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**RATINGS**

**IBRD**

| | Rating | Outlook |
|---|---|---|
| Long-term Issuer | Aaa | STA |
| Short-term Issuer | P-1 | -- |

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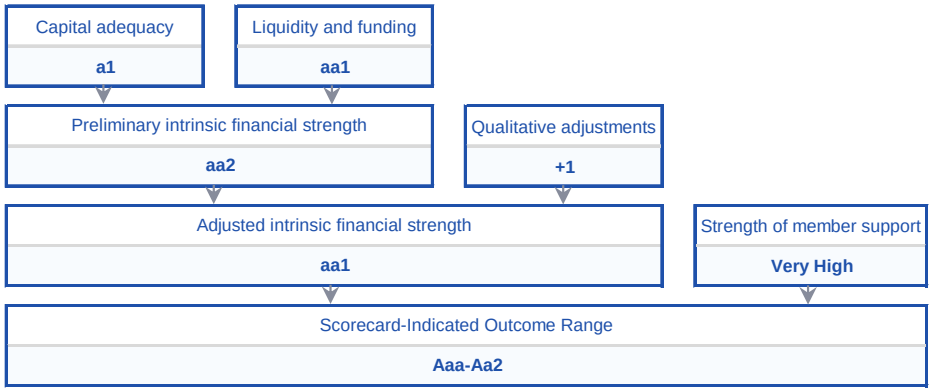
# IBRD (World Bank) – Aaa stable

Regular update

## Summary

The credit profile of the International Bank for Reconstruction and Development (IBRD) reflects very high intrinsic financial strength, supported by prudent financial policies and an effective risk management strategy. IBRD's key credit strengths include high capital adequacy, supported by preferred creditor status that contributes to very strong asset performance; ample liquidity buffers and exceptional access to global funding markets; and a large buffer of callable capital and very high willingness and ability of global shareholders to provide support.

Exhibit 1
**IBRD's credit profile is determined by three factors**




*Source: Moody's Investors Service*

## Credit strengths

» High capital adequacy, supported by a robust risk management framework and preferred creditor status that contributes to very strong asset performance

» Ample liquidity buffers and exceptional access to global funding markets

» Large buffer of callable capital, and very high willingness and ability of global shareholders to provide support

## Credit challenges

» Relatively high leverage

## Rating outlook

The stable rating outlook reflects our view that despite relatively high leverage, through prudent and comprehensive risk management policies, IBRD will maintain its very strong capital adequacy and liquidity, along with very high member support, thus keeping its credit profile in line with its Aaa rating.

## Factors that could lead to a downgrade

Downward pressure on the rating could emerge in the event of a substantial deterioration in capital adequacy, which could result from a rapid expansion in leverage, combined with a decline in asset quality resulting from sovereign credit stress among IBRD's largest borrowing countries. Despite the bank's intrinsic financial strength derived from its strong financials and conservative risk management, a decline in shareholder support would also be credit negative.

## Key indicators

Exhibit 2

| IBRD (World Bank) | 2017 | 2018 | 2019 | 2020 | 2021[2] | 2022[2] |
|---|---|---|---|---|---|---|
| Total Assets (USD million) | 405,898.0 | 263,800.0 | 283,031.0 | 296,804.0 | 317,301.0 | 317,542.0 |
| Development-related Assets (DRA) / Usable Equity [1] | 455.9 | 449.9 | 471.5 | 513.8 | 465.2 | 419.5 |
| Non-Performing Assets / DRA | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Return on Average Assets | -0.1 | 0.2 | 0.2 | 0.0 | 0.7 | 1.3 |
| Liquid Assets / ST Debt + CMLTD [3] | 189.2 | 163.1 | 163.9 | 167.3 | 199.5 | 194.6 |
| Liquid Assets / Total Assets | 18.1 | 27.7 | 29.1 | 29.0 | 28.4 | 25.9 |
| Callable Capital / Gross Debt | 122.5 | 124.1 | 114.2 | 111.0 | 107.1 | 121.9 |

[1] Usable equity is total shareholder's equity and excludes callable capital
[2] In fiscal 2019, IBRD changed the presentation of its derivative instruments on its balance sheet to netting of derivative assets and liability positions, from presentation of interest rate swaps on a net basis and currency swaps on a gross basis. This resulted in reported assets and liabilities declining substantially in fiscal 2019 and the restated period of fiscal 2018.
[3] Short-term debt and currently-maturing long-term debt

*Source: Moody's Investors Service*

### Profile

International Bank for Reconstruction and Development (IBRD) is the original World Bank institution and key member of the World Bank Group (WBG)[1]. It was established in 1944 to help rebuild Europe after World War II. Today, IBRD's main goals are to end poverty in middle-income and creditworthy poorer countries, and to promote sustainable economic development. It does so by providing loans and guarantees to the public sector and serving as a catalyst for additional external financial flows through cofinancing arrangements. The bank's objective is to not to maximize profit, but to earn adequate income to ensure its financial strength and sustain its development activities. Therefore, it seeks to generate sufficient revenue to conduct its operations and be able to set aside funds in reserves to strengthen its financial position. IBRD is one of the most active multilateral development bank (MDB) issuers in the international capital market.

IBRD's main business activity is extending loans to eligible member countries by offering long-term loans that can have a final maturity of up to 35 years. Borrowers may customize their repayment terms to meet their debt management or project needs, and loans are offered on fixed and variable terms in multiple currencies (although borrowers generally prefer loans denominated in US dollars and euros).[2]

## Detailed credit considerations

Our determination of a supranational's rating is based on three rating factors: capital adequacy, liquidity and funding, and strength of member support. For MDBs, the first two factors combine to form the assessment of intrinsic financial strength (see Exhibit 1). Additional factors can affect the intrinsic financial strength, such as risks stemming from the operating environment or the quality of management. The strength of member support is then incorporated to yield a rating range. For more information please see our Supranational Rating Methodology.

### FACTOR 1: Capital adequacy score: a1

IBRD's "a1" Capital adequacy score reflects its strong capital position, high development asset credit quality (DACQ) and very low nonperforming assets (NPAs). The "a1" score reflects our view that IBRD's leverage ratio will gradually decline to the more recent pre-coronavirus pandemic levels as the pandemic subsides and loan disbursements moderate.

**Capital position is strong and leverage has declined**

IBRD's "ba1" capital position subfactor score reflects relatively high, but declining leverage, mitigated by a robust risk management framework and preferred creditor status, which supports strong asset performance and provides a buffer to absorb shocks inherent to business risk.

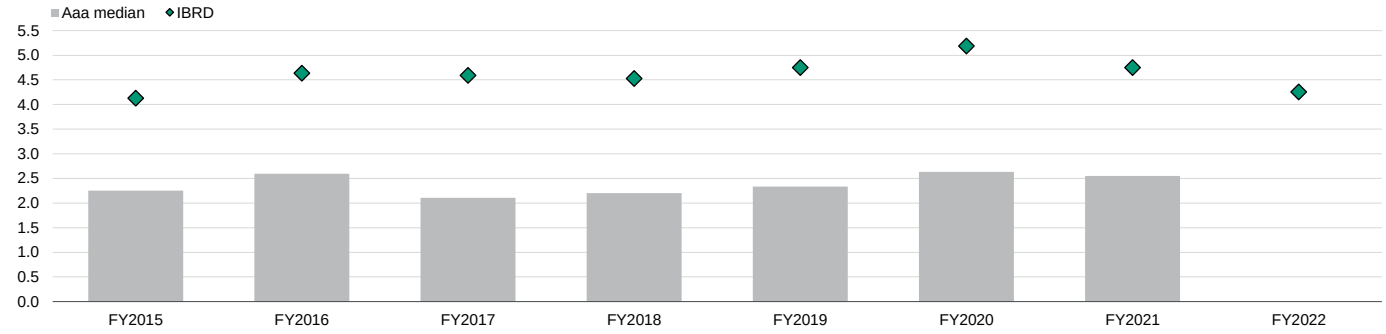
IBRD views the adequacy of its capital as the degree to which its equity is sufficient to withstand unexpected shocks, and measures this through an equity-to-loans ratio. In 2014, the World Bank Executive Directors lowered IBRD's minimum equity-to-loans ratio to 20% from 23% to reflect the significant long-term improvement in IBRD's loan portfolio credit quality, while maximizing the bank's development impact. As of the fiscal year that ended in June 2022 (fiscal 2022), the bank's equity-to-loans ratio was 22.0% (compared with 22.6% in fiscal 2021).

However, we measure the strength of an MDB's capital position by using a different leverage ratio: as development-related assets (DRA) and liquid assets rated A3 or lower divided by usable equity (total shareholders' equity, excluding callable capital). As of fiscal 2022, this leverage ratio was 4.25x, down from 4.75x in fiscal 2021, but significantly higher than the median of 2.5x for Aaa-rated MDB peers (see Exhibit 3). The fall in the bank's leverage over fiscal 2021 and 2022 reflect IBRD's strengthened usable equity position despite an increase in DRA and A3- or lower-rated assets over the same period.

Exhibit 3

**IBRD's leverage ratio has gradually declined since fiscal 2020**

**Leverage ratio**




The Aaa median is unavailable for fiscal 2022 because of differing fiscal year reporting dates of MDBs.
*Sources: Audited financial statements and Moody's Investors Service*

According to our definition of usable equity, IBRD's usable equity increased 15% to about $55 billion in fiscal 2022 from the level in fiscal 2021.[3] Under the new General and Selective Capital Increases that were approved by the shareholders in October 2018, the bank received $1.3 billion of paid-in capital in fiscal 2022, bringing the cumulative amounts received to $4.0 billion (54% of the total amount expected from these increases). The shareholders are expected to make their subscription payments within five years.

To protect its capital position, the bank uses various safeguards, including statutory lending limits, to ensure strong capital adequacy and limit concentration risk. The statutory lending limit is defined in IBRD's charter and stipulates that the total amount of outstanding

disbursed loans, participations in loans and callable guarantees may not exceed the total value of subscribed capital (which includes callable capital), reserves and surplus. As of fiscal 2022, the bank's total exposure to borrowing countries was around 70%, well below the 100% statutory limit, but up slightly from 68% as of the end of fiscal 2021.

**Development asset quality remains high through changes in global credit conditions**

We assess IBRD's DACQ as "aa" based on relatively moderate borrower credit quality, significant credit support from the bank's preferred creditor status and high diversification among international sovereign borrowers. In addition, the bank's robust risk management framework supports its strong asset performance and provides a buffer to absorb shocks inherent to business risk.

IBRD's capital adequacy has been largely unaffected by the asset-quality deterioration in emerging markets in recent years. Since fiscal 2008, the bank's weighted average borrower rating (WABR) oscillated between Ba2 and Ba3. As of fiscal 2022, the WABR was B1, mainly reflecting some deterioration in the credit quality of middle-income borrowers during the 2020-21 period of the pandemic.

Nevertheless, IBRD's preferred creditor status, in which borrowing members pledge to prioritize debt service to IBRD over debt service to market and official bilateral creditors, and global scope have helped to mitigate the risks associated with a decline in borrower ratings. Although IBRD's asset performance remains well anchored by its preferred creditor status, the bank has had periods of higher nonperforming assets (NPAs) because of its development mandate and broad lending scope, which results in lending to financially weaker sovereigns (often with limited access to market-based funding). Its NPA ratio would likely be higher without the benefit of preferred creditor status. Nevertheless, IBRD's global and public-policy importance, along with the high geographic diversification of its loan portfolio, helps to offset this risk.

**Diversified portfolio mitigates risk and minimizes performance volatility**

As of February 2023, all of the bank's 10 largest exposures had stable outlooks (see Exhibit 4). In the long term, we do not expect the current global macroeconomic environment to pose a significant threat to IBRD's asset quality because the probability of default among its borrowers remains remote and portfolio diversification mitigates concentration risk.

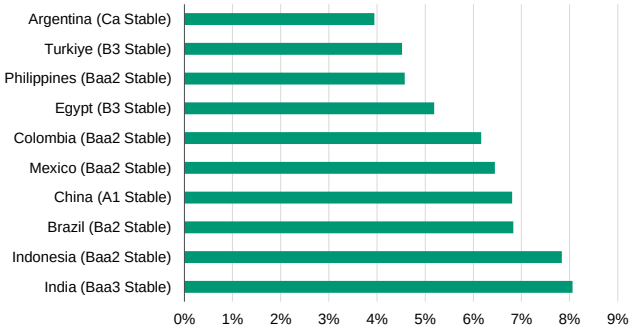
Overall, portfolio concentration is not a credit concern. IBRD's 10 largest exposures, including guarantees, represented about 61% of its total portfolio as of 30 June 2022, which we consider to be a moderate level of concentration. Given that IBRD lends to sovereigns, the bank has fewer borrowers than MDBs that lend to the private sector. However, as the only truly global public sector MDB, IBRD has very low country and regional concentration risk (see Exhibit 5). Its regional concentration is the second lowest in the MDB universe, after the IFC (which lends globally to the private sector). The balance of moderate concentration of top 10 exposures and low regional concentration results in a net positive impact on our assessment of concentration risk for the bank's capital adequacy score.

IBRD limits its concentration risk exposure (both development-related lending and treasury investments) to individual borrowers based on its risk-bearing capacity. IBRD's executive directors approved a dual single borrower limit (SBL) system, effective from fiscal 2019 onward, which differentiates between countries below and above the graduation discussion income (GDI) threshold. GDI is the level of gross national income (GNI) per capita of a member country above which graduation from IBRD starts being discussed. The GDI threshold for fiscal 2022 was $7,155 and the SBL for countries below and above the GDI was $24.9 billion and $21.2 billion, respectively. For fiscal 2022, there were two countries below-GDI and two above-GDI, all of which had their exposure limits set at the respective SBLs.

Exhibit 4

**IBRD's highly international portfolio reflects a moderate level of country exposure...**

**Percentage of total exposure by country**

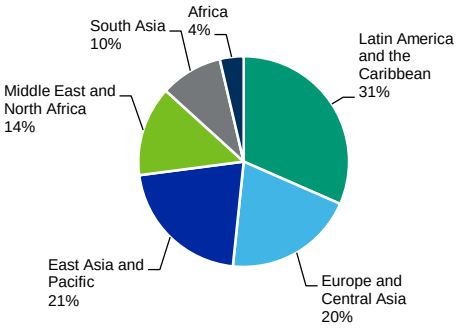



Total exposure is measured as loans, equity and non-EEA guarantees.
*Sources: IBRD audited financial statements and Moody's Investors Service*

Exhibit 5

**... and very diverse regional exposure**

**Percentage of outstanding loan balance by region**




*Sources: IBRD audited financial statements and Moody's Investors Service*

**Very strong asset performance is a key credit strength**

IBRD's asset performance continues to be very strong, with levels of NPAs consistent with an assessment of "aaa." Only one country, Zimbabwe, was in nonaccrual status as of the end of fiscal 2022. IBRD does not reschedule its loans and it has never written off a loan. Instead, it continues to seek full recovery of all arrears.

Zimbabwe has been in nonaccrual status since fiscal 2001, and as of fiscal 2022, the principal in nonaccrual status amounted to around $428 million, or about 0.2% of total gross loans and guarantees outstanding, after receiving $3.0 million from Zimbabwe in fiscal 2022. This has decreased from $444 million in fiscal 2016, because of principal payments of $9 million from Zimbabwe during fiscal 2017 and $1.5 million in fiscal 2019 and again in fiscal 2021. IBRD's nonaccrual is amply covered by the bank's accumulated loan loss provisions of $1.7 billion, or about 0.8% of gross loans and guarantees (see Exhibit 6).

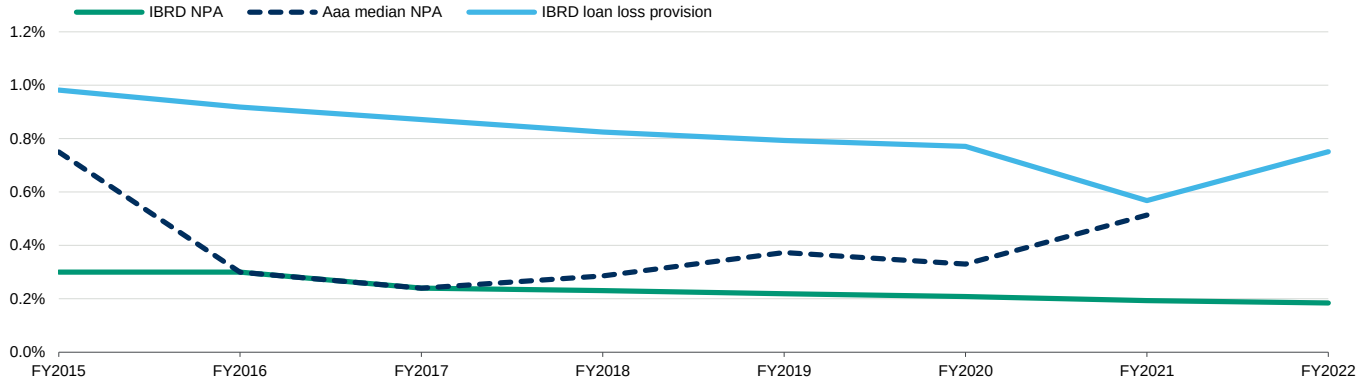
Although IBRD places its loans on nonperforming status when a country is overdue on its payments by more than six months, the figures do not change if one applies a more conservative and standard period of 90 days.

Problem loans have steadily decreased since fiscal 2005, when the ratio of nonperforming loans to total loans outstanding reached 3.4%, which is notable given IBRD's countercyclical lending during the global financial crisis and coronavirus pandemic. On average, IBRD has historically experienced relatively higher nonperforming asset (NPA) levels than some other Aaa-rated MDBs, such as the Asian Development Bank (ADB, Aaa stable) and the European Investment Bank (Aaa stable), all of which have long-term histories of zero or near-zero NPA ratios. Nevertheless, the bank's very strong asset quality has continued to push this metric below the Aaa-rated MDB median over the past decade.

Exhibit 6

**IBRD's very strong asset quality is reflected in its very low and stable NPA ratio**

**Percentage of development-related assets**




The Aaa median is unavailable for fiscal 2022 because of differing fiscal year reporting dates of MDBs.

*Sources: MDB audited financial statements and Moody's Investors Service*

## FACTOR 2: Liquidity and funding score: aa1

IBRD's "aa1" Liquidity and funding score is underpinned by its "aa3" liquid resources and "aaa" quality of funding scores.

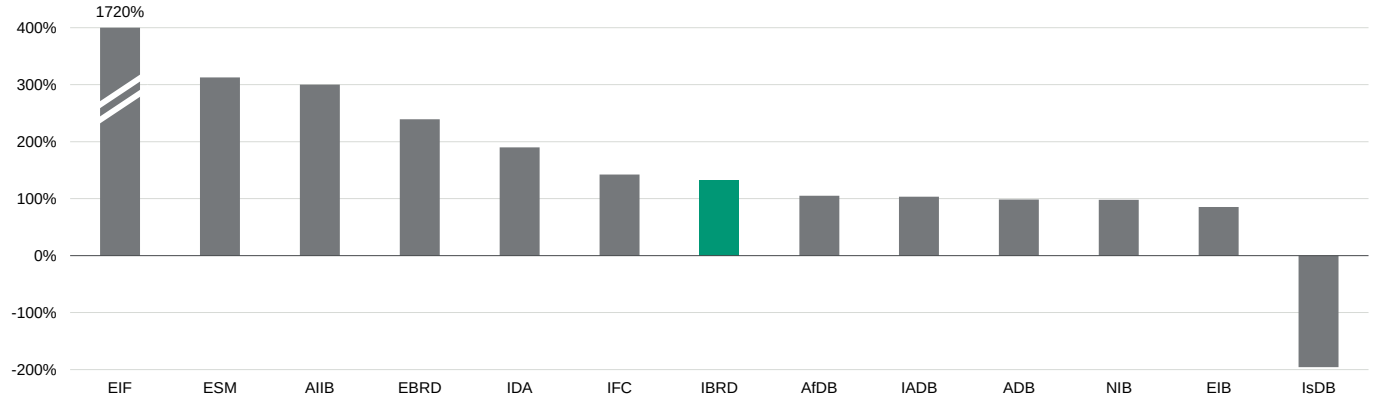
**IBRD's strong liquidity is supported by a conservative liquidity management strategy**

We assess IBRD's liquidity resources as "aa3." We measure an MDB's availability of liquid resources as the percentage of liquid assets of estimated net cash outflows over a period of 18 months. With a ratio of about 133% in fiscal 2022, IBRD's liquid resources more than fully covered potential outflows and is generally consistent with that of other Aaa-rated MDBs (see Exhibit 7). We expect the bank's liquid resources to remain ample given IBRD's internal liquidity management policies, policy restrictions on leverage and pending paid-in capital contributions.

Exhibit 7

**IBRD's availability of liquid resources ratio is in line with that of Aaa-rated MDBs**

**Liquid assets as a percentage of net cash outflow**




*Sources: MDB audited financial statements and Moody's Investors Service*

IBRD's liquidity is underpinned by its conservative asset and liability management policies, which include the use of derivatives to manage exposure to interest and currency risks, and repricing between loans and borrowing. IBRD's official liquidity policy requires liquid assets to target a level of 12 months of projected debt service and net loan disbursement needs, which helps to limit its exposure to potential market disruptions that might affect funding.

For fiscal 2023, the target liquidity level is set at $54 billion, compared with a target level of $57 billion in fiscal 2022. IBRD's policies also establish a soft corridor for the size of its liquid portfolio, which typically fluctuates up to 150% of the target liquidity level. As of the end of fiscal 2022, liquid assets were about $79 billion or 138% of the target liquidity level for fiscal 2022.

IBRD's investment portfolio decreased by $3.7 billion to $82.1 billion in fiscal 2022, from $85.8 billion in fiscal 2021. Investments remain concentrated at the upper end of the credit spectrum, with 77% rated AA or above, reflecting the bank's objective of principal protection and its preference for high quality investments. IBRD's liquid asset investment portfolio consists mostly of sovereign government bonds, debt instruments issued by sovereign government agencies and bank time deposits.

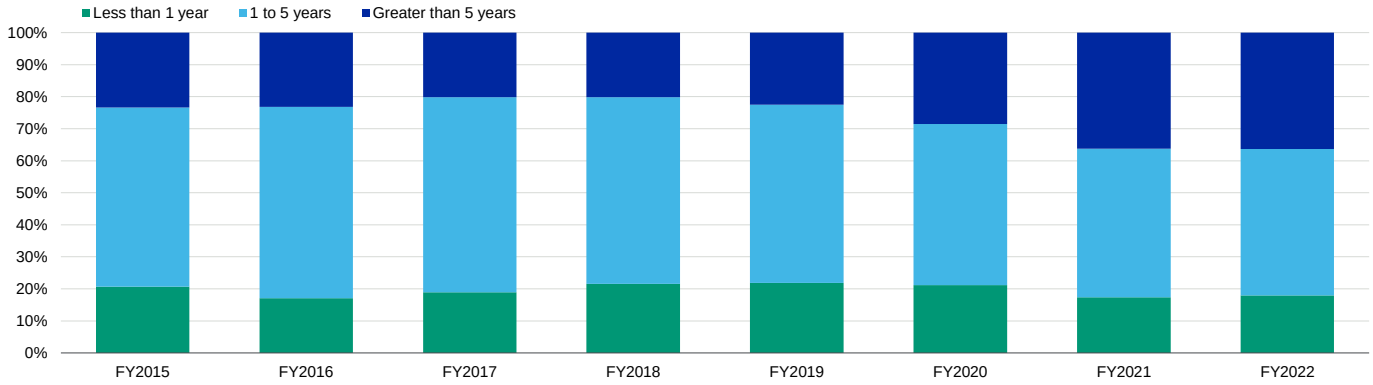
The objective of IBRD's asset/liability management framework is to provide adequate funding for each loan and liquid asset at the lowest available cost, and to manage the portfolio of liabilities supporting each loan and liquid asset within the prescribed risk management guidelines. The bank uses derivatives to manage its exposure to interest and currency risks; manage repricing between loans and borrowing; manage the duration of equity; and assist borrowing member countries in managing their interest and currency risks. IBRD does not enter into derivatives for speculative purposes and is mandated to match borrowings in any one currency with assets in the same currency.

In fiscal 2022, the average contractual maturity of the bank's medium- and long-term borrowings was 8.8 years for new issuances (see Exhibit 8). The average maturity is consistent with the bank's strategy to maximize affordability and stability of its debt issuance through effective debt management.

Exhibit 8

**Average maturity of medium- and long-term borrowings has increased in recent years**

**Percentage of outstanding borrowings by maturity**




IBRD's borrowings have original maturities ranging from 29 days to 50 years.
*Sources: IBRD audited financial statements and Moody's Investors Service*

**Exceptional market access underpinned by strong brand and global benchmark status**

IBRD benefits from very strong and regular access to funding markets, reflected in the frequency of its debt issuance, range of funding instruments, including local-currency bonds, and its stable, diversified investor base. The bank's "aaa" quality of funding score reflects this exceptional market access.

IBRD is a benchmark issuer in the MDB space and fulfills most of its borrowing needs through frequent bond issuance in the international capital markets in major trading currencies. The strength of its market access has been tested and proven in numerous episodes of market stress. Since 1947, the bank has issued bonds in more than 60 different currencies, and most borrowings are swapped into short-term variable rates in US dollars. IBRD also issues debt in different thematic formats. For example, between 2008 and December 2022, IBRD issued around $18 billion in green bonds through over 200 transactions in 25 currencies. Meanwhile, in August 2018, the bank issued its first bond using blockchain technology, dubbed "bondi" (Blockchain Operated New Debt Instrument), which was the world's first bond to be created, allocated, transferred and managed through the use of distributed ledger technology.

The bank's investor base is diversified by both investor type and geography, demonstrating global support for its development mandate and the Basel Committee's classification of IBRD securities as a high-quality liquid asset with zero risk weight.

In fiscal 2022, the bank's borrowings portfolio totaled $256.9 billion, a $3.2 billion increase from the previous fiscal year on account of net new short-term debt issuances. Meanwhile, medium- and long-term debt issues totaled $40.8 billion. The average final contractual maturity of the debt issuances for medium- and long-term borrowings was 7.6 years, and overall demand for debt issuances came from a diverse set of investors, both in terms of geography and investor type.

IBRD strategically calls its debt to reduce its cost of borrowing; it may also repurchase its debt to meet other operational or strategic needs such as providing liquidity to its investors. As of fiscal 2022, IBRD's total borrowing portfolio, after the effects of derivatives, carried variable rates with a weighted average cost of 1.04% compared with 0.12% in fiscal 2021. The increase from the previous year reflects the annual increase in short-term market interest rates.

### Qualitative adjustments to intrinsic financial strength

IBRD's intrinsic financial strength score of "aa1" reflects a one-notch upward adjustment to its preliminary intrinsic financial strength score of "aa2" to account for the bank's strong quality of management, consistent with assessments for other large, well-established MDBs, including the European Bank for Reconstruction and Development (EBRD, Aaa stable), Inter-American Development Bank (IADB, Aaa stable) and Asian Development Bank. The adjustment reflects IBRD's comprehensive policy framework and strong risk management culture, including adherence to its internal policy requirements.

### FACTOR 3: Strength of member support score: Very High

The resources that an MDB has available to absorb credit or market losses stemming from its operations and to preserve its ability to repay debt-holders are an important element of its financial fundamentals and overall creditworthiness. MDBs hold capital because they face potential credit losses as a consequence of their lending and investment operations in sectors or regions that are relatively risky, in line with their mandates.

Our assessment of IBRD's "aa1" adjusted intrinsic financial strength is complemented by our assessment of its strength of member support, which is set at an assigned score of "Very High," above the adjusted score of "High." This reflects the stronger ability of the bank's shareholders to support the institution than is reflected in its "baa3" weighted average shareholder rating (WASR), and a very high assessment of willingness to support from its diverse global membership.

#### Members' ability to support is strong

Overall, IBRD's ability to support score is "baa3," driven by the "baa3" WASR of the bank's 189 members. The bank's strong track record of consistent general capital increases, including the most recent increase in 2018, implies a very strong willingness of support by its members. Shareholders' high capacity to provide support is also underpinned by the high creditworthiness of the bank's largest members (see Exhibit 9).

Exhibit 9

**Largest members exemplify strength of shareholder support**

**In $ millions, unless otherwise specified**

| | | | Par Value of Shares | | | |
|---|---|---|---|---|---|---|
| Member | Moody's Rating | % of total | Total | Amounts paid in | Amounts subject to call | Voting share |
| United States | Aaa | 16.7% | $51,268 | $3,483 | $47,785 | 15.8% |
| Japan | A1 | 7.9% | $24,113 | $1,752 | $22,361 | 7.4% |
| China | A1 | 5.6% | $17,240 | $1,178 | $16,061 | 5.3% |
| Germany | Aaa | 4.3% | $13,243 | $913 | $12,330 | 4.1% |
| France | Aa2 | 4.1% | $12,663 | $900 | $11,763 | 3.9% |
| United Kingdom | Aa3 | 4.1% | $12,662 | $919 | $11,744 | 3.9% |
| India | Baa3 | 3.2% | $9,907 | $692 | $9,215 | 3.1% |
| Russia | Ratings withdrawn | 2.8% | $8,663 | $612 | $8,051 | 2.7% |
| Canada | Aaa | 2.8% | $8,499 | $620 | $7,880 | 2.6% |
| Italy | Baa3 | 2.6% | $8,113 | $563 | $7,550 | 2.5% |
| Other | | 45.8% | $140,764 | $8,868 | $131,896 | 48.6% |
| Total | | 100% | $307,135 | $20,499 | $286,636 | 100% |

Our foreign-currency issuer ratings as of 22 January 2023.

*Sources: IBRD audited financial statements and Moody's Investors Service*

In view of IBRD's largest shareholders and very large global membership base, we consider the concentration of members and financial/economic links among members to be low. Regional MDBs with smaller membership bases and narrower geographic mandates tend to have higher concentration of capital. As a global MDB with broad geographic distribution of members, IBRD does not face the risk that isolated regional crises would materially impair its members' ability to provide support.

In addition, IBRD's membership base has the added diversity of both borrowing and non-borrowing members. Only two of the top 10 shareholders — China (A1 stable) and India (Baa3 stable) — are borrowers; the remainder have never borrowed, or no longer borrow from the bank. Meanwhile, membership includes highly rated non-borrowers outside of the top 10 largest shareholders. As the bank's largest risk is credit risk from lending activities, diversification of borrowing and non-borrowing members ensures a high number of large shareholding members that can be called upon to provide financial assistance that are not the sources of the financial stress at hand.

**Very high willingness to support, underpinned by contractual and non-contractual support**

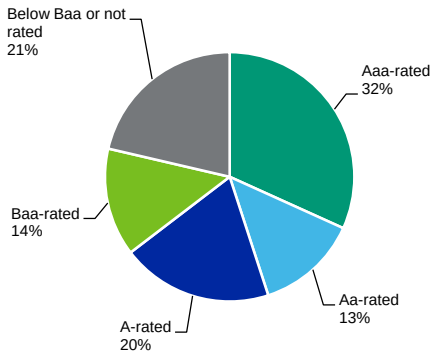
If IBRD were unable to service its own debt — an event we consider to be extremely remote, as reflected in our "aa2" assessment of its intrinsic financial strength — it would have the option of making capital calls on all member countries in proportion to their subscribed shares. Although the bank has never called capital, it is very likely that members would fully meet any call on capital, given the global importance of the bank to both shareholders and borrowers.

We assess the strength of contractual support in light of the callable capital coverage of the debt stock, whereby we measure the bank's gross outstanding debt against the callable capital pledged. IBRD scores "aaa" in this ratio, with a fiscal 2022 ratio of 121.9%. The high portion of callable capital pledged (and thus vote allocations) by members rated Aaa through Baa3 (see Exhibits 10 & 11) supports the stability of the contractual support assessment. In particular, the US (Aaa stable) has legislation in place (including the Bretton Woods Agreements Act) that allows the Secretary of Treasury to pay up to $7.7 billion of the $47.8 billion in callable capital pledged to IBRD, without need for further congressional approval.

Exhibit 10

**Highly rated sovereigns provide most of the callable capital ...**

**Percentage of subscribed capital by rating**

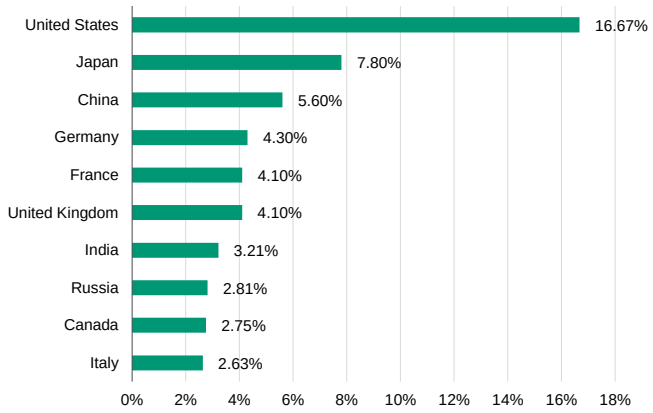



Foreign-currency government bond ratings as of 22 January 2023.
*Sources: IBRD audited financial statements and Moody's Investors Service*

Exhibit 11

**... with most of the callable capital provided by 10 sovereigns**

**Percentage of callable capital provided**




Foreign-currency government bond ratings as of 22 January 2023.
*Sources: IBRD audited financial statements and Moody's Investors Service*

Callable capital is an unconditional and full faith obligation of each member country, the fulfillment of which is independent of the action of other shareholders. If one or more of the member countries fail to meet this obligation, successive calls on the other members will be made until the full amount needed is obtained. However, no country is be required to pay more than its total callable subscription. As a result, we do not consider IBRD to have support pledged on a joint-and-several basis.

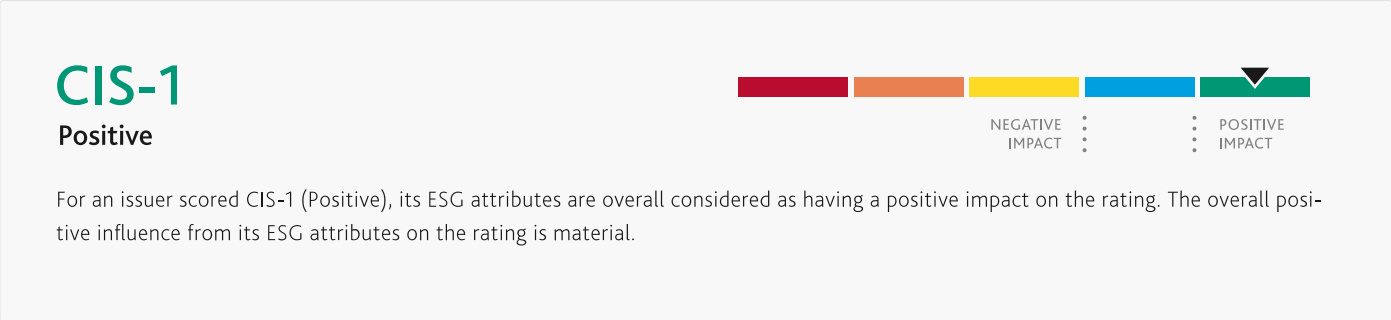
On 1 October 2018, the bank's shareholders approved a capital increase package that will provide IBRD with a total of $60.1 billion in capital, comprising $7.5 billion of additional paid-in capital and a $52.6 billion increase in callable capital. Shareholders are expected to make their subscription payments within five years.

Besides contractual support through callable capital, we also believe that the willingness of shareholders to provide extraordinary, non-contractual support as "Very High." We believe that in extremely low probability scenarios, when support is needed and callable capital is exhausted or otherwise unavailable, IBRD would receive extraordinary support from its members. This is because of the strategic role played by the bank around the world and complements the bank's ability to provide that support, for which we use shareholders' weighted average creditworthiness as a proxy.

## ESG considerations

### IBRD (World Bank)'s ESG Credit Impact Score is Positive CIS-1

Exhibit 12
**ESG Credit Impact Score**




*Source: Moody's Investors Service*

IBRD's credit impact score is positive (**CIS-1**), reflecting neutral-to-low exposure to environmental risk, positive exposure to social risk and very strong governance. IBRD's resilience to ESG risks is further supported the very diverse global membership and the particular importance assigned to the entity by large non-borrowing members, including the US.

Exhibit 13
**ESG Issuer Profile Scores**


*Source: Moody's Investors Service*

### Environmental

IBRD's neutral-to-low environmental issuer profile score (**E-2**) reflects its highly diversified lending portfolio, both from a regional and sector perspective, along with its robust environmental safeguard policies and technical assistance capacities for climate mitigation and adaptation project lending. IBRD is a leader among MDBs in its use of climate financing and in its active role in supporting global climate change initiatives.

### Social

IBRD's positive social issuer profile score (**S-1**) reflects its strong position regarding responsible production and the credit positive support to its mandate from demographic and societal trends. IBRD extensively uses public consultation processes to ensure buy-in from key stakeholders, and has outstanding community and stakeholder outreach. IBRD does not face any issues attracting highly skilled personnel and there are no health and safety considerations that would negatively or positively affect the issuer profile.

### Governance

IBRD's governance issuer profile score is positive (**G-1**), reflecting the bank's very high quality of management and best-in-class financial strategy and risk management practices. IBRD has one of the longest track records of strong and credible management among MDBs.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

All of these considerations are further discussed in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology General Principles for Assessing ESG Risks. Additional information about our rating approach is provided in our Supranational Rating Methodology.

## Recent developments

### Net income and loan commitments both increased in fiscal 2022

IBRD recorded net income of $3,990 million in fiscal 2022, an increase of $1,951 million, compared with net income of $2,039 million for fiscal 2021. The change was primarily driven by net unrealized mark-to-market gains on IBRD's non-trading portfolios, particularly from derivatives related to the loan portfolio. After standard adjustments to arrive at allocable income,[4] the bank's internal measurement of profitability and metric for making net income allocation decisions, IBRD registered income of $806 million. Of this, $589 million was allocated to the General Reserve, $117 million was transferred to IDA using a formula-based approach, and $100 million was allocated as surplus. The decline in allocable income was driven, among other factors, by a higher loan loss provisioning charge compared with that in fiscal 2021.

IBRD's lending operations provided $33.1 billion of net commitments in fiscal 2022 , the highest annual amount in a decade, and $28.2 billion of gross loan disbursements. Net disbursements of $14.9 billion were the key driver for the increase in net loans outstanding, from $218.8 billion at the end of fiscal 2021, to $227.1 billion at the end of fiscal 2022. New lending commitments comprised of 136 operations. Regionally, the top three destinations for net loan commitments in fiscal 2022 were Latin America and the Caribbean (28% of total), Europe and Central Asia (18%), and East Asia and the Pacific (17%). The largest percentage increase in commitments went to Eastern and Southern Africa — up to $2.9 billion (9% of total) in fiscal 2022 from $1.5 billion in fiscal 2021.

Asset quality remained very strong, with NPAs unchanged at 0.2% of development-related assets, all related to Zimbabwe ($428 million as of June 30, 2022). IBRD received a payment of $3 million from Zimbabwe in fiscal 2022 (fiscal 2021: $1.5 million).

### IBRD support to Ukraine demonstrates strong crises response

From the outbreak of the conflict, through June 30, 2022, IBRD committed $1.1 billion to Ukraine (Ca stable). IBRD has also disbursed $1.4 billion to Ukraine, both as a consequence of Russia's invasion of the country in February 2022 and through commitments made before the war started. As of the end of fiscal 2022, IBRD also issued $685 million guarantees to Ukraine.

Most recently, in December 2022, IBRD announced $500 million in additional financing under the Public Expenditures for Administrative Capacity Endurance (PEACE) Project that helps Ukraine with spending related to child and family benefits, public employees' salaries and utility payments. Additionally, IBRD sought to address health services challenges that resulted from the war in Ukraine. This financing packages is one of several packages deployed under the PEACE project for Ukraine.

### Russia prepaid all loans and Belarus' loans placed in nonperforming status

As of December 2022, Russia prepaid all of its outstanding loans to IBRD.

On March 2, 2022, the WBG stopped all its programs in Belarus (Ca negative) and there has been no new lending approved to Belarus since May 2020.

In October 2022, all of IBRD's loans to, or guaranteed by, the Republic of Belarus were placed in nonperforming status. Overdue payments amounted to about $68.43 million with a principal outstanding on IBRD loans of $967 million, or about 0.42% of IBRD's total outstanding loans. As of October 14, 2022, the effect on IBRD of Belarus loans being placed in nonperforming status is a charge to income of about $12.75 million equivalent.

### New WBG evolution roadmap signals future reforms

In January 2023, the WBG's Boards of Executive Directors discussed with management a new evolution roadmap for the WBG that is aimed at better addressing the scale of its global development challenges, including poverty, shared prosperity, inequality, and cross-border challenges such as climate change, pandemics, fragility, conflict and violence, which all affect the WBG's ability to achieve its mission. The roadmap, which was not for endorsement or approval, provides a basis for management and the board to exchange preliminary views on priorities for the WBG's evolution and collective future reform efforts. The roadmap identifies three building blocks that will outline the evolution process: (1) review the WBG's vision and mission; (2) review the WBG's operating model; and

(3) explore options to enhance the WBG's financial capacity and model, taking into account recommendations made in the Capital Adequacy Framework (CAF) Review of the G20.

A paper will be prepared for the Spring 2023 Development Committee Meeting to report to WBG Governors on proposals concerning the WBG's vision and mission and plans to drive further progress around all three building blocks, while also addressing the most urgent financing capacity issues, including the CAF recommendations. Based on the governors' guidance and additional discussions, a development committee paper will be prepared for discussion at the 2023 annual meetings. There will also be an ongoing consultative process with relevant stakeholders.

As noted in our recent research, we expect the MDBs on which the CAF review was focused (mostly large and highly rated institutions, including those in the WBG) to adopt most, if not all, of the report's recommendations. The credit implications would depend on the magnitude of any increase in leverage, how any additional borrowing is deployed, whether MDBs are able to accumulate any liquidity buffers, and whether MDBs will continue to be able to borrow at very moderate and predictable costs. In IBRD's case, we would expect any future changes to be consistent with maintaining the institution's Aaa credit rating.

## Rating methodology and scorecard factors: IBRD (World Bank) - Aaa stable

| Factor / Subfactor | Metric | Initial score | Adjusted score | Assigned score |
|---|---|---|---|---|
| **Factor 1: Capital adequacy (50%)** | | | **a1** | **a1** |
| **Capital position (20%)** | | | **ba1** | |
| | Leverage ratio | **ba2** | | |
| | Trend | +1 | | |
| | Impact of profit and loss on leverage | 0 | | |
| **Development asset credit quality (10%)** | | | **aa** | |
| | DACQ assessment | **aa** | | |
| | Trend | 0 | | |
| **Asset performance (20%)** | | | **aaa** | |
| | Non-performing assets | **aaa** | | |
| | Trend | 0 | | |
| | Excessive development asset growth | 0 | | |
| **Factor 2: Liquidity and funding (50%)** | | | **aa1** | **aa1** |
| **Liquid resources (10%)** | | | **aa3** | |
| | Availability of liquid resources | **aa3** | | |
| | Trend in coverage outflow | 0 | | |
| | Access to extraordinary liquidity | 0 | | |
| **Quality of funding (40%)** | | | **aaa** | |
| **Preliminary intrinsic financial strength** | | | | **aa2** |
| **Other adjustments** | | | | **+1** |
| **Operating environment** | | 0 | | |
| **Quality of management** | | +1 | | |
| **Adjusted intrinsic financial strength** | | | | **aa1** |
| **Factor 3: Strength of member support (+3,+2,+1,0)** | | | **High** | **Very High** |
| **Ability to support (50%)** | | | **baa3** | |
| | Weighted average shareholder rating | **baa3** | | |
| **Willingness to support (50%)** | | | | |
| | Contractual support (25%) | **aaa** | **aaa** | |
| | Strong enforcement mechanism | 0 | | |
| | Payment enhancements | 0 | | |
| | Non-contractual support (25%) | | **Very High** | |
| **Scorecard-Indicated Outcome Range** | | | | **Aaa-Aa2** |
| **Rating Assigned** | | | | **Aaa** |

**Note:** Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Development Banks and Other Supranational Entities rating methodology.

*Source: Moody's Investors Service*

## Related websites and information sources

» Moody's Supranational web page

» Moody's Sovereign and supranational rating list

» IBRD (World Bank) website



## Endnotes

1 The IBRD is the largest of the WBG entities, which includes: the International Development Association (IDA, Aaa stable), the group's mainly concessional arm for the world's poorest countries; the International Finance Corporation (IFC, Aaa stable), a vehicle for lending to or investing in private sector companies in emerging markets without the benefit of host country government guarantees; the Multilateral Investment Guarantee Agency (MIGA, unrated), which insures certain investments against political risks in emerging.

2 Effective 1 April 2021, in preparation for market reference rate transitions, IBRD's Board approved a suspension of the offering of loans on fixed spread terms and a suspension of a related conversion feature from the variable spread terms to fixed spread terms.

3 We define usable equity as total shareholders' equity and exclude callable capital. In fiscal 2022, IBRD's measurement of usable equity was over $50 billion, which was a $480 million increase from the level in fiscal 2021.

4 Given IBRD's intention to maintain its non-trading portfolio positions, unrealized mark-to-market gains and losses are not included in its "allocable income."

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