—	—	—
Ending balance	**$ 341**	**$ 866**	**$ 1,207**	**$ —**	**$ 160**	**$ 160**
Total disbursed loans as of December 31, 2023	$ 1,126	$ 33,832	$ 34,958			
Loans committed but not disbursed as of December 31, 2023				$ 51	$ 6,727	$ 6,778
Unamortized deferred loan origination fees, net and other			(140)			
Loans at amortized cost			$ 34,818			

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

	For the six months ended December 31, 2023					
	Loans Disbursed			Loans Committed but not Disbursed		
(US$ in millions)	Individual reserve	Portfolio reserve	Total reserve	Individual reserve	Portfolio reserve	Total reserve
Beginning balance	$ 366	$ 843	$ 1,209	$ 1	$ 169	$ 170
Provision (release of provision) for losses	7	26	33	(1)	(10)	(11)
Write-offs	(35)	—	(35)	—	—	—
Recoveries of previously written-off loans	1	—	1	—	—	—
Foreign currency transaction adjustments	2	3	5	—	1	1
Other adjustments [a]	—	(6)	(6)	—	—	—
Ending balance	**$ 341**	**$ 866**	**$ 1,207**	**$ —**	**$ 160**	**$ 160**
Total disbursed loans as of December 31, 2023	$ 1,126	$ 33,832	$ 34,958			
Loans committed but not disbursed as of December 31, 2023				$ 51	$ 6,727	$ 6,778
Unamortized deferred loan origination fees, net and other			(140)			
Loans at amortized cost			$ 34,818			

a Other adjustments comprise reserve against interest capitalized.

The following tables present changes in reserve against losses for the three and six months ended December 31, 2022:

	For the three months ended December 31, 2022					
	Loans Disbursed			Loans Committed but not Disbursed		
(US$ in millions)	Individual reserve	Portfolio reserve	Total reserve	Individual reserve	Portfolio reserve	Total reserve
Beginning balance	$ 437	$ 780	$ 1,217	$ 1	$ 137	$ 138
(Release of provision) provision for losses	(20)	24	4	—	(8)	(8)
Write-offs	(16)	—	(16)	—	—	—
Recoveries of previously written-off loans	3	—	3	—	—	—
Foreign currency transaction adjustments	3	9	12	—	2	2
Ending balance	**$ 407**	**$ 813**	**$ 1,220**	**$ 1**	**$ 131**	**$ 132**
Total disbursed loans as of December 31, 2022	$ 1,305	$ 28,255	$ 29,560			
Loans committed but not disbursed as of December 31, 2022				$ 20	$ 5,550	$ 5,570
Unamortized deferred loan origination fees, net and other			(149)			
Loans at amortized cost			$ 29,411			

	For the six months ended December 31, 2022					
	Loans Disbursed			Loans Committed but not Disbursed		
(US$ in millions)	Individual reserve	Portfolio reserve	Total reserve	Individual reserve	Portfolio reserve	Total reserve
Beginning balance	$ 461	$ 748	$ 1,209	$ 1	$ 171	$ 172
(Release of provision) provision for losses	(37)	64	27	—	(40)	(40)
Write-offs	(16)	—	(16)	—	—	—
Recoveries of previously written-off loans	3	—	3	—	—	—
Foreign currency transaction adjustments	(2)	2	—	—	—	—
Other adjustments [a]	(2)	(1)	(3)	—	—	—
Ending balance	**$ 407**	**$ 813**	**$ 1,220**	**$ 1**	**$ 131**	**$ 132**
Total disbursed loans as of December 31, 2022	$ 1,305	$ 28,255	$ 29,560			
Loans committed but not disbursed as of December 31, 2022				$ 20	$ 5,550	$ 5,570
Unamortized deferred loan origination fees, net and other			(149)			
Loans at amortized cost			$ 29,411			

a Other adjustments comprise reserve against interest capitalized.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

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

Changes in the reserve against losses (liability) on off-balance sheet guarantee exposures for the three and six months ended December 31, 2023 and December 31, 2022 are summarized below:

	For the three months ended December 31, 2023		For the six months ended December 31, 2023	
(US$ in millions)	Outstanding Guarantees [a]	Issued Guarantees [a]	Outstanding Guarantees [a]	Issued Guarantees [a]
Beginning balance	$ 14	$ 11	$ 15	$ 13
Provision (release of provision) for losses on off-balance sheet credit exposure	9	1	9	(1)
Other adjustments	—	—	(1)	—
Ending balance	**$ 23**	**$ 12**	**$ 23**	**$ 12**

	For the three months ended December 31, 2022		For the six months ended December 31, 2022	
(US$ in millions)	Outstanding Guarantees [a]	Issued Guarantees [a]	Outstanding Guarantees [a]	Issued Guarantees [a]
Beginning balance	$ 12	$ 7	$ 11	$ 7
Provision for losses on off-balance sheet credit exposure	5	2	6	2
Ending balance	**$ 17**	**$ 9**	**$ 17**	**$ 9**

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

There were no reserve against losses on other receivables as of December 31, 2023 and June 30, 2023. The outstanding balance of other receivables is $10 million and nil as of December 31, 2023 and June 30, 2023, respectively.

Accrued Interest

The accrued interest balances were $603 million and $524 million, as of December 31, 2023 and June 30, 2023, respectively, and are reported within receivables and other assets on the condensed consolidated balance sheets.

Accrued interest is written off by reversing interest income during the quarter the financial asset is moved from an accrual to a nonaccrual status. The amount of accrued interest receivables written off is $2 million and $1 million for the three months ended December 31, 2023 and December 31, 2022, respectively; $3 million and $5 million for the six months ended December 31, 2023 and December 31, 2022, respectively.

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

Nonaccruing loans

Loans in nonaccrual status without an individual reserve against losses as of December 31, 2023 and June 30, 2023 are considered insignificant. Loans on which the accrual of interest has been discontinued amounted to $1.0 billion as of December 31, 2023 ($1.1 billion as of June 30, 2023). The interest income on such loans for the three and six months ended December 31, 2023 and December 31, 2022 is summarized as follows:

	For the three months ended December 31,		For the six months ended December 31,	
(US$ in millions)	2023	2022	2023	2022
Interest income not recognized on nonaccruing loans	$ 23	$ 41	$ 59	$ 72
Interest income recognized on loans in nonaccrual status related to current and prior years, on cash basis	15	20	26	31

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

The amortized cost in nonaccruing loans as of December 31, 2023 and June 30, 2023 is summarized by geographic region and industry sector as follows:

	December 31, 2023				
(US$ in millions)	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Disruptive technologies and funds	Total non-accruing loans at amortized cost [a]
Africa	$ 195	$ 27	$ 161	$ 9	$ 392
Asia and Pacific	88	6	6	—	100
Latin America and the Caribbean, and Europe	179	15	121	6	321
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	91	39	121	—	251
Total disbursed loans [b]	**$ 553**	**$ 87**	**$ 409**	**$ 15**	**$ 1,064**

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

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

b Includes $60 million reported as debt securities and $130 million reported as loans under Fair Value Option on the Balance Sheet as of December 31, 2023 ($59 million Debt securities and $137 million Fair Value Option loans as of June 30, 2023).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

Past due loans

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

	December 31, 2023					
(US$ in millions)	Current	1-30 Days past due	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total loans
Africa						
Manufacturing, agribusiness and services	$ 1,938	$ 149	$ —	$ 72	$ 63	$ 2,222
Financial markets	3,278	168	—	—	26	3,472
Infrastructure and natural resources	1,664	108	34	—	110	1,916
Disruptive technologies and funds	—	—	—	—	4	4
Total Africa	6,880	425	34	72	203	7,614
Asia and Pacific						
Manufacturing, agribusiness and services	3,009	151	—	1	18	3,179
Financial markets	4,883	13	—	—	4	4,900
Infrastructure and natural resources	1,632	41	—	—	6	1,679
Total Asia and Pacific	9,524	205	—	1	28	9,758
Latin America and the Caribbean, and Europe						
Manufacturing, agribusiness and services	4,222	46	18	14	107	4,407
Financial markets	4,955	59	—	—	12	5,026
Infrastructure and natural resources	2,339	37	—	5	23	2,404
Total Latin America and the Caribbean, and Europe	11,516	142	18	19	142	11,837
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan						
Manufacturing, agribusiness and services	1,363	—	—	—	12	1,375
Financial markets	1,284	42	—	—	20	1,346
Infrastructure and natural resources	1,280	29	—	—	—	1,309
Total Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	3,927	71	—	—	32	4,030
Other						
Manufacturing, agribusiness and services	347	—	—	—	—	347
Financial markets	1,372	—	—	—	—	1,372
Total Other	1,719	—	—	—	—	1,719
Total disbursed loans	**$ 33,566**	**$ 843**	**$ 52**	**$ 92**	**$ 405**	**$ 34,958**
Unamortized deferred loan origination fees, net and other						(140)
Loans at amortized cost						**$ 34,818**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

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

Certain loans that are 90 days or more past due continue to accrue interest as management anticipates the collection of interest will occur in the near future. These loans were deemed insignificant as of December 31, 2023 and June 30, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

Loan Credit Quality Indicators

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

The following table presents the loans disbursed by credit quality indicator based on risk rating and origination year as of December 31, 2023 and June 30, 2023. The origination year is based on the commitment date that represents the date that the decision was made to extend credit and IFC entered into a legally binding agreement with the borrower. All subsequent loan disbursements, as well as loan modifications, extensions, and renewals for an associated loan commitment are reported based on the original commitment date:

(US$ in millions)	December 31, 2023										
	Loans at Amortized cost basis by Risk class										
Origination year	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Sub-standard	Extremely Weak/ Doubtful	Imminent Default/ Default	Total Contracts	Current period gross write-offs
FY24	$ —	$ 120	$ 1,826	$ 1,602	$ 559	$ 58	$ —	$ 18	$ 8	$ 4,191	$ —
FY23	—	405	1,743	3,873	1,954	132	82	5	—	8,194	—
FY22	—	374	1,115	2,482	1,367	152	75	64	—	5,629	—
FY21	—	68	1,402	2,301	1,247	9	20	—	8	5,055	—
FY20	71	—	1,135	1,048	407	251	115	90	8	3,125	1
Prior	43	157	1,065	1,981	2,500	484	183	145	647	7,205	36
Total	$ 114	$1,124	$ 8,286	$13,287	$8,034	$ 1,086	$ 475	$ 322	$ 671	$33,399	$ 37
Revolving loans	—	—	—	1,433	89	—	—	—	19	1,541	
Converted to Term Contracts	—	—	9	9	—	—	—	—	—	18	
Total disbursed loans	**$ 114**	**$1,124**	**$ 8,295**	**$14,729**	**$8,123**	**$ 1,086**	**$ 475**	**$ 322**	**$ 690**	**$34,958**	
Unamortized deferred loan origination fees, net and other										(140)	
Loans at amortized cost										**$34,818**	

(US$ in millions)	June 30, 2023									
	Loans at Amortized cost basis by Risk class									
Origination year	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default	Total Contracts
FY23	$ —	$ 590	$ 1,525	$ 2,475	$1,559	$ 72	$ 20	$ 4	$ —	$ 6,245
FY22	—	470	1,186	2,255	1,471	143	—	62	—	5,587
FY21	—	66	1,456	2,608	1,409	145	21	—	10	5,715
FY20	69	—	1,129	1,196	586	257	59	91	6	3,393
FY19	—	127	295	832	782	182	18	52	52	2,340
Prior	40	222	885	1,454	2,241	427	166	189	643	6,267
Total	$ 109	$1,475	$ 6,476	$ 10,820	$8,048	$ 1,226	$ 284	$ 398	$ 711	$ 29,547
Revolving Loans	—	—	—	1,569	86	—	25	—	—	1,680
Revolving Contracts Converted to Term Contracts	—	—	7	10	—	—	—	—	—	17
Total disbursed loans	**$ 109**	**$1,475**	**$ 6,483**	**$ 12,399**	**$8,134**	**$ 1,226**	**$ 309**	**$ 398**	**$ 711**	**$ 31,244**
Unamortized deferred loan origination fees, net and other										(127)
Loans at amortized cost										**$ 31,117**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

Following is a summary of IFC's loans at amortized cost by credit quality indicator, geographic region, and industry sector, as of December 31, 2023 and June 30, 2023:

	December 31, 2023									
(US$ in millions)	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default	Total
Geographic Region										
Africa	$ —	$ 19	$ 562	$ 2,778	$ 3,169	$ 579	$ 166	$ 137	$ 204	$ 7,614
Asia and Pacific	71	557	3,791	3,079	2,140	47	4	5	64	9,758
Latin America and the Caribbean, and Europe	—	61	3,705	5,928	1,371	178	235	175	184	11,837
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	20	161	1,811	1,443	282	70	5	238	4,030
Other	43	467	76	1,133	—	—	—	—	—	1,719
Total geographic region	**$ 114**	**$ 1,124**	**$ 8,295**	**$14,729**	**$ 8,123**	**$ 1,086**	**$ 475**	**$ 322**	**$ 690**	**$ 34,958**
Unamortized deferred loan origination fees, net and other										(140)
Loans at amortized cost										**$ 34,818**

	December 31, 2023									
(US$ in millions)	Very Strong	Strong	Adequate	Moderate	Weak	Very Weak/ Special Attention	Very Weak/ Substandard	Extremely Weak/ Doubtful	Imminent Default/ Default	Total
Industry Sector										
Manufacturing, agribusiness and services	$ 114	$ 312	$ 3,822	$ 4,819	$1,568	$ 336	$ 88	$ 114	$ 357	$ 11,530
Financial markets	—	751	3,357	7,884	3,904	119	52	11	38	16,116
Infrastructure and natural resources	—	61	1,116	2,026	2,651	631	335	197	291	7,308
Disruptive technologies and funds	—	—	—	—	—	—	—	—	4	4
Total industry sector	**$ 114**	**$ 1,124**	**$ 8,295**	**$14,729**	**$8,123**	**$ 1,086**	**$ 475**	**$ 322**	**$ 690**	**$ 34,958**
Unamortized deferred loan origination fees, net and other										(140)
Loans at amortized cost										**$ 34,818**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

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

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

Modifications to Borrowers Experiencing Financial Difficulties

IFC adopted ASU 2022-02 *Financial Instruments - Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures* effective July 1, 2023. All related disclosures for the three and six months ended December 31, 2023 are provided on a prospective basis in accordance with the ASU. These disclosures do not include loan modifications and its effects related to suspension and standstill agreements where principal and interest payments are temporarily suspended. As of December 31, 2023 amortized cost of these loans amounted to $59 million.

Loans are modified through changes in interest rates, repayment schedules, and maturity date, in addition to reductions of loan principal and waiver of accrued interest. For loans at amortized cost, the following table presents information related to modifications to borrowers experiencing financial difficulties, per major modification types (including interest rate reduction, other-than-insignificant payment delay, principal forgiveness, and term extension or a combination of these modifications), by geographic region and industry sector during the three and six months ended December 31, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

	For the three months ended December 31, 2023					
(US$ in millions)	Interest Rate Reduction, Term Extension and Payment Delay	Payment Delay	Term Extension and Payment Delay	Total Loan Modifications [a]	% of total loans	Total loans by region and industry
Africa						
Manufacturing, agribusiness and services	$ 3	$ —	$ 3	$ 6	0.3 %	$ 2,222
Total Africa	3	—	3	6	0.1 %	7,614
Asia and Pacific						
Manufacturing, agribusiness and services	—	11	—	11	0.3 %	3,179
Infrastructure and natural resources	—	—	6	6	0.4 %	1,679
Total Asia and Pacific	—	11	6	17	0.2 %	9,758
Latin America and the Caribbean, and Europe						
Manufacturing, agribusiness and services	—	16	—	16	0.4 %	4,407
Infrastructure and natural resources	18	—	2	20	0.8 %	2,404
Total Latin America and the Caribbean, and Europe	18	16	2	36	0.3 %	11,837
Total disbursed loans	**$ 21**	**$ 27**	**$ 11**	**$ 59**	**0.2 %**	**$ 34,958**

	For the six months ended December 31, 2023					
(US$ in millions)	Interest Rate Reduction, Term Extension and Payment Delay	Payment Delay	Term Extension and Payment Delay	Total Loan Modification [a]	% of total loans	Total loans by region and industry
Africa						
Manufacturing, agribusiness and services	$ 2	$ 11	$ 8	$ 21	0.9 %	$ 2,222
Total Africa	2	11	8	21	0.3 %	7,614
Asia and Pacific						
Manufacturing, agribusiness and services	—	11	—	11	0.3 %	3,179
Infrastructure and natural resources	—	—	6	6	0.4 %	1,679
Total Asia and Pacific	—	11	6	17	0.2 %	9,758
Latin America and the Caribbean, and Europe						
Manufacturing, agribusiness and services	—	25	—	25	0.6 %	4,407
Infrastructure and natural resources	18	—	2	20	0.8 %	2,404
Total Latin America and the Caribbean, and Europe	18	25	2	45	0.4 %	11,837
Total disbursed loans	**$ 20**	**$ 47**	**$ 16**	**$ 83**	**0.2 %**	**$ 34,958**

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

The following table summarizes the financial effect of loan modifications to borrowers experiencing financial difficulty by geographic region and industry sector for the three and six months ended December 31, 2023.

	For the three months ended December 31, 2023			
(US$ in millions)	Interest Rate Reduction	Term Extension	Other than Insignificant Payment Delay	
	Weighted Average Interest Rate Reduction %	Weighted Average Month Extended	Amount Delayed	Weighted Average Months Delayed
Africa				
Manufacturing, agribusiness and services	1.7	50	$ 26	53
Total Africa	1.7	50	26	53
Asia and Pacific				
Manufacturing, agribusiness and services	—	—	8	6
Infrastructure and natural resources	—	36	33	36
Total Asia and Pacific	—	36	41	42
Latin America and the Caribbean, and Europe				
Manufacturing, agribusiness and services	—	—	1	3
Infrastructure and natural resources	2.4	154	15	190
Total Latin America and the Caribbean, and Europe	2.4	154	16	193
Total disbursed loans	**4.1**	**240**	**$ 83**	**288**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

	For the six months ended December 31, 2023			
(US$ in millions)	Interest Rate Reduction	Term Extension	Other than Insignificant Payment Delay	
	Weighted Average Interest Rate Reduction %	Weighted Average Month Extended	Amount Delayed	Weighted Average Months Delayed
Africa				
Manufacturing, agribusiness and services	1.7	74	$ 38	45
Total Africa	1.7	74	38	45
Asia and Pacific				
Manufacturing, agribusiness and services	—	—	8	6
Infrastructure and natural resources	—	36	33	36
Total Asia and Pacific	—	36	41	42
Latin America and the Caribbean, and Europe				
Manufacturing, agribusiness and services	—	—	5	13
Infrastructure and natural resources	2.4	154	15	190
Total Latin America and the Caribbean, and Europe	2.4	154	20	203
Total disbursed loans	**4.1**	**264**	**$ 99**	**290**

For loans at amortized cost, the following table presents an aging analysis of loan modifications made to borrowers experiencing financial difficulty from July 1, 2023 through December 31, 2023, presented by geographic region and industry sector as of December 31, 2023.

	December 31, 2023					
(US$ in millions)	Current	Up to 30 days past due	31 - 60 days past due	61-90 days past due	than 90 days past due	Total [a]
Africa						
Manufacturing, agribusiness and services	$ 19	$ 2	$ —	$ —	$ —	$ 21
Total Africa	19	2	—	—	—	21
Asia and Pacific						
Manufacturing, agribusiness and services	11	—	—	—	—	11
Infrastructure and natural resources	6	—	—	—	—	6
Total Asia and Pacific	17	—	—	—	—	17
Latin America and the Caribbean, and Europe						
Manufacturing, agribusiness and services	25	—	—	—	—	25
Infrastructure and natural resources	20	—	—	—	—	20
Total Latin America and the Caribbean, and Europe	45	—	—	—	—	45
Total disbursed loans	**$ 81**	**$ 2**	**$ —**	**$ —**	**$ —**	**$ 83**

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

For loan modifications made to borrowers experiencing financial difficulty during the three and six months ended December 31, 2023, there were no loans that had a payment default after the modifications. Payment default is defined as loans that are 60 or more days past due as of December 31, 2023.

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

The following table presents information related to loan modifications, including past due amounts capitalized and written off, during the three and six months ended December 31, 2022, that are considered Troubled Debt Restructurings (TDRs), prior to the adoption of ASU 2022-02, as defined by the previous accounting guidance in effect at that time:

	For the Three months ended December 31, 2022		For the Six months ended December 31, 2022	
(US$ in millions)	Number of TDRs	Amount	Number of TDRs	Amount
Loans modified as TDRs	6	$ 155	12	$ 429

Loan at amortized cost modifications considered TDRs during the three and six months ended December 31, 2022 is summarized by geographic region and industry sector as follows:

	For the Three months ended December 31, 2022			
(US$ in millions)	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Loan modifications considered TDRs [a]
Geographic Region				
Africa	$ 8	$ —	$ —	$ 8
Asia and Pacific	20	9	—	29
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	—	118	118
Total geographic region	**$ 28**	**$ 9**	**$ 118**	**$ 155**

	For the six months ended December 31, 2022			
(US$ in millions)	Manufacturing, agribusiness and services	Financial markets	Infrastructure and natural resources	Loan modifications considered TDRs [a]
Geographic Region				
Africa	$ 146	$ —	$ —	$ 146
Asia and Pacific	35	9	—	44
Middle East, Central Asia, Türkiye, Pakistan, and Afghanistan	—	—	160	160
Latin America and the Caribbean, and Europe	—	—	79	79
Total geographic region	**$ 181**	**$ 9**	**$ 239**	**$ 429**

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE E – LOANS AND GUARANTEES (continued)

Following is a summary of loans that defaulted during the three and six months ended December 31, 2022 that had been modified in a troubled debt restructuring within 12 months prior to the date of default:

	For the three months ended December 31,	For the six months ended December 31,
(US$ in millions, except for number of loans)	2022	2022
Loan amount	$ 80	$ 97
Number of Loans	4	7

Collateral-Dependent Loans

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following tables summarizes the amortized cost of collateral dependent loans [a] by collateral type, geographic region and industry sector as of December 31, 2023 and June 30, 2023:

	December 31, 2023			June 30,2023		
(US$ in millions)	Property, Land and Equipment	Others	Total	Property, Land and Equipment	Others	Total
Geographic Region						
Africa	$ 2	$ —	$ 2	$ 2	—	$ 2
Latin America and the Caribbean, and Europe	7	5	12	3	6	9
Total	**$ 9**	**$ 5**	**$ 14**	**$ 5**	**$ 6**	**$ 11**

	December 31, 2023			June 30,2023		
(US$ in millions)	Property, Land and Equipment	Others	Total	Property, Land and Equipment	Others	Total
Industry Sector						
Manufacturing, agribusiness and services	$ 3	$ —	$ 3	$ 3	$ —	$ 3
Financial markets	—	5	5	—	6	6
Infrastructure and natural resources	6	—	6	2	—	2
Total	**$ 9**	**$ 5**	**$ 14**	**$ 5**	**$ 6**	**$ 11**

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

Guarantees

IFC extends financial guarantee facilities to its clients to provide full or partial credit enhancement for their debt securities and trade obligations. Under the terms of IFC's guarantees, IFC agrees to assume responsibility for the client's financial obligations in the event of default by the client, where default is defined as failure to pay when payment is due. Guarantees entered into by IFC generally have maturities consistent with those of the loan portfolio. Guarantees signed as of December 31, 2023 totaled $6.0 billion ($5.1 billion as of June 30, 2023). Guarantees of $5.0 billion were outstanding (i.e., not called) as of December 31, 2023 ($4.4 billion as of June 30, 2023). These amounts represent the maximum amount of undiscounted future payments that IFC could be required to make under these guarantees and are not included in IFC's condensed consolidated balance sheet.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE F – DEBT SECURITIES

Income from debt securities, including net realized gains on debt securities and associated derivatives for the three and six months ended December 31, 2023 and December 31, 2022 comprises the following:

(US$ in millions)	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the six months ended December 31, 2023	For the six months ended December 31, 2022
Interest income	$ 198	$ 113	$ 382	$ 197
Dividends	—	—	—	1
Net realized (losses) gains on debt securities and associated derivatives [a]	(3)	5	13	70
Total income from debt securities, including realized losses (gains) on debt securities and associated derivatives	**$ 195**	**$ 118**	**$ 395**	**$ 268**

a Includes realized gains on debt securities under the Fair Value Option. $2 million loss for the three and six months ended December 31, 2023 ($4 million gains for the three and six months ended December 31, 2022).

Debt securities accounted for as available-for-sale as of December 31, 2023 and June 30, 2023 comprise:

	December 31, 2023				
(US$ in millions)	Amortized cost	Unrealized gains [a]	Unrealized losses [a]	Reserve for credit losses	Fair value
Corporate debt securities	$ 1,109	$ 6	$ (136)	$ (15)	$ 964
Preferred shares	28	—	(8)	(3)	17
Asset-backed securities	167	1	(2)	—	166
Total	**$ 1,304**	**$ 7**	**$ (146)**	**$ (18)**	**$ 1,147**

a Includes net foreign exchange losses of $116 million as of December 31, 2023.

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

a Includes net foreign exchange losses of $221 million as of June 30, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE F – DEBT SECURITIES (continued)

The table below presents the amortized cost unrealized losses, and fair value of available-for-sale debt securities that are in an unrealized loss position aggregated by major security type as of December 31, 2023 and June 30, 2023. The reserve for credit losses is not included herein and is presented separately in the reserve for credit losses on debt securities roll-forward table.

	December 31, 2023			June 30, 2023		
(US$ in millions)	Amortized Costs	Unrealized Losses [a]	Fair value	Amortized Costs	Unrealized Losses [a]	Fair value
Corporate debt securities	$ 742	$ (136)	$ 606	$ 857	$ (194)	$ 663
Preferred shares	19	(8)	11	9	(1)	8
Asset-backed securities	12	(2)	10	225	(62)	163
Total	**$ 773**	**$ (146)**	**$ 627**	**$ 1,091**	**$ (257)**	**$ 834**

a Includes net foreign exchange losses of $119 million as of December 31, 2023 and $217 million as of June 30, 2023.

The following table shows the unrealized losses and fair value of debt securities as of December 31, 2023 and June 30, 2023 by length of time that individual securities had been in a continuous loss position where the fair value of securities declined below their cost basis:

	December 31, 2023					
	Less than 12 months		12 months or greater		Total	
(US$ in millions)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debt securities	$ 4	$ —	$ 602	$ (136)	$ 606	$ (136)
Preferred shares	10	(7)	1	(1)	11	(8)
Asset-backed securities	—	—	10	(2)	10	(2)
Total	**$ 14**	**$ (7)**	**$ 613**	**$ (139)**	**$ 627**	**$ (146)**

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE F – DEBT SECURITIES (continued)

The tables below present a roll-forward by major security type for the three and six months ended December 31, 2023 and December 31, 2022 of the reserve for credit losses on debt securities held at the period end:

	For the three months ended December 31, 2023			For the six months ended December 31, 2023		
(US$ in millions)	Corporate Debt Securities	Preferred shares	Total	Corporate Debt Securities	Preferred shares	Total
Beginning balance	**$ 13**	**$ 10**	**$ 23**	**$ 13**	**$ 8**	**$ 21**
Provision (release of provision) for losses	2	(7)	(5)	2	(5)	(3)
Ending balance	**$ 15**	**$ 3**	**$ 18**	**$ 15**	**$ 3**	**$ 18**

	For the three months ended December 31, 2022			For the six months ended December 31, 2022		
(US$ in millions)	Corporate Debt Securities	Preferred shares	Total	Corporate Debt Securities	Preferred shares	Total
Beginning balance	**$ 12**	**$ 4**	**$ 16**	**$ 11**	**$ 3**	**$ 14**
Provision for losses	2	4	6	3	5	8
Ending balance	**$ 14**	**$ 8**	**$ 22**	**$ 14**	**$ 8**	**$ 22**

Nonaccruing debt securities

Debt securities on which the accrual of interest has been discontinued amounted to $60 million as of December 31, 2023 ($59 million as of June 30, 2023).

NOTE G – EQUITY INVESTMENTS AND ASSOCIATED DERIVATIVES

Income from equity investments and associated derivatives for the three and six months ended December 31, 2023 and December 31, 2022 comprises the following:

	For the three months ended December 31,		For the six months ended December 31,	
(US$ in millions)	2023	2022	2023	2022
Unrealized (losses) gains on equity investments and associated derivatives [a]	$ (77)	$ 73	$ (202)	$ (266)
Realized gains on equity investments and associated derivatives, net	77	65	175	59
Gains (losses) on equity investments and associated derivatives, net [b]	—	138	(27)	(207)
Dividends	31	23	63	62
Custody, fees and other	1	—	6	2
Total income (loss) from equity investments and associated derivatives	**$ 32**	**$ 161**	**$ 42**	**$ (143)**

a Includes unrealized gains and losses related to equity securities still held as of December 31, 2023 net gains of $75 million and $76 million, respectively, for the three and six months ended December 31, 2023 (net gains of $279 million and net losses of $43 million for the three and six months ended December 31, 2022).

b Includes gains of $60 million and losses of $6 million, respectively, for the three and six months ended December 31, 2023 (gains of $117 million and losses of $93 million for the three and six months ended December 31, 2022) from equity investments for which IFC has elected a Fair Value Option.

Equity investments include several private equity funds that invest primarily in emerging markets across a range of sectors and that are accounted for at fair value under the Fair Value Option. The fair values of these funds have been determined using the net asset value of IFC's ownership interest in partners' capital as a practical expedient and totaled $5.3 billion as of December 31, 2023 ($5.2 billion as of June 30, 2023). These investments cannot be redeemed. Distributions will be received from these funds as the underlying assets are liquidated or distributed, the timing of which is uncertain. As of December 31, 2023, the maximum unfunded commitments subject to capital calls for these funds were $1.8 billion ($1.6 billion as of June 30, 2023). As of December 31, 2023, IFC invested $495 million ($505 million as of June 30, 2023) as a limited partner in funds managed by AMC. Amounts previously distributed by the AMC Funds may be callable through the life of the respective fund. The sale of IFC's limited partner interests in these funds needs prior consent from the other limited partners.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE H – 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$ in millions)	Funding Mechanism for Technical Assistance and Advisory Services	Creating Markets Advisory Window	Small and Medium Enterprise Ventures	Total Designated Retained Earnings
As of June 30, 2022	**$ 78**	**$ 207**	**$ 13**	**$ 298**
Year ended June 30, 2023				
Designations of retained earnings	6	—	—	6
Expenditures against designated retained earnings	(36)	(46)	(1)	(83)
As of June 30, 2023	**$ 48**	**$ 161**	**$ 12**	**$ 221**
Six months ended December 31, 2023				
Designations of retained earnings	60	—	—	60
Expenditures against designated retained earnings	(12)	(17)	—	(29)
As of December 31, 2023	**$ 96**	**$ 144**	**$ 12**	**$ 252**

On August 3, 2023 the Board of Directors approved a designation of $60 million to Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS). This designation was approved by the Board of Governors on October 13, 2023.

Accumulated other comprehensive income

The components of accumulated other comprehensive income as of December 31, 2023 and June 30, 2023 are summarized as follows:

(US$ in millions)	December 31, 2023	June 30, 2023
Net unrealized losses on available-for-sale debt securities	$ (139)	$ (238)
Net unrealized gains on borrowings at fair value under the Fair Value Option due to changes in instrument-specific credit risk	577	340
Unrecognized net actuarial gains and unrecognized prior service costs on benefit plans	524	530
Total accumulated other comprehensive income	**$ 962**	**$ 632**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE I – 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 three and six months ended December 31, 2023 and December 31, 2022 comprise:

	For the three months ended December 31,		For the six months ended December 31,	
(US$ in millions)	2023	2022	2023	2022
Unrealized gains and losses on loans, debt securities and associated derivatives:				
Unrealized gains (losses) on loans under the Fair Value Option	$ 28	$ 20	$ 53	$ (7)
Unrealized (losses) gains on derivatives associated with loans	(262)	(37)	(158)	211
Unrealized gains (losses) on debt securities under the Fair Value Option	129	(21)	157	(71)
Unrealized (losses) gains on derivatives associated with debt securities	(70)	50	(23)	113
Total net unrealized (losses) gains on loans, debt securities and associated derivatives	**(175)**	**12**	**29**	**246**
Unrealized gains and losses on borrowings from market, IDA and associated derivatives:				
Unrealized (losses) gains on market borrowings accounted for at fair value	(1,881)	(169)	(1,075)	1,033
Unrealized gains (losses) on derivatives associated with market borrowings	1,843	69	977	(1,028)
Unrealized (losses) gains on borrowings from IDA accounted for at fair value	(6)	(1)	(4)	7
Total net unrealized (losses) gains on borrowings from market, IDA and associated derivatives	**(44)**	**(101)**	**(102)**	**12**
Net unrealized losses and gains on non-trading financial instruments accounted for at fair value	**$ (219)**	**$ (89)**	**$ (73)**	**$ 258**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE J – DERIVATIVES

IFC enters into transactions in various derivative instruments for financial risk management purposes in connection with its principal business activities, including lending, investing in debt securities, equity investments, client risk management, borrowing, liquid asset management and asset and liability management. None of these derivative instruments are designated as accounting hedges under ASC Topic 815.

The fair value of derivative instrument assets and liabilities by risk type as of December 31, 2023 and June 30, 2023 is summarized as follows:

(US$ in millions)	December 31, 2023	June 30, 2023
Derivative assets		
Interest rate	$ 666	$ 843
Foreign exchange	126	225
Interest rate and currency	1,859	4,465
Equity	90	124
Credit and other	57	65
Total derivative assets	**$ 2,798**	**$ 5,722**
Derivative liabilities		
Interest rate	$ 1,942	$ 2,245
Foreign exchange	635	217
Interest rate and currency	4,866	8,706
Equity	11	10
Credit and other	18	17
Total derivative liabilities	**$ 7,472**	**$ 11,195**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE J – DERIVATIVES (continued)

The effect of derivative instrument contracts on the condensed consolidated statement of operations for the three and six months ended December 31, 2023 and December 31, 2022 is summarized as follows:

(US$ in millions)		Three months ended December 31,		Six months ended December 31,	
Derivative risk category	Condensed Consolidated Statement of Operations location	2023	2022	2023	2022
Interest rate	Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	$ 25	$ 14	$ 45	$ 16
	Income from debt securities, including realized gains and losses on debt securities and associated derivatives	11	4	21	4
	(Loss) income from liquid asset trading activities	(59)	5	(48)	40
	Charges on borrowings	(172)	(92)	(342)	(109)
	Other income	6	8	16	11
	Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	460	41	202	(334)
Foreign exchange	Loss from liquid asset trading activities	(789)	(1,191)	(75)	(286)
	Foreign currency transaction losses on non-trading activities	(8)	(10)	(2)	(3)
	Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	2	1	(2)	1
Interest rate and currency	Income (loss) from loans and guarantees, including realized gains and losses on loans and associated derivatives	2	(19)	8	(57)
	Loss from debt securities, including realized gains and losses on debt securities and associated derivatives	(14)	(8)	(32)	(26)
	Loss from liquid asset trading activities	(122)	(328)	(18)	(197)
	Charges on borrowings	(206)	(68)	(400)	(28)
	Foreign currency transaction gains (losses) on non-trading activities	767	1,003	433	(94)
	Other income	—	—	1	1
	Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	1,057	40	606	(376)
Equity related contracts	(Losses) gains from equity investments and associated derivatives	(26)	—	(36)	9
	Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	—	1	—	(1)
Credit and other	Net unrealized (losses) gains on non-trading financial instruments accounted for at fair value	(6)	(1)	(9)	6
	Total	**$ 928**	**$ (600)**	**$ 368**	**$ (1,423)**

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

As of December 31, 2023, the outstanding volume, measured by U.S. dollar equivalent notional, of interest rate contracts was $69.7 billion ($74.5 billion as of June 30, 2023), foreign exchange contracts was $20.3 billion ($20.7 billion as of June 30, 2023) and interest rate and currency contracts was $56.7 billion ($53.6 billion as of June 30, 2023).

As of December 31, 2023, there were 118 derivative instrument contracts related to IFC's equity investment portfolio and 27 other derivative contracts recognized as derivatives assets or liabilities under ASC Topic 815 (129 equity and 27 other derivative contracts as of June 30, 2023).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS

ASC 820 defines fair value as the price that would be received to sell an asset or transfer a liability (i.e., an exit price) in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date assuming the transaction occurs in the entity's principal (or most advantageous) market. IFC categorizes its financial instruments into three levels based on the established fair value hierarchy. For more information regarding the fair value hierarchy and how IFC measures fair value, see Note A – Summary of Significant Accounting Policies in the June 30, 2023 audited financial statements. Readers are cautioned in using these data for purposes of evaluating the financial condition of IFC and the fair values of the individual financial instruments do not represent the fair value of IFC taken as a whole.

IFC utilized, where available, comparator, sector and country information, in addition to discounted cash flow models, in valuing its equity investment portfolio as of December 31, 2023. Debt securities and loans accounted for at fair value that do not have available market prices were primarily valued using discounted cash flow approaches and reflected spreads as of December 31, 2023.

For the following instruments, the significant unobservable inputs and its relationship to the fair valuation movement are listed below:

Instrument	Significant Unobservable Input	Increase in Unobservable Input Results In
IFC Local Currency Borrowings	IFC Yield Curve	Decrease in Fair Value
Interest Rate Swaps	Yield Curve Points	Decrease in Fair Value
Currency Swaps	Yield Curve and Exchange Rates	Decrease in Fair Value
Debt Securities and Loans	Discount Rates, Credit Default Spreads	Decrease in Fair Value
	Valuation Multiple, Recovery Rates	Increase in Fair Value
Equity Securities and Equity Related Derivatives	Cost of equity, discounts for lack of marketability, weighted average cost of capital	Decrease in Fair Value
	Growth rates, return on assets, perpetual growth rates, EV/EBITDA, price to book value and other valuation multiples and volatilities	Increase in Fair Value

The methodologies used and key assumptions made to estimate fair values as of December 31, 2023 and June 30, 2023, are summarized below.

Liquid assets – The primary pricing source for the liquid assets is valuations obtained from external pricing services (vendor prices). The most liquid securities in the liquid asset portfolio are U.S. Treasuries. U.S. Treasuries and U.S. Government agency bonds are classified as Level 1. The remaining liquid assets valued using vendor prices are classified as Level 2 or Level 3 based on the results of IFC's evaluation of the vendor's pricing methodologies and individual security facts and circumstances. Most vendor prices use some form of matrix pricing methodology to derive the inputs for projecting cash flows or to derive prices. When vendor prices are not available, liquid assets are valued internally by IFC using executable or indicative dealer quotes from the market and these are classified as Level 2 or Level 3 depending on the degree that the inputs are observable in the market.

The critical factors in valuing liquid assets in both Level 2 and Level 3 are the estimation of cash flows and yield. Other significant inputs for valuing corporate securities, quasi-government securities and sovereign or sovereign-guaranteed securities include reported trades, broker/dealer quotes, benchmark securities, option adjusted spread curve, volatilities, and other reference data. In addition to these inputs, valuation models for securitized or collateralized securities use collateral performance inputs, such as weighted average coupon rate, weighted average maturity, conditional prepayment rate, constant default rate, vintage, and credit enhancements.

There were no liquid assets classified as Level 3 as of December 31, 2023 and June 30, 2023.

Loans and debt securities – Loans and debt securities in IFC's investment portfolio that do not have available market prices are primarily valued using discounted cash flow approaches. The majority of loans measured at fair value are classified as Level 3. Certain loans contain embedded conversion and/or income participation features. If not bifurcated as standalone derivatives, these features are considered in determining the loans' fair value based on the quoted market prices or other calculated values of the equity investments into which the loans are convertible and the discounted cash flows of the income participation features. The significant unobservable inputs used in the fair value measurement of loans and debt securities are discount rates, credit default swap spreads, and expected recovery rates. The valuation techniques and significant unobservable inputs for loans and debt securities classified as Level 3 as of December 31, 2023 and as of June 30, 2023 are presented below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

December 31, 2023

(US$ in millions)	Valuation technique	Fair value	Significant inputs	Range (%)	Weighted average (%)
Debt securities – preferred shares	Discounted cash flows	$ 14	Discount rate	10.7 - 16.0	12.3
	Market comparables	66	Valuation multiples [a]		
	Recent transactions	151			
	Other techniques	13			
Total preferred shares		244			
Other debt securities	Discounted cash flows	8,063	Credit default swap spreads	0.4 - 20.4	3.1
			Expected recovery rates	0.0 - 98.0	47.8
	Recent transactions	1,239			
	Other techniques	371			
Total other debt securities		9,673			
Total		**$ 9,917**			

a Includes valuation techniques with multiple significant inputs, therefore the range and weighted average are not provided.

June 30, 2023

(US$ in millions)	Valuation technique	Fair value	Significant inputs	Range (%)	Weighted average (%)
Debt securities – preferred shares	Discounted cash flows	$ 15	Discount rate	10.6 - 16.0	12.0
	Market comparables	44	Valuation multiples [a]		
	Recent transactions	121			
	Other techniques	28			
Total preferred shares		208			
Other debt securities	Discounted cash flows	5,886	Credit default swap spreads	0.4 - 20.2	3.3
			Expected recovery rates	0.0 - 75.0	44.7
	Recent transactions	1,825			
	Other techniques	411			
Total other debt securities		8,122			
Total		**$ 8,330**			

a Includes valuation techniques with multiple significant inputs, therefore the range and weighted average are not provided.

Borrowings – Fair values derived by determining the present value of estimated future cash flows using appropriate discount rates and option specific models where appropriate are classified as Level 2. Fair values derived from market source pricing are also classified as Level 2. The significant inputs used in valuing borrowings classified as Level 2 are presented below:

Classes	Significant Inputs
Structured bonds	Foreign exchange rate and inter-bank yield curves, IFC's credit curve and swaption volatility matrix, foreign exchange rate volatility, equity spot price, volatility and dividend yield.
Unstructured bonds	Inter-bank yield curve and IFC's credit curve.

As of December 31, 2023, IFC had bond issuances with a total fair value of $138 million classified as level 3 in Azerbaijani manat, Jamaican dollar, and Uzbekistan sum where the significant unobservable inputs were yield curve data ($228 million as of June 30, 2023). As of December 31, 2023, the weighted average effective interest rate on medium and long-term borrowings carried at amortized cost was 8.2% (7.3% as of June 30, 2023) and the effective interest rate on short-term borrowings carried at amortized cost was 5.5% (4.1% as of June 30, 2023).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

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 December 31, 2023 and June 30, 2023 are presented below:

Level 2 derivatives	Significant Inputs
Interest rate	Inter-bank yield curves, foreign exchange basis curve and yield curves specified to index floating rates.
Foreign exchange	Foreign exchange rate, inter-bank yield curves and foreign exchange basis curve.
Interest rate and currency	Foreign exchange rate, inter-bank yield curves, foreign exchange basis curve and yield curves specified to index floating rates.

(US$ in millions)	December 31, 2023				
Level 3 derivatives	Type	Fair value	Significant inputs	Range (%)	Weighted average (%)
Equity related derivatives	Fixed strike price options	$ 1	Volatilities	17.5 - 28.1	19.5
	Variable strike price options	78	Contractual strike price [a]		
Interest rate and currency swap assets	Vanilla swaps	106	Yield curve points, exchange rates		
Interest rate and currency swap liabilities	Vanilla swaps	(15)	Yield curve points, exchange rates		
Total		**$ 170**			

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

(US$ in millions)	June 30, 2023				
Level 3 derivatives	Type	Fair value	Significant inputs	Range (%)	Weighted average (%)
Equity related derivatives	Fixed strike price options	$ 1	Volatilities	28.1 - 44.3	44.3
	Variable strike price options	113	Contractual strike price [a]		
Interest rate and currency swap assets	Vanilla swaps	74	Yield curve points, exchange rates		
Interest rate and currency swap liabilities	Vanilla swaps	(10)	Yield curve points, exchange rates		
Total		**$ 178**			

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

Equity investments – Equity investments valued using quoted prices in active markets are classified as Level 1. Equity investments classified as Level 2 are valued using quoted prices in inactive markets. Equity investments classified as Level 3 are primarily valued using discounted cash flow and market comparable approaches. The significant unobservable inputs include cost of equity, weighted average cost of capital, asset growth rate, return on assets, perpetual growth rate, price to book and market multiples. The valuation techniques and significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy for equity investments that were measured at fair value through net income as of December 31, 2023 and June 30, 2023 are presented below.

(US$ in millions) December 31, 2023

Sector	Valuation technique	Fair value	Significant inputs	Range	Weighted average (%)
Banking and other financial	Discounted cash flows	$ 473	Cost of equity (%)	11.3 - 34.4	14.3
Institutions			Asset growth rate (%)	(9.2) - 56.6	4.9
			Return on assets (%)	(0.6) - 10.4	2.0
			Perpetual growth rate (%)	3.0 -15.0	5.4
	Market comparables	433	Price to book value	0.3 - 8.0	4.0
			EV/Sales	1.5 - 12.8	9.5
			Other valuation multiples [a]		
	Listed price (adjusted)	208	Discount for lack of marketability (%)	*	30.0
	Recent transactions	397			
	Other techniques	184			
	Associated options [b]	41			
Total banking and other financial institutions		1,736			
Funds	Recent transactions	285			
	Other techniques	58			
Total funds		343			
Others	Discounted cash flows	859	Weighted average cost of capital (%)	7.3 - 21.3	11.3
			Cost of equity (%)	10.3 - 24.3	15.2
	Market comparables	615	EV/Sales	0.7 - 14.5	4.9
			EV/EBITDA	4.1 - 23.0	13.0
			Price to book value	0.6 - 2.1	1.6
			Other valuation multiples [a]		
	Recent transactions	638			
	Other techniques	74			
	Associated options [b]	92			
Total others		2,278			
Total		**$ 4,357**			

* No range is provided as all of the projects that use this valuation technique are with the same institution and have the same discount percentage.

a Includes price/earnings ratio and price/sales ratio, the range and weighted average are not provided due to the immaterial amounts.

b Fair values for associated options are derived by determining the present value of estimated future cash flows using appropriate discount rates and option specific models where appropriate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

(US$ in millions)		June 30, 2023			
Sector	Valuation technique	Fair value	Significant inputs	Range	Weighted average (%)
Banking and other financial Institutions	Discounted cash flows	$ 517	Cost of equity (%)	11.0 - 26.0	13.7
			Asset growth rate (%)	(1.5) - 56.6	8.6
			Return on assets (%)	0.3 - 8.7	2.0
			Perpetual growth rate (%)	2.5 - 13.0	5.2
	Market comparables	400	Price to book value	0.3 - 1.5	1.3
			EV/Sales	1.5 - 15.4	9.6
			Other valuation multiples [a]		
	Listed price (adjusted)	199	Discount for lack of marketability (%)	*	35.0
	Recent transactions	380			
	Other techniques	180			
	Associated options [b]	31			
Total banking and other financial institutions		1,707			
Funds	Recent transactions	106			
	Other techniques	53			
Total funds		159			
Others	Discounted cash flows	896	Weighted average cost of capital (%)	7.2 - 29.8	11.5
			Cost of equity (%)	9.7 - 25.5	14.9
	Market comparables	746	EV/Sales	0.7 - 20.3	4.2
			EV/EBITDA	4.2 - 22.0	14.0
			Price to book value	0.6 - 2.4	1.8
			Other valuation multiples [a]		
	Recent transactions	521			
	Other techniques	81			
	Associated options [b]	91			
Total others		2,335			
Total		**$ 4,201**			

* No range is provided as all of the projects that use this valuation technique are with the same institution and have the same discount percentage.

a Includes price/earnings ratio and price/sales ratio, the range and weighted average are not provided due to the immaterial amounts.

b Fair values for associated options are derived by determining the present value of estimated future cash flows using appropriate discount rates and option specific models where appropriate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – 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 as of December 31, 2023 and June 30, 2023 are summarized below:

	December 31, 2023		June 30, 2023	
(US$ in millions)	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from banks, time deposits, trading securities and securities purchased under resale agreements and receivable for cash collateral pledged	$ 46,129	$ 46,129	$47,478	$ 47,478
Investments:				
Loans at amortized cost, net of reserve against losses	33,611	34,763	29,908	30,369
Loans accounted for at fair value under the Fair Value Option	1,574	1,574	1,506	1,506
Total loans	35,185	36,337	31,414	31,875
Equity investments accounted for at fair value	10,936 [a]	10,933	10,778 [a]	10,776
Debt securities accounted for at fair value as available-for-sale	1,147	1,147	1,373	1,373
Debt securities accounted for at fair value under the Fair Value Option	9,540	9,540	7,937	7,937
Total debt securities	10,687	10,687	9,310	9,310
Total investments	$ 56,808	$ 57,957	$51,502	$ 51,961
Derivative assets:				
Borrowings-related	670	670	2,795	2,795
Liquid asset portfolio-related and other	201	201	433	433
Investment-related	1,530	1,530	1,977	1,977
Client risk management-related	397	397	517	517
Total derivative assets	$ 2,798	$ 2,798	$ 5,722	$ 5,722
Other investment-related financial assets	—	3	—	3
Financial liabilities				
Securities sold under repurchase agreements and payable for cash collateral received	$ 6,411	$ 6,411	$ 6,631	$ 6,631
Market, IBRD, IDA and other borrowings outstanding	56,544	56,543	52,443	52,433
Derivative liabilities:				
Borrowings-related	5,886	5,886	10,032	10,032
Liquid asset portfolio-related and other	690	690	241	241
Investment-related	577	577	523	523
Client risk management-related	319	319	399	399
Total derivative liabilities	$ 7,472	$ 7,472	$11,195	$ 11,195

a Includes equity investments primarily accounted for under the cost recovery method of $3 million as of December 31, 2023 ($2 million as of June 30, 2023) where no fair value measurement is provided since the recovery of invested capital is uncertain.

The fair value of loan commitments amounted to $31 million as of December 31, 2023 ($39 million as of June 30, 2023). Fair values of loan commitments are based on present value of loan commitment fees.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

Fair value hierarchy

As required by ASC 820, financial assets and financial liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement: The following tables provide information as of December 31, 2023 and June 30, 2023, about IFC's financial assets and financial liabilities measured at fair value on a recurring basis.

	December 31, 2023			
(US$ in millions)	Level 1	Level 2	Level 3	Total
Time deposits with maturities greater than three months [a]	$ —	$ 2,689	$ —	$ 2,689
Trading securities:				
Asset-backed securities	—	4,963	—	4,963
Corporate debt securities [b]	—	4,425	—	4,425
Government obligations	16,743	3,987	—	20,730
Total trading securities	16,743	13,375	—	30,118
Loans	—	—	1,569	1,569
Loans measured at net asset value [c]				5
Total Loans (outstanding principal balance $1,657)	—	—	1,569	1,574
Equity investments:				
Banking and other financial institutions	453	176	1,736	2,365
Funds	—	13	343	356
Others	572	35	2,278	2,885
Equity investments measured at net asset value [c]				5,327
Total equity investments	1,025	224	4,357	10,933
Debt securities:				
Corporate debt securities	—	1,725	7,359	9,084
Preferred shares	—	—	244	244
Asset-backed securities	—	55	745	800
Debt securities measured at net asset value [c]				559
Total debt securities	—	1,780	8,348	10,687
Derivative assets:				
Interest rate	—	666	—	666
Foreign exchange	—	126	—	126
Interest rate and currency	—	1,753	106	1,859
Equity and other	—	—	90	90
Credit and Other derivative contracts	—	57	—	57
Total derivative assets	—	2,602	196	2,798
Total assets at fair value	**$ 17,768**	**$ 20,670**	**$ 14,470**	**$ 58,799**
Borrowings:				
Structured bonds	$ —	$ 4,094	$ —	$ 4,094
Unstructured bonds	—	49,603	138	49,741
Total borrowings (outstanding principal balance $61,100)[d]	—	53,697	138	53,835
Derivative liabilities:				
Interest rate	—	1,942	—	1,942
Foreign exchange	—	635	—	635
Interest rate and currency	—	4,851	15	4,866
Equity and other	—	—	11	11
Credit and Other derivative contracts	—	18	—	18
Total derivative liabilities	—	7,446	26	7,472
Total liabilities at fair value	**$ —**	**$ 61,143**	**$ 164**	**$ 61,307**

a Time deposits with maturities greater than three months are carried at cost, which approximates fair value and are considered to be level 2.
b Includes securities priced at par plus accrued interest, which approximates fair value.
c In accordance with ASC 820, investments that are measured at fair value using net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in condensed consolidated balance sheet.
d Includes discount notes (not under the short-term Discount Note Program), with original maturities greater than one year, with principal due at maturity of $5.9 billion, with a fair value of $2.0 billion as of December 31, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

	June 30, 2023			
(US$ in millions)	Level 1	Level 2	Level 3	Total
Time Deposits with maturities greater than three months [a]	$ —	$ 2,467	$ —	$ 2,467
Trading securities:				
Asset-backed securities	—	5,232	—	5,232
Corporate debt securities [b]	—	4,022	—	4,022
Government obligations	17,042	4,724	—	21,766
Total trading securities	17,042	13,978	—	31,020
Loans	—	—	1,488	1,488
Loans measured at net asset value [c]				18
Total Loans (outstanding principal balance $1,642)	—	—	1,488	1,506
Equity investments:				
Banking and other financial institutions	662	17	1,707	2,386
Funds	—	16	159	175
Others	681	1	2,335	3,017
Equity investments measured at net asset value [c]				5,198
Total equity investments	1,343	34	4,201	10,776
Debt securities:				
Corporate debt securities	—	1,839	5,911	7,750
Preferred shares	—	—	208	208
Asset-backed securities	—	55	723	778
Debt securities measured at net asset value [c]				574
Total debt securities	—	1,894	6,842	9,310
Derivative assets:				
Interest rate	—	843	—	843
Foreign exchange	—	225	—	225
Interest rate and currency	—	4,391	74	4,465
Equity and other	—	—	124	124
Credit and Other derivative contracts	—	65	—	65
Total derivative assets	—	5,524	198	5,722
Total assets at fair value	**$ 18,385**	**$ 23,897**	**$ 12,729**	**$ 60,801**
Borrowings:				
Structured bonds	$ —	$ 4,073	$ —	$ 4,073
Unstructured bonds	—	44,815	228	45,043
Total borrowings (outstanding principal balance $57,108) [d]	—	48,888	228	49,116
Derivative liabilities:				
Interest rate	—	2,245	—	2,245
Foreign exchange	—	217	—	217
Interest rate and currency	—	8,696	10	8,706
Equity and other	—	—	10	10
Credit and Other derivative contracts	—	17	—	17
Total derivative liabilities	—	11,175	20	11,195
Total liabilities at fair value	**$ —**	**$ 60,063**	**$ 248**	**$ 60,311**

a Time deposits with maturities greater than three months are carried at cost, which approximates fair value and are considered to be level 2.

b Includes securities priced at par plus accrued interest, which approximates fair value.

c In accordance with ASC 820, investments that are measured at fair value using net asset value per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in condensed consolidated balance sheet.

d Includes discount notes (not under the short-term Discount Note Program), with original maturities greater than one year, with principal due at maturity of $5.8 billion, with a fair value of $1.8 billion as of June 30, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – 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 three and six months ended December 31, 2023 and December 31, 2022.

	For the three months ended December 31, 2023								
		Net gains (losses) (realized and unrealized) included in							
(US$ in millions)	Balance October 1, 2023	Net Income	OCI	Purchases, issuances, sales, settlements and others	Transfers into Level 3 [a]	Transfers out of Level 3 [b]	Balance December 31, 2023	Net unrealized gains (losses) included in net income (loss) related to assets / liabilities held at period end	Net unrealized gains (losses) included in OCI related to assets / liabilities held at period end
Loans	1,531	45	—	(7)	—	—	1,569	33	—
Equity investments:									
Banking and other financial institutions	1,698	(11)	—	37	12	—	1,736	(20)	—
Funds	173	—	—	170	—	—	343	—	—
Others	2,309	16	—	(51)	4	—	2,278	(44)	—
Total equity investments	4,180	5	—	156	16	—	4,357	(64)	—
Debt securities:									
Corporate debt securities	6,641	90	37	429	442	(280)	7,359	126	13
Preferred shares	219	25	(8)	8	—	—	244	14	(8)
Asset-backed securities	756	(58)	62	(15)	—	—	745	4	—
Total debt securities	7,616	57	91	422	442	(280)	8,348	144	5
Derivative assets:									
Interest rate and currency	90	10	—	13	—	(7)	106	25	—
Equity and other	117	(27)	—	—	—	—	90	(1)	—
Total derivative assets	207	(17)	—	13	—	(7)	196	24	—
Total assets at fair value	**$13,534**	**$ 90**	**$ 91**	**$ 584**	**$ 458**	**$ (287)**	**$14,470**	**$ 137**	**$ 5**
Borrowings:									
Unstructured bonds	$ (197)	$ 2	$ —	$ —	$ —	$ 57	$ (138)	$ 2	
Total borrowings	(197)	2	—	—	—	57	(138)	2	—
Derivative liabilities:									
Interest rate and currency	(18)	(1)	—	(3)	—	7	(15)	(6)	—
Equity and other	(12)	—	—	1	—	—	(11)	1	—
Total derivative liabilities	(30)	(1)	—	(2)	—	7	(26)	(5)	—
Total liabilities at fair value	**$ (227)**	**$ 1**	**$ —**	**$ (2)**	**$ —**	**$ 64**	**$ (164)**	**$ (3)**	**$ —**

a Transfers into Level 3 are due to lack of observable market data resulting from a decrease in market activity for these securities as of December 31, 2023.

b Transfers out of Level 3 are due to availability of observable market data resulting from an increase in market activity for these securities that were part of October 1, 2023 beginning balance as of December 31, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

	For the six months ended December 31, 2023								
		Net gains (losses) (realized and unrealized) included in							
(US$ in millions)	Balance July 1, 2023	Net Income	OCI	Purchases, issuances, sales, settlements and others	Transfers into Level 3 [a]	Transfers out of Level 3 [b]	Balance December 31, 2023	Net unrealized gains (losses) included in net income (loss) related to assets / liabilities held at period end	Net unrealized gains (losses) included in OCI related to assets / liabilities held at period end
Loans	1,488	62	—	19	—	—	1,569	48	—
Equity investments:									
Banking and other financial institutions	1,707	(8)	—	25	12	—	1,736	(28)	
Funds	159	1	—	183	—	—	343	—	
Others	2,335	(26)	—	(6)	4	(29)	2,278	(96)	
Total equity investments	4,201	(33)	—	202	16	(29)	4,357	(124)	—
Debt securities:									
Corporate debt securities	5,911	44	42	1,078	564	(280)	7,359	95	17
Preferred shares	208	27	(8)	17	—	—	244	16	(7)
Asset-backed securities	723	(72)	59	35	—	—	745	(10)	(2)
Total debt securities	6,842	(1)	93	1,130	564	(280)	8,348	101	8
Derivative assets:									
Interest rate and currency	74	24	—	17	—	(9)	106	42	—
Equity and other	124	(25)	—	(9)	—	—	90	(5)	—
Total derivative assets	198	(1)	—	8	—	(9)	196	37	—
Total assets at fair value	**$ 12,729**	**$ 27**	**$ 93**	**$ 1,359**	**$ 580**	**$ (318)**	**$ 14,470**	**$ 62**	**$ 8**
Borrowings:									
Unstructured bonds	$ (228)	$ 7	$ —	$ (29)	$ —	$ 112	$ (138)	$ 7	$ —
Total borrowings	(228)	7	—	(29)	—	112	(138)	7	—
Derivative liabilities:									
Interest rate and currency	(10)	(6)	—	(6)		7	(15)	(12)	—
Equity and other	(10)	(2)	—	1		—	(11)	(2)	—
Total derivative liabilities	(20)	(8)	—	(5)	—	7	(26)	(14)	—
Total liabilities at fair value	**$ (248)**	**$ (1)**	**$ —**	**$ (34)**	**$ —**	**$ 119**	**$ (164)**	**$ (7)**	**$ —**

a Transfers into Level 3 are due to lack of observable market data resulting from a decrease in market activity for these securities as of December 31, 2023.

b Transfers out of Level 3 are due to availability of observable market data resulting from an increase in market activity for these securities that were part of July 1, 2023 beginning balance as of December 31, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

	For the three months ended December 31, 2022								
		Net gains (losses) (realized and unrealized) included in							
(US$ in millions)	Balance October 1, 2022	Net Income	OCI	Purchases, issuances, sales, settlements and others	Transfers into Level 3 [a]	Transfers out of Level 3 [b]	Balance December 31, 2022	Net unrealized gains (losses) included in net income (loss) related to assets / liabilities held at period end	Net unrealized gains (losses) included in OCI related to assets / liabilities held at period end
Trading securities:									
Asset-backed securities	$ —	$ 1	$ —	$ 67	$ —	$ —	$ 68	$ 1	$ —
Government and agency obligations	96	—	—	—	—	(96)	—	—	—
Total trading securities	96	1	—	67	—	(96)	68	1	—
Loans	1,272	46	—	140	—	—	1,458	46	—
Equity investments:									
Banking and other financial institutions	1,561	31	—	49	—	(17)	1,624	25	—
Funds	45	—	—	22	—	—	67	—	—
Others	2,468	51	—	(57)	—	—	2,462	41	—
Total equity investments	4,074	82	—	14	—	(17)	4,153	66	—
Debt securities:									
Corporate debt securities	4,143	(32)	121	801	69	(95)	5,007	117	13
Preferred shares	127	(2)	(2)	50	—	—	173	(4)	(1)
Asset-backed securities	801	9	—	(47)	—	—	763	15	(6)
Total debt securities	5,071	(25)	119	804	69	(95)	5,943	128	6
Derivative assets:									
Interest rate and currency	77	(12)	—	8	9	(9)	73	8	—
Equity and other	87	3	—	(3)	—	—	87	—	—
Total derivative assets	164	(9)	—	5	9	(9)	160	8	—
Total assets at fair value	**$ 10,677**	**$ 95**	**$ 119**	**$ 1,030**	**$ 78**	**$ (217)**	**$ 11,782**	**$ 249**	**$ 6**
Borrowings:									
Unstructured bonds	$ (225)	$ (5)	$ 1	$ (17)	$ —	$ 100	$ (146)	$ (5)	$ 1
Total borrowings	(225)	(5)	1	(17)	—	100	(146)	(5)	1
Derivative liabilities:									
Interest rate and currency	(29)	8	—	(3)	(4)	4	(24)	(2)	—
Equity and other	(5)	(3)	—	3	—	—	(5)	—	—
Total derivative liabilities	(34)	5	—	—	(4)	4	(29)	(2)	—
Total liabilities at fair value	**$ (259)**	**$ —**	**$ 1**	**$ (17)**	**$ (4)**	**$ 104**	**$ (175)**	**$ (7)**	**$ 1**

a Transfers into Level 3 are due to lack of observable market data resulting from a decrease in market activity for these securities as of December 31, 2022.

b Transfers out of Level 3 are due to availability of observable market data resulting from an increase in market activity for these securities that were part of October 1, 2022 beginning balance as of December 31, 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

	For the six months ended December 31, 2022								
		Net gains (losses) (realized and unrealized) included in							
(US$ in millions)	Balance July 1, 2022	Net Income	OCI	Purchases, issuances, sales, settlements and others	Transfers into Level 3 [a]	Transfers out of Level 3 [b]	Balance December 31, 2022	Net unrealized gains (losses) included in net income (loss) related to assets / liabilities held at period end	Net unrealized gains (losses) included in OCI related to assets / liabilities held at period end
Trading securities:									
Asset-backed securities	$ —	$ 1	$ —	$ 67	$ —	$ —	$ 68	$ 1	$ —
Corporate debt securities	7	—	—	—	—	(7)	—	—	—
Government and agency obligations	172	(1)	—	97	—	(268)	—	—	—
Total trading securities	179	—	—	164	—	(275)	68	1	—
Loans	1,303	8	—	147	—	—	1,458	—	—
Equity investments:									
Banking and other financial institutions	1,573	(42)	—	93	17	(17)	1,624	(47)	—
Funds	43	—	—	24	—	—	67	—	—
Others	2,448	(14)	—	(19)	47	—	2,462	(19)	—
Total equity investments	4,064	(56)	—	98	64	(17)	4,153	(66)	—
Debt securities:									
Corporate debt securities	4,070	(180)	77	1,208	69	(237)	5,007	14	(20)
Preferred shares	184	62	(54)	(19)	—	—	173	(7)	(4)
Asset-backed securities	817	(9)	9	(54)	—	—	763	—	12
Total debt securities	5,071	(127)	32	1,135	69	(237)	5,943	7	(12)
Derivative assets:									
Interest rate and currency	35	(3)	—	41	9	(9)	73	52	—
Equity and other	77	13	—	(3)	—	—	87	13	—
Total derivative assets	112	10	—	38	9	(9)	160	65	—
Total assets at fair value	**$ 10,729**	**$ (165)**	**$ 32**	**$ 1,582**	**$ 142**	**$ (538)**	**$ 11,782**	**$ 7**	**$ (12)**
Borrowings:									
Unstructured bonds	$ (232)	$ (6)	$ 1	$ (20)	$ —	$ 111	$ (146)	$ (6)	$ 1
Total borrowings	(232)	(6)	1	(20)	—	111	(146)	(6)	1
Derivative liabilities:									
Interest rate and currency	(34)	12	—	(2)	(4)	4	(24)	(1)	—
Equity and other	(4)	(4)	—	3	—	—	(5)	(4)	—
Total derivative liabilities	(38)	8	—	1	(4)	4	(29)	(5)	—
Total liabilities at fair value	**$ (270)**	**$ 2**	**$ 1**	**$ (19)**	**$ (4)**	**$ 115**	**$ (175)**	**$ (11)**	**$ 1**

a Transfers into Level 3 are due to lack of observable market data resulting from a decrease in market activity for these securities as of December 31, 2022.

b Transfers out of Level 3 are due to availability of observable market data resulting from an increase in market activity for these securities that were part of July 1, 2022 beginning balance as of December 31, 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – 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 three and six months ended December 31, 2023 and December 31, 2022.

	For the three months ended December 31, 2023				
(US$ in millions)	Purchases	Sales	Issuances	Settlements and others	Net
Loans	—	—	165	(172)	(7)
Equity investments:					
Banking and other financial institutions	40	(2)	—	(1)	37
Funds	57	—	—	113	170
Others	95	(151)	—	5	(51)
Total equity investments	192	(153)	—	117	156
Debt securities:					
Corporate debt securities	658	—	—	(229)	429
Preferred shares	11	—	—	(3)	8
Asset-backed securities	50	—	—	(65)	(15)
Total debt securities	719	—	—	(297)	422
Derivative assets:					
Interest rate and currency	—	—	14	(1)	13
Equity and other	—	—	—	—	—
Total derivative assets	—	—	14	(1)	13
Total assets at fair value	**$ 911**	**$ (153)**	**$ 179**	**$ (353)**	**$ 584**
Borrowings:					
Unstructured Bonds	$ —	$ —	$ —	$ —	$ —
Total Borrowings	—	—	—	—	—
Derivative liabilities:					
Interest rate and currency	—	—	(2)	(1)	(3)
Equity and other	—	—	—	1	1
Total derivative liabilities	—	—	(2)	—	(2)
Total liabilities at fair value	**$ —**	**$ —**	**$ (2)**	**$ —**	**$ (2)**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

	For the six months ended December 31, 2023				
(US$ in millions)	Purchases	Sales	Issuances	Settlements and others	Net
Loans	—	—	177	(158)	19
Equity investments:					
Banking and other financial institutions	47	(21)	—	(1)	25
Funds	102	—	—	81	183
Others	285	(299)	—	8	(6)
Total equity investments	434	(320)	—	88	202
Debt securities:					
Corporate debt securities	1,422	—	—	(344)	1,078
Preferred shares	23	(1)	—	(5)	17
Asset-backed securities	148	—	—	(113)	35
Total debt securities	1,593	(1)	—	(462)	1,130
Derivative assets:					
Interest rate and currency	—	—	20	(3)	17
Equity and other	—	—	—	(9)	(9)
Total derivative assets	—	—	20	(12)	8
Total assets at fair value	**$ 2,027**	**$ (321)**	**$ 197**	**$ (544)**	**$ 1,359**
Borrowings:					
Unstructured Bonds	$ —	$ —	$ (29)	$ —	$ (29)
Total Borrowings	—	—	(29)	—	(29)
Derivative liabilities:					
Interest rate and currency	—	—	(3)	(3)	(6)
Equity and other	—	—	—	1	1
Total derivative liabilities	—	—	(3)	(2)	(5)
Total liabilities at fair value	**$ —**	**$ —**	**$ (32)**	**$ (2)**	**$ (34)**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

	For the three months ended December 31, 2022				
(US$ in millions)	Purchases	Sales	Issuances	Settlements and others	Net
Trading securities:					
Asset-backed securities	$ 67	$ —	$ —	$ —	$ 67
Total trading securities	67	—	—	—	67
Loans	—	—	168	(28)	140
Equity investments:					
Banking and other financial institutions	59	(15)	—	5	49
Funds	32	—	—	(10)	22
Others	56	(66)	—	(47)	(57)
Total equity investments	147	(81)	—	(52)	14
Debt securities:					
Corporate debt securities	1,133	—	—	(332)	801
Preferred shares	65	(10)	—	(5)	50
Asset-backed securities	—	—	—	(47)	(47)
Total debt securities	1,198	(10)	—	(384)	804
Derivative assets:					
Interest rate and currency	—	—	8	—	8
Equity and other	—	—	—	(3)	(3)
Total derivative assets	—	—	8	(3)	5
Total assets at fair value	**$ 1,412**	**$ (91)**	**$ 176**	**$ (467)**	**$ 1,030**
Borrowings:					
Unstructured Bonds	$ —	$ —	$ (17)	$ —	$ (17)
Total Borrowings	—	—	(17)	—	(17)
Derivative liabilities:					
Interest rate and currency	—	—	(3)	—	(3)
Equity and other	—	—	—	3	3
Total derivative liabilities	—	—	(3)	3	—
Total liabilities at fair value	**$ —**	**$ —**	**$ (20)**	**$ 3**	**$ (17)**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE K – FAIR VALUE MEASUREMENTS (continued)

	For the six months ended December 31, 2022				
(US$ in millions)	Purchases	Sales	Issuances	Settlements and others	Net
Trading securities:					
Asset-backed securities	$ 67	$ —	$ —	$ —	$ 67
Government and agency obligations	97	—	—	—	97
Total trading securities	164	—	—	—	164
Loans	—	(37)	257	(73)	147
Equity investments:					
Banking and other financial institutions	93	(15)	—	15	93
Funds	47	(1)	—	(22)	24
Others	126	(160)	—	15	(19)
Total equity investments	266	(176)	—	8	98
Debt securities:					
Corporate debt securities	1,692	—	—	(484)	1,208
Preferred shares	65	(78)	—	(6)	(19)
Asset-backed securities	100	—	—	(154)	(54)
Total debt securities	1,857	(78)	—	(644)	1,135
Derivative assets:					
Interest rate and currency	—	—	40	1	41
Equity and other	—	—	—	(3)	(3)
Total derivative assets	—	—	40	(2)	38
Total assets at fair value	**$ 2,287**	**$ (291)**	**$ 297**	**$ (711)**	**$ 1,582**
Borrowings:					
Unstructured Bonds	$ —	$ —	$ (20)	$ —	$ (20)
Total Borrowings	—	—	(20)	—	(20)
Derivative liabilities:					
Interest rate and currency	—	—	(3)	1	(2)
Equity and other	—	—	—	3	3
Total derivative liabilities	—	—	(3)	4	1
Total liabilities at fair value	**$ —**	**$ —**	**$ (23)**	**$ 4**	**$ (19)**

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 condensed consolidated statements of operations in income from liquid asset trading activities, Income from Loans and guarantees, including 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE L – SEGMENT REPORTING

For management purposes, IFC's business comprises three segments: investment services, treasury services, and upstream and advisory services. The investment services segment consists primarily of lending and investing in debt and equity securities. Operationally, the treasury services segment consists of the borrowing, liquid asset management, asset and liability management and client risk management activities. Upstream and advisory services includes providing advisory services to government and private sector clients to create markets and mobilize private capital, and engages in early stage project development activities to develop bankable investment projects. Consistent with internal reporting, net income or expense from asset and liability management and client risk management activities in support of investment services is allocated from the treasury segment to the investment services segment.

The performance of investment services, treasury services and upstream and advisory services is assessed by senior management on the basis of net income for each segment, return on assets, and return on capital employed. Upstream and advisory services are primarily assessed based on the level and adequacy of its funding sources (See Note N). IFC's management reporting system and policies are used to determine revenues and expenses attributable to each segment. Consistent with internal reporting, administrative expenses are allocated to each segment based largely upon personnel costs and segment headcounts. Transactions between segments are immaterial and, thus, are not a factor in reconciling to the consolidated data.

The assets of the investment, treasury, and upstream and advisory services segments are detailed in Notes D, C, and N, respectively. An analysis of IFC's major components of income and expense by business segment for the three and six months ended December 31, 2023 and December 31, 2022, is provided below:

	For the three months ended December 31, 2023			
(US$ in millions)	Investment services	Treasury services	Upstream and Advisory services	Total
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	$ 781	$ —	$ —	$ 781
Provision for losses on loans, off-balance sheet credit exposures and other receivables	(6)	—	—	(6)
Income from equity investments and associated derivatives	32	—	—	32
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	195	—	—	195
Release of provision for losses on available-for-sale debt securities	5	—	—	5
Income from liquid asset trading activities	—	886	—	886
Charges on borrowings	(570)	(427)	—	(997)
Upstream and advisory services income	—	—	73	73
Service fees and other income	98	—	—	98
Administrative expenses	(310)	(11)	(39)	(360)
Upstream and advisory services expenses	—	—	(87)	(87)
Other, net	7	—	2	9
Foreign currency transaction losses on non-trading activities	(101)	—	—	(101)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value	**131**	**448**	**(51)**	**528**
Net unrealized losses on non-trading financial instruments accounted for at fair value	(175)	(44)	—	(219)
Net (loss) income	**$ (44)**	**$ 404**	**$ (51)**	**$ 309**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE L – SEGMENT REPORTING (continued)

(US$ in millions)	For the six months ended December 31, 2023 Investment services	Treasury services	Upstream and Advisory services	Total
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	$ 1,525	$ —	$ —	$ 1,525
Provision for losses on loans, off-balance sheet credit exposures and other receivables	(30)	—	—	(30)
Income from equity investments and associated derivatives	42	—	—	42
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	395	—	—	395
Release of provision for losses on available-for-sale debt securities	3	—	—	3
Income from liquid asset trading activities	—	1,483	—	1,483
Charges on borrowings	(1,097)	(854)	—	(1,951)
Upstream and advisory services income	—	—	118	118
Service fees and other income	146	—	—	146
Administrative expenses	(597)	(25)	(78)	(700)
Upstream and advisory services expenses	—	—	(139)	(139)
Other, net	9	1	4	14
Foreign currency transaction losses on non-trading activities	(110)	—	—	(110)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value	**286**	**605**	**(95)**	**796**
Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	29	(102)	—	(73)
Net income (loss)	**$ 315**	**$ 503**	**$ (95)**	**$ 723**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE L – SEGMENT REPORTING (continued)

	For the three months ended December 31, 2022			
(US$ in millions)	Investment services	Treasury services	Upstream and Advisory services	Total
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	$ 528	$ —	$ —	$ 528
Provision for losses on loans, off-balance sheet credit exposures and other receivables	(3)	—	—	(3)
Income from equity investments and associated derivatives	161	—	—	161
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	118	—	—	118
Provision for losses on available-for-sale debt securities	(6)	—	—	(6)
Income from liquid asset trading activities	—	499	—	499
Charges on borrowings	(316)	(296)	—	(612)
Upstream and Advisory services income	—	—	69	69
Service fees and other income	94	—	—	94
Administrative expenses	(322)	(12)	(28)	(362)
Upstream and Advisory services expenses	—	—	(82)	(82)
Other, net	11	—	2	13
Foreign currency transaction (losses) gains on non-trading activities	(107)	—	—	(107)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value and grants to IDA	**158**	**191**	**(39)**	**310**
Net unrealized gains (losses) on non-trading financial instruments accounted for at fair value	12	(101)	—	(89)
Net income (loss)	**$ 170**	**$ 90**	**$ (39)**	**$ 221**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE L – SEGMENT REPORTING (continued)

	For the six months ended December 31, 2022			
(US$ in millions)	Investment services	Treasury services	Upstream and Advisory services	Total
Income from loans and guarantees, including realized gains and losses on loans and associated derivatives	$ 953	$ —	$ —	$ 953
Release of provision for losses on loans, off-balance sheet credit exposures and other receivables	5	—	—	5
Loss from equity investments and associated derivatives	(143)	—	—	(143)
Income from debt securities, including realized gains and losses on debt securities and associated derivatives	268	—	—	268
Provision for losses on available-for-sale debt securities	(8)	—	—	(8)
Income from liquid asset trading activities	—	433	—	433
Charges on borrowings	(497)	(453)	—	(950)
Upstream and Advisory services income	—	—	107	107
Service fees and other income	109	—	—	109
Administrative expenses	(624)	(23)	(57)	(704)
Upstream and Advisory services expenses	—	—	(134)	(134)
Other, net	16	1	4	21
Foreign currency transaction (losses) gains on non-trading activities	(56)	—	—	(56)
Income (loss) before net unrealized gains and losses on non-trading financial instruments accounted for at fair value	**23**	**(42)**	**(80)**	**(99)**
Net unrealized gains on non-trading financial instruments accounted for at fair value	246	12	—	258
Net income (loss)	**$ 269**	**$ (30)**	**$ (80)**	**$ 159**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE M – VARIABLE INTEREST ENTITIES

Significant variable interests

IFC has identified investments in 230 VIEs which are not consolidated by IFC but in which it is deemed to hold significant variable interests as of December 31, 2023 (227 investments as of June 30, 2023).

The majority of these VIEs do not involve securitizations or other types of structured financing. IFC is usually the minority investor in these VIEs. These VIEs are mainly: (a) investment funds, where the general partner or fund manager does not have substantive equity at risk, which IFC does not consolidate because it does not have the power to direct the activities of the VIEs that most significantly impact their economic performance and (b) entities whose total equity investment is considered insufficient to permit such entity to finance its activities without additional subordinated financial support or whose activities are so narrowly defined by contracts that equity investors are considered to lack decision making ability, which IFC does not consolidate because it does not have the power to control the activities that most significantly impact their economic performance. IFC's involvement with these VIEs includes investments in equity interests and senior or subordinated interests, guarantees and risk management arrangements.

IFC's maximum exposure to loss as a result of its investments in these VIEs was $6.3 billion as of December 31, 2023 ($5.3 billion as of June 30, 2023). IFC's maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on IFC's condensed consolidated balance sheet (maximum funded exposure) but also potential losses associated with undisbursed commitments (maximum unfunded exposure). The maximum funded exposure represents the balance sheet carrying value of IFC's investment in the VIE and reflects the initial amount of cash invested in the VIE, adjusted for principal payments received, increases or declines in fair value and any impairment in value recognized in earnings. The maximum exposure of unfunded positions represents the remaining committed but undisbursed amount.

The carrying values and the maximum exposure of IFC's investment in these VIEs as of December 31, 2023 and June 30, 2023 are as follows:

	December 31, 2023		June 30, 2023	
Nonconsolidated VIEs	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
(US$ in millions)				
Assets:				
Investments				
Loans [a]	$ 1,280	$ 1,443	$ 1,355	$ 1,527
Equity Investments	2,158	3,272	1,399	2,426
Debt Securities	1,525	1,596	1333	1,408
Liabilities:				
Derivative Liabilities [b]	$ (52)	$ (52)	$ (89)	$ (89)
Other Off-Balance Sheet Arrangements:				
Guarantees	Not Applicable	$ 58	Not Applicable	$ 55

a The presented carrying value of the loans does not include the associated loan loss reserve of $60 million and $63 million as of December 31, 2023 and June 30, 2023, respectively.

b Represents Client Risk Management arrangements.

IFC transacted with a VIE, of which IFC is the primary beneficiary, to construct an office building at 2100 K Street on land owned by IFC adjacent to its current office premise. IFC commenced occupying the building in March 2019. The building and land, totaling $110 million are included in "Receivables and other assets" on IFC's condensed consolidated balance sheet.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE N – UPSTREAM AND ADVISORY

IFC continues to address increasingly complex development challenges and is enhancing its creating markets strategy by undertaking both Upstream and Advisory activities. Specifically, IFC provides advisory services to government and private sector clients to create markets and mobilize private capital, and engages in early stage project development activities to develop bankable investment projects. IFC also works in collaboration with the World Bank to provide policy advice and develop activities that help create markets and support future transactions in multiple industries, especially in IDA eligible countries and FCS. IFC funds this business line by a combination of cash received from IFC shareholders' development agencies and other development partners, IFC's operations via retained earnings and operating budget allocations, as well as fees received from the recipients of the services.

As of December 31, 2023, other assets included undisbursed donor funds of $594 million ($574 million as of June 30, 2023) and IFC's advisory services funding of $344 million ($327 million as of June 30, 2023). Included in other liabilities as of December 31, 2023 is $594 million ($574 million as of June 30, 2023) of refundable undisbursed donor funds.

Upstream and advisory services expenses for the three and six months ended December 31, 2023 amounted to $87 million and $139 million, respectively, ($82 million and $134 million as of December 31, 2022), including $68 million and $110 million, respectively, for the three and six months ended December 31, 2023 sourced from government and other development partners ($65 million and $108 million as of December 31, 2022). The funds received from government and other development partners were also recognized as advisory services income in IFC's condensed consolidated statements of operations.

NOTE O – PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, IFC and MIGA participate in the defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (PEBP) (collectively "the Pension Plans") that cover substantially all WBG employees, retirees and their beneficiaries.

The SRP provides pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

IFC uses a June 30th measurement date for its pension and other post-retirement benefit plans.

All costs, assets, and liabilities associated with the Plans are allocated among IBRD, IFC, and MIGA based upon their employees' respective participation in the Pension Plans. Costs allocated to IBRD are substantially shared with IDA based on an agreed cost-sharing methodology. IDA, IFC, and MIGA reimburse IBRD for their proportionate share of any contributions made to the plans by IBRD. Contributions to the Pension Plans are calculated as a percentage of salary.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP allocated to IFC for the three and six months ended December 31, 2023 and December 31, 2022. For the three and six months ended December 31, 2023 and December 31, 2022, the service costs of $51 million and $102 million, ($63 million and $127 million) are included in "Administrative expenses", respectively. The components of net periodic pension cost, other than the service cost component, are included in "Other, net" in the condensed consolidated statement of operations.

	For the three months ended							
	December 31, 2023				December 31, 2022			
(US$ in millions)	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Pension Plan Benefit costs								
Service cost	$ 35	$ 9	$ 7	$ 51	$ 45	$ 10	$ 8	$ 63
Other components:								
Interest cost	63	9	9	81	59	10	8	77
Expected return on plan assets	(72)	(15)	—	(87)	(73)	(14)	—	(87)
Amortization of unrecognized prior service cost	—	—	—	—	1	—	1	2
Amortization of unrecognized net actuarial gains	—	(3)	—	(3)	—	(2)	—	(2)
Sub total	(9)	(9)	9	(9)	(13)	(6)	9	(10)
Net periodic pension cost	**$ 26**	**$ —**	**$ 16**	**$ 42**	**$ 32**	**$ 4**	**$ 17**	**$ 53**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE O – PENSION AND OTHER POSTRETIREMENT BENEFITS (continued)

	For the six months ended							
	December 31, 2023				December 31, 2022			
(US$ in millions)	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Pension Plan Benefit costs								
Service cost	$ 70	$ 17	$ 15	$ 102	$ 89	$ 21	$ 17	$ 127
Other components:								
Interest cost	127	18	17	162	118	19	16	153
Expected return on plan assets	(145)	(29)	—	(174)	(145)	(28)	—	(173)
Amortization of unrecognized prior service cost	—	—	1	1	1	1	1	3
Amortization of unrecognized net actuarial gains	—	(7)	—	(7)	—	(3)	—	(3)
Sub total	(18)	(18)	18	(18)	(26)	(11)	17	(20)
Net periodic pension cost	**$ 52**	**$ (1)**	**$ 33**	**$ 84**	**$ 63**	**$ 10**	**$ 34**	**$ 107**

NOTE P – 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 condensed 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 in accordance with enforceable counterparty credit support and netting agreements described below. The gross and net positions include derivative assets of $236 million and derivative liabilities of $350 million as of December 31, 2023, related to derivative contracts that are not subject to counterparty credit support or netting agreements. Collateral amounts are included only to the extent of the related net derivative fair values or net resale, repurchase and securities lending agreements amounts.

(US$ in millions)	December 31, 2023			
		Gross amounts not offset in the condensed consolidated balance sheet		
Assets	Gross amount of assets presented in the condensed consolidated balance sheet	Financial instruments	Collateral received	Net amount
Derivative assets	$ 4,086 [a]	$ 2,659	$ 157 [c]	$ 1,270
Total assets	**$ 4,086**	**$ 2,659**	**$ 157**	**$ 1,270**

(US$ in millions)	December 31, 2023			
		Gross amounts not offset in the condensed consolidated balance sheet		
Liabilities	Gross amount of liabilities presented in the condensed consolidated balance sheet	Financial instruments	Collateral pledged	Net amount
Derivative liabilities	$ 8,696 [b]	$ 2,659	$ 4,488	$ 1,549
Repurchase and securities lending agreements	6,310	6,304	—	6
Total liabilities	**$ 15,006**	**$ 8,963**	**$ 4,488**	**$ 1,555**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE P – OFFSETTING OF DERIVATIVES, RESALE, REPURCHASE AND SECURITIES LENDING AGREEMENTS AND COLLATERAL (continued)

(US$ in millions)	June 30, 2023			
		Gross amounts not offset in the condensed consolidated balance sheet		
Assets	Gross amount of assets presented in the consolidated balance sheet	Financial instruments	Collateral received	Net amount
Derivative assets	$ 6,853 [a]	$ 5,474	$ 169 [c]	$ 1,210
Total assets	**$ 6,853**	**$ 5,474**	**$ 169**	**$ 1,210**

(US$ in millions)	June 30, 2023			
		Gross amounts not offset in the condensed consolidated balance sheet		
Liabilities	Gross amount of liabilities presented in the consolidated balance sheet	Financial instruments	Cash Collateral pledged	Net amount
Derivative liabilities	$ 12,283 [b]	$ 5,474	$ 5,159	$ 1,650
Repurchase and securities lending agreements	6,483	6,476	—	7
Total liabilities	**$ 18,766**	**$ 11,950**	**$ 5,159**	**$ 1,657**

a Includes accrued income of $1.3 billion and $1.1 billion as of December 31, 2023 and June 30, 2023, respectively.
b Includes accrued charges of $1.2 billion and $1.1 billion as of December 31, 2023 and June 30, 2023,respectively.
c Includes cash collateral of $156 million and $168 million as of December 31, 2023 and June 30, 2023, respectively. The remaining amounts of collateral received consist of off-balance-sheet U.S. Treasury securities reported in the above table at fair value.

IFC's derivative contracts with market counterparties are entered into under standardized master agreements published by the International Swaps and Derivatives Association (ISDA) Agreements. ISDA Agreements provide for a single lump sum settlement amount upon the early termination of transactions following a default or termination event whereby amounts payable by the non-defaulting party to the other party may be applied to reduce any amounts that the other party owes the non-defaulting party. This setoff effectively reduces any amount payable by the non-defaulting party to the defaulting party.

IFC's ISDA Agreements are appended by a Credit Support Annex (CSA) that provides for the receipt, and in some cases, posting, of collateral in the form of cash, U.S. Treasury securities or U.K. gilts to reduce mark-to-market exposure among derivative market counterparties. IFC recognizes cash collateral received and a corresponding liability on its balance sheet for the obligation to return it. Securities received as collateral are not recognized on IFC's balance sheet. In the three months ended December 31, 2023, IFC started posting securities as collateral. As of December 31, 2023, $3.0 billion of securities collateral ($0 as of June 30, 2023) and $1.6 billion of cash collateral were posted under CSAs ($5.2 billion as of June 30, 2023). IFC recognizes a receivable on its balance sheet for its rights to cash collateral posted. In accordance with the CSAs, IFC may rehypothecate securities received as collateral, subject to the obligation to return such collateral and any related distributions received. In the event of a counterparty default, IFC may exercise certain rights and remedies, including the right to set off any amounts payable by the counterparty against any collateral held by IFC and the right to liquidate any collateral held. As of December 31, 2023, IFC had $173 million ($185 million as of June 30, 2023) of outstanding obligations to return cash collateral under CSAs. The estimated fair value of all securities received and held as collateral under CSAs as of December 31, 2023, all of which may be rehypothecated was $1 million ($1 million as of June 30, 2023). As of December 31, 2023 and June 30, 2023, no collateral was rehypothecated under securities lending agreements.

Collateral posted by IFC in connection with repurchase agreements approximates the amounts classified as Securities sold under repurchase agreements. As of December 31, 2023 and June 30, 2023, no trading securities were pledged in connection with borrowings under a short-term discount note program, the carrying value of which was $2.5 billion as of December 31, 2023 ($3.0 billion as of June 30, 2023).

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 $202 million as of December 31, 2023 ($93 million as of June 30, 2023). As of December 31, 2023, 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 $127 million would be required to be posted against net liability positions with counterparties as of December 31, 2023 ($78 million as of June 30, 2023).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE P – OFFSETTING OF DERIVATIVES, RESALE, REPURCHASE AND SECURITIES LENDING AGREEMENTS AND COLLATERAL (continued)

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. IFC had no securities held as collateral under these master netting agreements as of December 31, 2023 and June 30, 2023.

The following table presents an analysis of IFC's repurchase agreements by (1) class of collateral pledged and (2) their remaining contractual maturity as of December 31, 2023 and June 30, 2023:

	Remaining Contractual Maturity of the Agreements – December 31, 2023				
(US$ in millions)	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Repurchase agreements					
U.S. Treasury securities	$ —	$ 3,977	$ 2,009	$ 324	$ 6,310
Total Repurchase agreements [a]	**$ —**	**$ 3,977**	**$ 2,009**	**$ 324**	**$ 6,310**

a Includes accrued interest.

	Remaining Contractual Maturity of the Agreements – June 30, 2023				
(US$ in millions)	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Repurchase agreements					
U.S. Treasury securities	$ —	$ 1,479	$ 3,530	$ 1,474	$ 6,483
Total Repurchase agreements [a]	**$ —**	**$ 1,479**	**$ 3,530**	**$ 1,474**	**$ 6,483**

a Includes accrued interest.

As of both December 31, 2023 and June 30, 2023, IFC has no repurchase-to-maturity transactions nor securities lending transactions outstanding.

NOTE Q – CONTINGENCIES

In the normal course of its business, IFC is from time to time named as a defendant or co-defendant in 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.