

GICC 2019

IFC Presentation



Creating Markets, Creating Opportunities

IFC OVERVIEW

WITH KOREA PARTNERSHIP



Creating Markets, Creating Opportunities



Creating Markets, Creating Opportunities

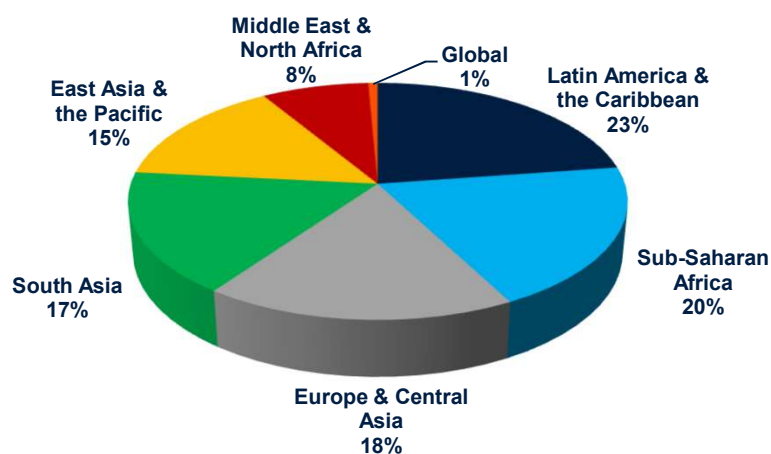
- A member of the World Bank Group
- Provides investment, advice, resource mobilization
- AAA credit rating; owned by 184 countries
- Present in nearly 100 countries

IFC is the largest global development institution focused on the private sector in emerging markets.

Over \$245 billion invested since 1956

- Over six decades of experience in emerging markets
- Largest global development institution focused on private sector
- Founded in 1956 with **184** member countries
- **AAA**-rated by S&P and Moody's
- Equity, quasi-equity, loans, risk management and local currency products
- Takes market risk with no sovereign guarantees
- Promoter of environmental, social, and corporate governance standards
- Resources and know-how of a global development bank with the flexibility of a merchant bank
- Infrastructure and Natural Resources accounted for **18.1%** of commitments in **FY17**

FY 2017 Commitments by Region



FY 2017 Highlights

Portfolio (IFC's account)	\$55 billion
New Commitments	\$11.9 billion
Core Mobilization*	\$7.4 billion
# of Countries	75

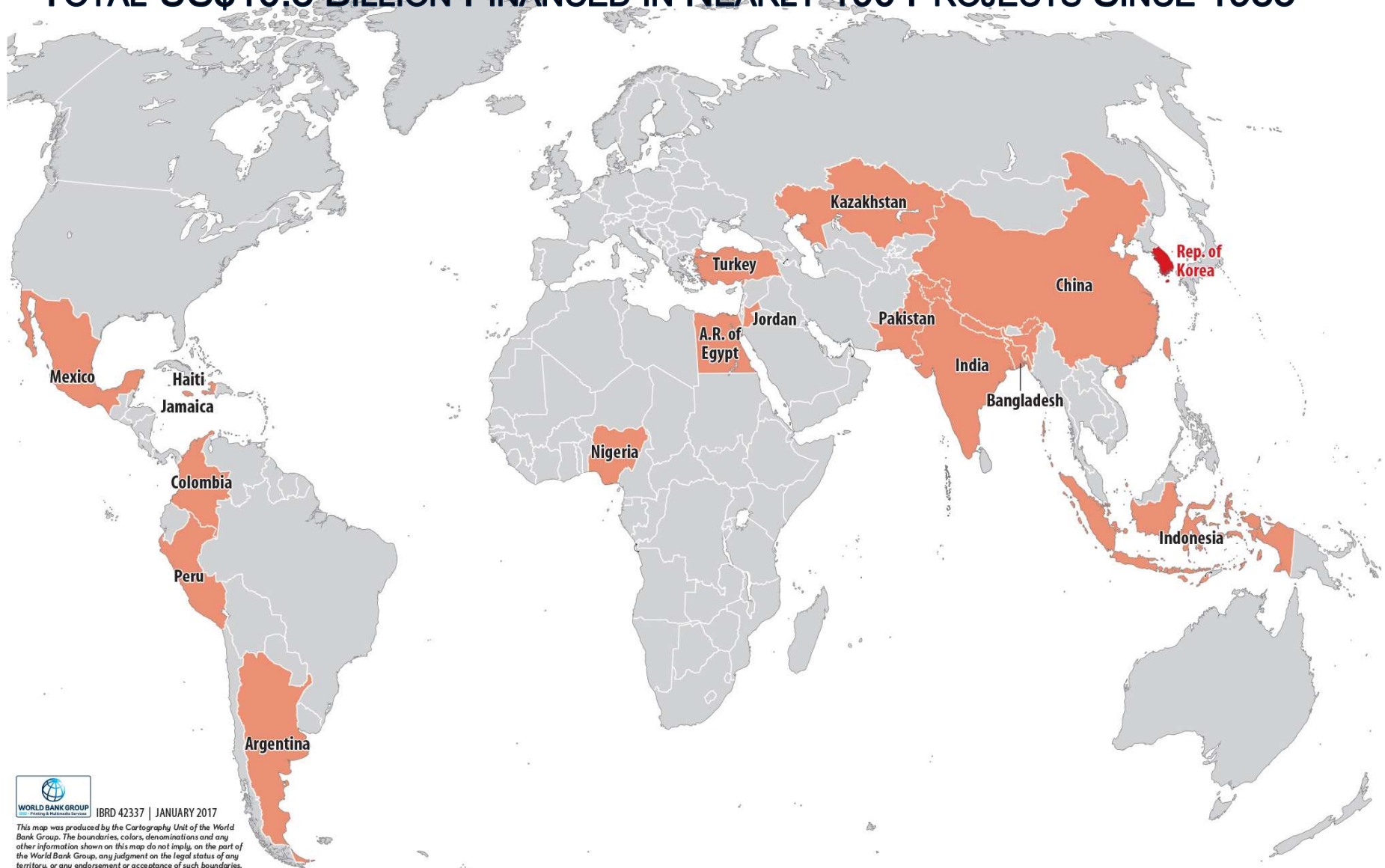
* Includes 3rd parties

Note: IFC year-end is June 30th

IFC's work with Korea

OVER US\$4.3 BILLION FINANCED SINCE NOVEMBER 2013

TOTAL US\$10.8 BILLION FINANCED IN NEARLY 100 PROJECTS SINCE 1985



IFC AND KOREA: OVER 45 YEARS OF PARTNERSHIP

1968	1971	1974	1998	'99-2002	2007	2011	2013
1 st investment in Korea: Korea Development Finance Co.	IFC co-invests to establish KIFC (now Hana Bank)	IFC invests in Gold Star (now LG Electronics)	IFC invests in an oil exploration project in Cote d'Ivoire with SK E&C	IFC invests in companies such as Moorim Paper, Halim and Kookmin Bank during the financial crisis	Partners with its long-term client Hana Bank to invest in an Indonesian bank	Ministry of Strategy and Finance becomes official donor partner to IFC	World Bank Group office opens in Korea

1968-1998

IFC supported growth of companies which now have become premier Korean companies, such as Goldstar (now, LG Electronics), KIFC (한국투자금융- now, Hana Financial Group), and Long-term Credit Bank (merged with Kookmin Bank)

1999-early 2000s

1999-early 2000s – IFC played a strong counter-cyclical role by investing in Korean companies during the Asian Financial crisis, by providing US\$780 million in nearly 20 companies to rebuild investor confidence – mainly in the financial institutions (Kookmin Bank), trade finance, and also in key industries such as manufacturing (LG Electronics) and agribusiness (Halim)

Today

IFC is now actively promoting and developing partnerships with Korean enterprises looking to invest in emerging markets, such as KEPCO, SK and Samsung

IFC INR OVERVIEW WITH CASE STUDY

INFRASTRUCTURE AND NATURAL RESOURCES
& POWER SECTOR CASE STUDY



Creating Markets, Creating Opportunities

Infrastructure Financing Gaps and Developmental Needs

Financing Gaps

- Through 2030, the world needs to spend **US\$3.3 trn a year** on infrastructure to maintain a projected 3% annual GDP growth rate. Of this amount **US\$1.9 trn per year is needed in emerging markets**
- Developing countries currently spend **US\$1 trn** a year on infrastructure, **80%** of which comes from the public sector
- The infrastructure investment gap in emerging markets through 2030 is approximately **US\$14 trn – or about US\$900 bn per year**
- From 2008 – 2013, annual global spending on infrastructure averaged **3.6% of GDP**

Developmental Needs

- Some **1.2 billion people** worldwide live without access to electricity. Nearly **3 billion people** worldwide use biomass fuel, which causes health risks
- Water scarcity affects 40% of the global population and is expected to rise – **4 billion people** are expected to live in water-scarce areas by 2050. **More than 80% of wastewater** globally is discharged without any treatment
- About **1 billion people** live without access to an all-weather road. Landlocked countries have trade costs that are **70% higher** than transit coastal countries

IFC's Approach to Infrastructure

- IFC is working to **improve access** to energy, transportation, and municipal infrastructure **through investments and advisory engagements** that open markets, spur growth, and create jobs
- We offer **solutions** for infrastructure and natural resource development in developing countries, including **low-income and fragile states**
- We **advise governments and support sector reforms** that can translate into private investments for priority projects and sectors
- We offer a **range of financing and risk products** tailored to meet project needs
- We **mobilize funding** through IFC's syndication programs and work with IFC's Asset Management Company to engage with institutional investors
- IFC has **more than 300 staff** dedicated to infrastructure and natural resources

IFC INR by Numbers

\$30 billion+

Invested since 2007

\$27 billion+

Mobilized since 2007

\$21 billion

Total committed portfolio

Our Impact

In 2016, IFC's portfolio clients:

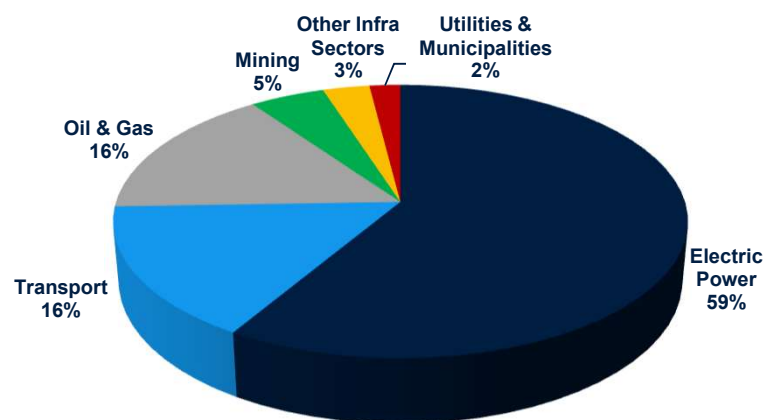
- Provided electricity for **102 million** people
- Shipped **8 million** TEU of cargo
- Transported **15 million** airport passengers
- Provided clean water for **14 million** people
- Directly employed **175,000** workers
- Supplied natural gas to **60 million** people
- Spent **\$5.6 billion** on local goods and services
- Paid **\$5.8 billion** in taxes to governments

FY17 INFRASTRUCTURE HIGHLIGHTS

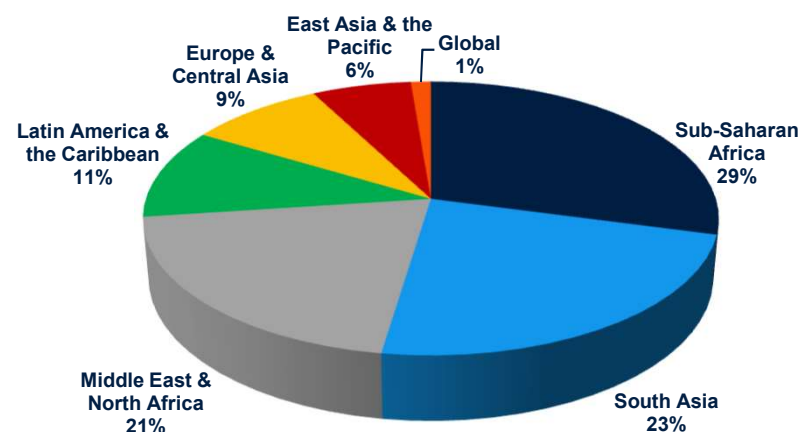
IFC OWN COMMITMENTS OF US\$ 2.1 BILLION

- **FY 2017 Commitment Activity*:** US\$4.3 billion invested, including US\$2.1 billion for IFC's own account and US\$1.6 billion of mobilization
- **FY 2017 IFC Committed Portfolio*:** US\$13.2 billion*

FY 2017 Commitment Activity by Sector



FY 2017 Commitment Activity by Region



**Note: Financial year ends June 30th
Charts include both IFC's own account and mobilization*

IFC INR Sub-sectors



IFC Power Sector Case Study: Summit Project (Bangladesh)

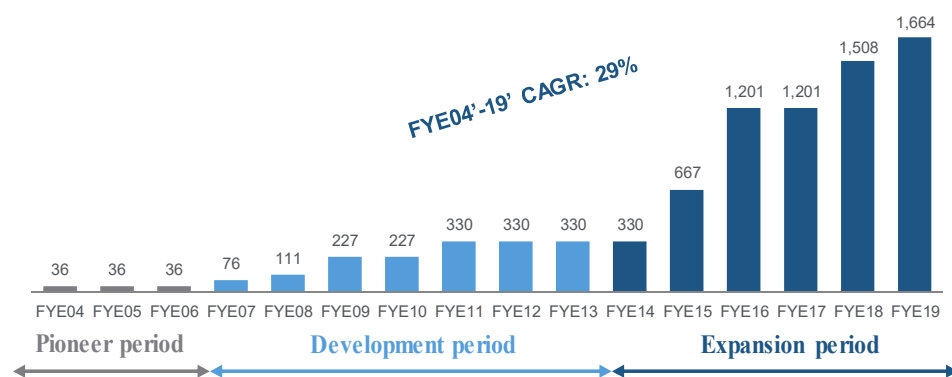
Business Description

- Summit Power International is a Singapore company that owns 100% of Summit Corporation in Bangladesh
- Summit was established in 1985 and is the largest independent power producer in Bangladesh, operating about 21% of the country's private generation capacity
- As of June 2019, Summit had installed capacity of 1,827MW (gross). For FY18 ending June, the company generated revenues of US\$546m, adjusted EBITDA of US\$145m and net profit of US\$61m.

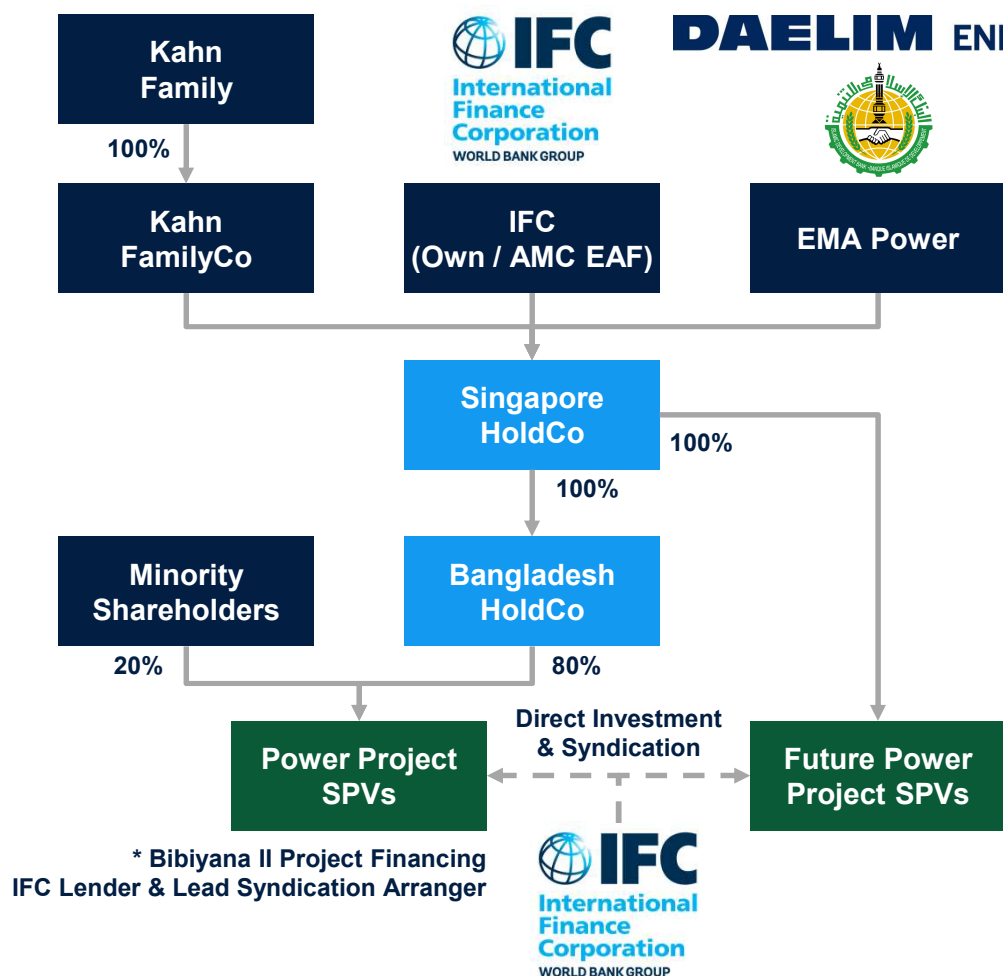
Recent Developments

- Summit's LNG Floating Storage Regasification Unit (FSRU) achieved COD in April 2019. This project regasifies imported LNG.
- Summit continues to make progress on its pipeline project Meghnaghat 2. The PPA for this 583MW combined cycle gas turbine (CCGT) power plant was signed with the Government of Bangladesh in March 2019.
- Summit is considering raising capital and has reached out to potential investors. The company continues to focus on operating milestones for existing and pipeline projects, as it has sufficient capital to support current growth plans.

Installed Capacity Growth



IFC Power Sector Case Study: Summit Project (Bangladesh)



- IFC committed and disbursed the investment on August 2016
- US\$125.5mm loan convertible into equity
 - IFC (US\$36.75mm)
 - IFC Emerging Asia Fund (US\$36.75mm)
 - EMA Power (US\$52mm)
- Estimated 12 – 15% ownership stake for EAF/IFC combined, depending on conversion terms

IFC Power Sector Case Study: Summit Project (Bangladesh)

Investment Thesis

Leading Company and Well-established Sponsor

- Experienced IPP: **Summit is the largest, most experienced and capable power plant operator in Bangladesh**, having co-developed the first IPP project in Bangladesh in 1997
- Established Sponsor: IFC has an extensive history with Summit Group; Sponsor also has been working with other world-class partners such as Shell, GE, ADB, and IDB

Excellent Market Fundamentals & Strong Project Agreements

- Bangladesh is one of the **fastest growing Asian economies**: 2018 GDP growth of 7.9%
- Strong power demand: acute power shortages result in 24% of the 160m population without access to grid-connected electricity. **Per capita electricity consumption is among the lowest in the region** at 500kWh, slightly above Myanmar and well below India and China
- **Project agreements with key bankability features**

Significant Value Upside Through Active Portfolio Management

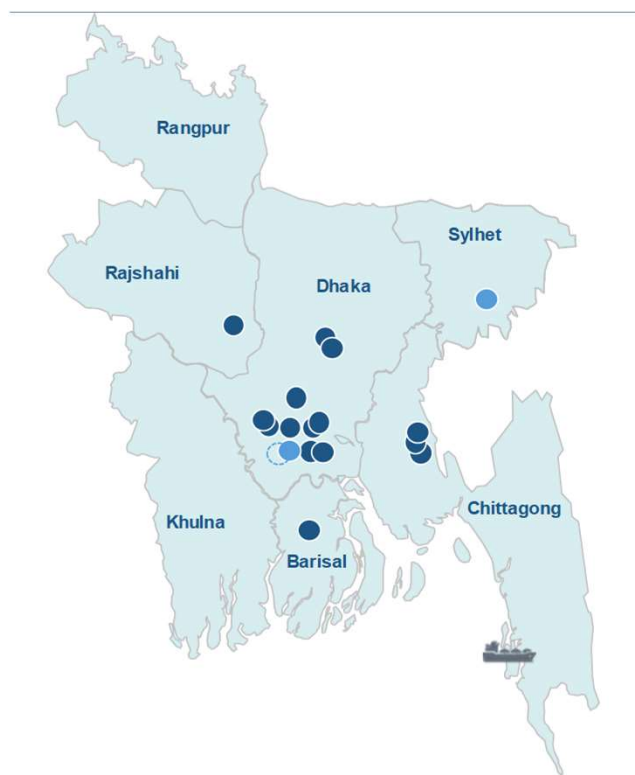
- **New investors bring a suite of skills to Summit** including best international practices for operations, finance, and strategic development
- New investors will also bring **considerable experience in preparations for Summit's IPO**

IFC Power Sector Case Study: Summit Project (Bangladesh)

Snapshot of Bangladesh

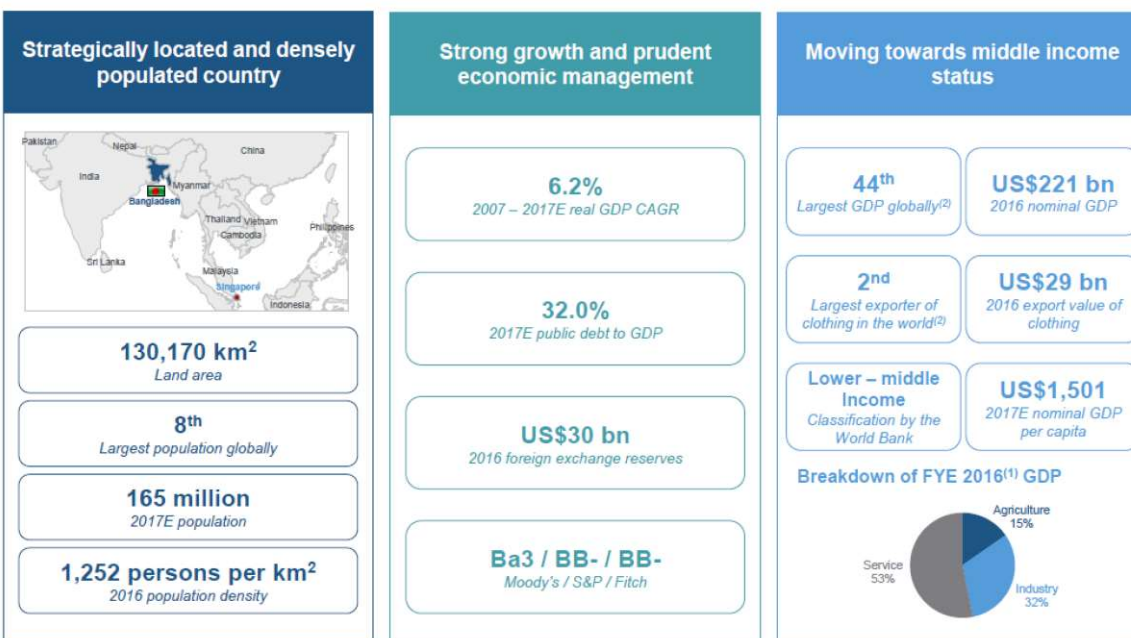
- Bangladesh is one of the fastest growing economies in Asia with strong fundamentals to suggest continued growth in the power sector

Summit's Country-wide footprint



● Reciprocating engine power plant in operation ● CCGT power plant in operation

🚢 Committed FSRU project ○ Committed CCGT power project



IFC FINANCING OPPORTUNITY



Creating Markets, Creating Opportunities



Creating Markets, Creating Opportunities

IFC Financing Opportunity

Together with blending, IFC 3.0 will build on its capabilities and track record in debt and equity mobilization, putting itself in a leadership role in making “billions to trillions” a reality.

Syndication	MCPP	Treasury	AMC
Description: Oldest and largest syndicated lending program among multilateral development banks, established in 1957.	Description: Newest syndicated loan product, which creates a loan portfolio for an investor that mimics specific IFC loan portfolios.	Description: Treasury operations have a number of products which help deepen local capital markets and reduce currency risk.	Description: Wholly-owned subsidiary of IFC to raise money from institutional investors to invest alongside IFC.
Scale-up Strategy: Significant growth in the Syndications business driven by: Focused efforts to mobilize B and parallel loan syndicates for larger transformational projects. Continued product development efforts to respond to client needs including fixed rate B loans, cross currency syndications products (SALPs), and syndication of guarantees (particularly for construction risk in Infrastructure).	Scale-up Strategy: Growth in use of wholesale products to efficiently mobilize capital for smaller and mid sized deals, including: Expansion of MCPP structure to enable access by institutional investors on a funded basis. Creation of portfolio level risk participation mechanisms allowing for credit exposure to be shared. Potential to warehouse assets to create marketable securities which give scale and diversify the investor base and to de-risk projects in the construction phase.	Scale-up Strategy: Expansion of Treasury offerings through: Derivative transactions, including cross currency and interest rate swaps, currency forwards and Eurodollar futures. Structured products, including securitizations, covered bonds, credit guarantees, risk participations and structured debt funds. Local debt capital markets maturation through IFC local currency bond issuances.	Scale-up Strategy: Expansion of AMC mobilization through: Fundraising, enhancing performance of existing funds, and launching new fund products including fund of funds, follow-on equity funds, mezzanine funds and special purpose funds (e.g. Women Entrepreneurs Debt Fund). Deepening investor relationships in order to attract additional co-investments. Broadening the investor base, including additional SWFs, pension funds, insurance companies and other institutional investors

Financial Innovation Capabilities:



skills to support structuring, analytics, and transparency of project risk.



structuring, capital market experience, legal and regulatory skills.



Relationships and track record with institutional investors.

Impact Investing

- Impact investing represents a significant opportunity to mobilize both public and private capital into investments that target positive social, economic or environmental impact alongside financial returns.
- The current market for impact investing is small and dominated by development financial institutions and specialty impact fund managers. However, a growing number of investors are looking to align their investment strategies to SDGs to achieve positive outcomes for society alongside financial returns.
- Establishing clear and agreed standards for the market early in its development is critical to bring an increasing number of institutional investors to the impact investing market.
- IFC led the development of such standards -- Investing for Impact: Operating Principles for Impact Management -- in partnership with a core group of asset managers, asset owners, asset allocators, and development banks and financial institutions.
- The Operating Principles for Impact Management were officially launched at the World Bank Group-IMF Spring Meetings in Washington, DC on April 12, 2019. For further questions, please contact IFC at impactprinciples@ifc.org.

Impact Investing

What is Impact Investing?

- **Impact investing can be defined as “investments made into companies, organizations, vehicles and funds with the intent to contribute to measurable positive social, economic and environmental impact alongside financial returns.”**
- Impact investing goes well beyond avoiding harm and managing ESG risks. It aims to harness the power of investing to do good for society by choosing and managing investments to generate positive impact while avoiding harm.
- Foundations and philanthropic organizations, development finance institutions, and specialist impact fund managers were the pioneers of impact investing.
- IFC could be called the original impact investor -- with 62 years of experience -- and currently the largest -- with \$57 billion in portfolio under management.

Why it is important?

- **Impact investing has emerged as a significant opportunity to mobilize public and private capital into investments that target priority development needs, particularly in emerging markets.**
- Investors are increasingly looking to invest with impact, and interest is particularly high among women and millennials, who will control a greater portion of wealth in the coming years.
- A growing number of investors are adopting the Sustainable Development Goals (SDGs) and other widely recognized goals, such as COP21, to illustrate the relationship between their investments and impact goals.

What is the opportunity?

- **There is an opportunity to create the right conditions to attract institutional investors and significantly expand the market for impact investing.**
- The current market size for impact investing is small – estimated at \$228 billion for both public and private investors. But the momentum is strong – the market grew fivefold between 2013 and 2017. About 75% of the market is dominated by DFIs and specialty impact funds.
- To scale up, it is key to attract institutional investors, which hold close to \$70 trillion in assets under management.

KEY TAKE-AWAYS



Creating Markets, Creating Opportunities



Creating Markets, Creating Opportunities

Key Take-aways

- Infrastructure gaps in emerging/frontier markets pose both risk and opportunities for investors. Well structured transactions with MDBs and risk mitigants can minimize downside risks for equity/loan investors
 - B loan program and MCPP
 - AMC co-investment
 - \$1.8bn IDA-PSW facility
- MDBs frequently communicate with governments on measures to increase foreign investment. Share concerns and risks in emerging markets of interest with MDBs
- Propose value propositions as an investor that can increase the value of the investment
- Innovative investment structuring can mitigate risks as well as increase returns