

## CREDIT OPINION

23 February 2024

### Update



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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

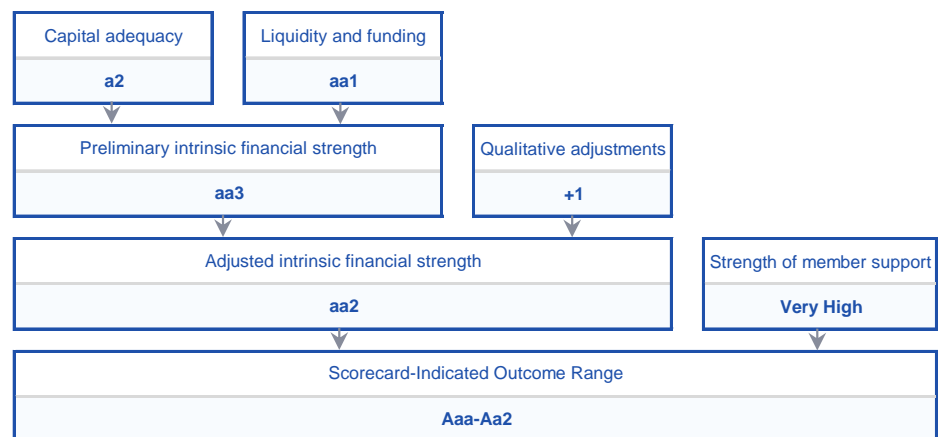
Update following rating affirmation, outlook unchanged

### Summary

The credit profile of the [International Bank for Reconstruction and Development](#) (IBRD) reflects its 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 its preferred creditor status that contributes to very strong asset performance; exceptional access to global funding markets and ample liquidity buffers; 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
- » Exceptional access to global funding markets and ample liquidity buffers
- » 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 outlook reflects Moody's expectations that IBRD will maintain its very strong financial metrics as it continues the implementation of its evolution roadmap over the coming years. We expect that as IBRD materially increases its lending to enhance its development impact, in line with shareholder demands, the bank will also implement reforms that limit the impact of higher lending on leverage (including through the use of hybrid capital and portfolio guarantees) and continue to prioritize strong risk management practices that will preserve its very strong asset performance and overall Aaa credit profile. In addition, we expect that IBRD's shareholders will continue to strongly support the bank in the coming years, given its central role in global development policy and finance.

## Factors that could lead to a downgrade

Downward pressure on the rating could occur in the event of substantial deterioration in capital adequacy, which could result from a rapid expansion in leverage, well beyond Moody's current expectation of a more gradual increase over time, 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. In our view, the risk of downgrade is low, because the expected rise in leverage will likely be mitigated by measures to provide increased equity capital and portfolio guarantees that would protect against a material deterioration in the quality of IBRD's loan portfolio and overall credit profile.

## Key indicators

Exhibit 2

IBRD (World Bank)	2018	2019	2020	2021	2022	2023
Total Assets (USD million)	263,800.0	283,031.0	296,804.0	317,301.0	317,542.0	332,641.0
Development-related Assets (DRA) / Usable Equity [1]	449.9	471.5	513.8	465.2	419.5	408.6
Non-Performing Assets / DRA	0.2	0.2	0.2	0.2	0.2	0.6
Return on Average Assets	0.2	0.2	0.0	0.7	1.3	0.4
Liquid Assets / ST Debt + CMLTD [2]	163.1	163.9	167.3	199.5	194.6	204.7
Liquid Assets / Total Assets	27.7	29.1	29.0	28.4	25.9	24.0
Callable Capital / Gross Debt	124.1	114.2	111.0	107.1	121.9	124.8

[1] Usable equity is total shareholder's equity and excludes callable capital

[2] Short-term debt and currently-maturing long-term debt

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

**Profile**

International Bank for Reconstruction and Development (IBRD) is the original World Bank institution that was established as part of the Bretton Woods agreement of 1944 to help rebuild Europe after World War II. It is a key member of the World Bank Group (WBG).<sup>1</sup> Today, IBRD's main goals are to end extreme poverty and boost prosperity on a livable planet in middle-income and lower-income countries. 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 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).

## 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, see our [Supranational Rating Methodology](#).

### FACTOR 1: Capital adequacy score: a2

IBRD's "a2" capital adequacy score reflects its strong capital position, high development asset credit quality (DACQ) and very low nonperforming assets (NPA).

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

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

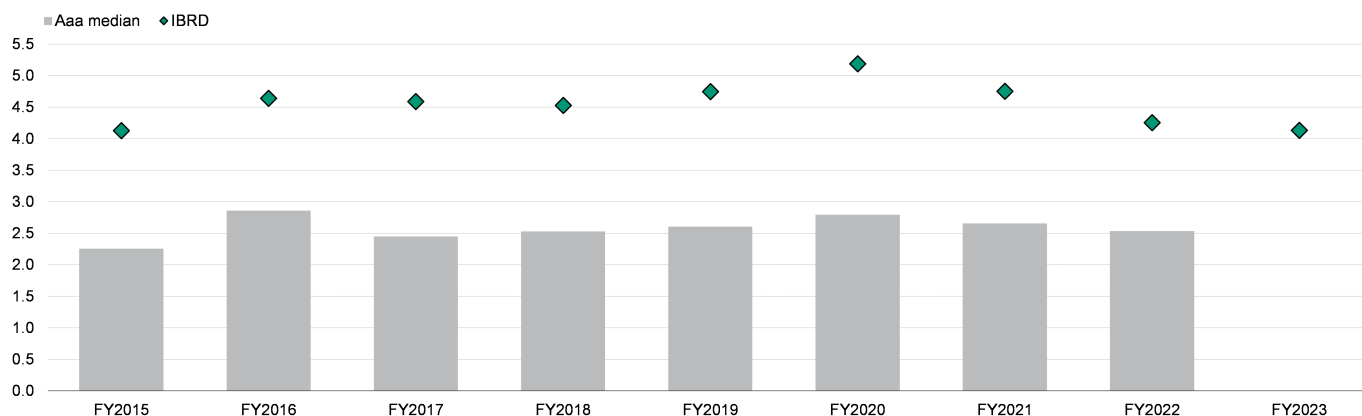
IBRD views the adequacy of its capital as the degree to which its equity is sufficient to withstand unexpected shocks, and measures this through an equity-to-loans ratio. In 2023, IBRD's Board approved reducing the policy minimum equity-to-loans ratio to 19% from 20%, based on a review of IBRD's capital adequacy framework. The change serves to reduce potential constraints on the bank's future lending. As of the fiscal year that ended June 2023 (fiscal 2023), the bank's equity-to-loans ratio remained unchanged at 22.0% (compared with fiscal 2022).

However, Moody's measures the strength of an MDB's capital position by using a different leverage ratio: development-related assets (DRA) and liquid assets rated A3 or lower divided by usable equity (total shareholders' equity, excluding callable capital). As of fiscal 2023, this leverage ratio was 4.13, down from a peak of 5.19 in fiscal 2020. Relative to MDB peers, IBRD's leverage ratio is lower than the [European Investment Bank's](#) (EIB, Aaa stable), but significantly higher than the median of 2.53 for Aaa-rated MDBs (see Exhibit 3). The recent decline in the bank's leverage between fiscal 2021 and fiscal 2023 reflects IBRD's strengthened usable equity position despite an increase in DRA and A3- or lower-rated assets.

Exhibit 3

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

Leverage ratio (development-related assets and liquid assets rated A3 or lower relative to usable equity)



The Aaa median is unavailable for fiscal 2023 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 9.2% to about \$60 billion in fiscal 2023.<sup>2</sup> 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 2023, bringing the cumulative amounts received to \$5.4 billion (72% of the total amount expected from these increases).

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 2023, the bank's total exposure to borrowing countries was around 71%, well below the 100% statutory limit, but up slightly from 70% as of the end of fiscal 2022.

#### New evolution roadmap will likely increase leverage while preserving key credit strengths

In response to the G20 Capital Adequacy Framework (CAF) recommendations for MDB reform, the World Bank is actively moving to become, in its own words a "better and bigger bank, to deliver development impact more effectively and efficiently for people and the planet." The reforms it is in the process of implementing are generally referred to as the "evolution roadmap."<sup>3</sup> Since 2022, the bank has taken important steps to begin its transformation to be able to meet the world's growing development challenges, including:

- » Setting a new vision to create a world free of poverty on a livable planet, and a new mission to end extreme poverty and boost shared prosperity on a livable planet. With these, the World Bank will for the first time have the formal mandate to both fight poverty and address global challenges, including climate change, leading the way among MDBs.
- » Creating a new World Bank playbook with solutions to achieve its new mission, which will focus on scale and replicability. It is enhancing and modernizing how it provides finance and knowledge, including by working as One World Bank across the various WBG institutions to mobilize private capital and domestic public resources for development. It will use a new scorecard to monitor results aligned with the new mission.
- » Taking steps to increase financing capacity to meet increased development needs. The bank is implementing many of the measures recommended by the G20 CAF to create up to US\$50 billion of additional lending capacity over the next ten years with its own existing resources. These measures include: (a) lowering the policy minimum equity-to-loan ratio to 19%; (b) increasing the limit on bilateral shareholder guarantees to \$20 billion in July 2023; (c) preparing for a pilot for issuing up to US \$1 billion of hybrid capital in the capital markets; and (d) Board approval for pursuing removal of the Statutory Lending Limit (SLL) from IBRD Articles.

We expect that the bank's leverage will gradually rise over the long term as it implements its new evolution roadmap strategy to enhance its global development impact by increasing overall lending and optimizing the use of its balance sheet. At the same time, we expect that IBRD will continue to prioritize its strong risk management practices to maintain its very strong asset performance and intrinsic financial strength to preserve its Aaa credit profile.

For more information on the World Bank's evolution roadmap see: <https://www.devcommittee.org/content/dam/sites/devcommittee/doc/documents/2023/Final%20Updated%20Evolution%20Paper%20DC2023-0003.pdf>

#### Development asset quality remains high through changes in global credit conditions, supported by preferred creditor status and very high diversification

IBRD's intrinsic financial strength is supported by high capital adequacy, which reflects its high development asset credit quality (DACQ) and very strong asset performance. IBRD's DACQ of "aa" reflects relatively moderate borrower credit quality, significant credit support from the bank's preferred creditor status and high diversification of its loan portfolio.

While the bank's Weighted Average Borrower Rating of "b2" reflects its focus on lending largely to developing middle-income sovereigns, it uses various safeguards, including statutory lending and single borrower limits, to reduce concentration risk and ensure strong capital adequacy.

Meanwhile, 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 mitigate 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 NPA

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). The bank's NPA ratio would likely be higher without the benefit of its preferred creditor status. Nevertheless, IBRD's global and public-policy importance, along with the high geographic diversification of its loan portfolio, helps offset this risk.

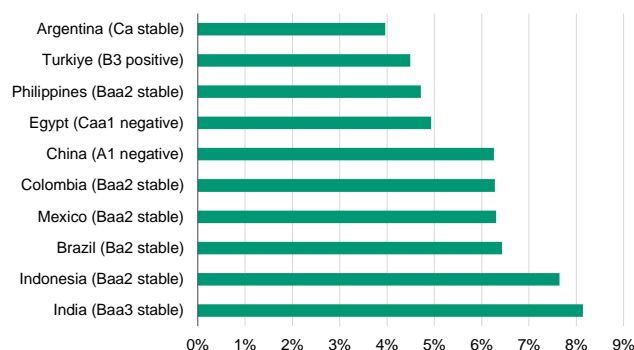
IBRD's highly diverse international loan portfolio across regions and sectors further reduces the risk that a significant proportion of its assets become non-performing. The bank's 10 largest exposures (see Exhibit 4), including guarantees, represented about 60% of its total portfolio as of 30 June 2023, which is a moderate level of concentration. Because 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 the 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 2023 was \$7,445 and the SBL for countries below and above the GDI was \$28.0 billion and \$21.2 billion, respectively. For fiscal 2023, 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



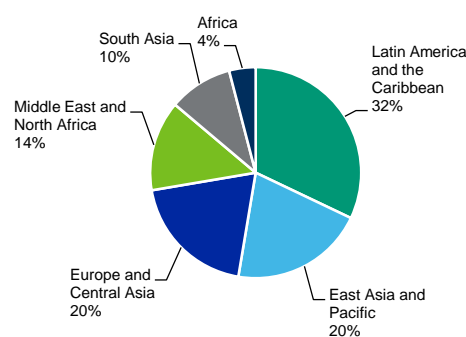
Total exposure is measured as loans, equity and non-EEA guarantees.

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

#### Asset performance remains very strong despite deterioration from Belarus

IBRD's asset performance remains very strong, with levels of NPA consistent with an assessment of "aa1." Two countries, Zimbabwe and Belarus (C stable), were in nonaccrual status as of the end of fiscal 2023. IBRD places its loans on nonperforming status when a country is overdue on its payments by more than six months. It does not reschedule its loans and it has never written off a loan. Instead, IBRD continues to seek full recovery of all arrears.

Zimbabwe has been in nonaccrual status since fiscal 2001, and as of fiscal 2023, the principal in nonaccrual status amounted to around \$427 million, or about 0.2% of total gross loans and guarantees outstanding, after receiving \$1.0 million from Zimbabwe in fiscal 2023. Belarus has been in nonaccrual status since fiscal 2023 with a principal of \$171 million overdue. The total nonaccrual balance to Belarus is \$998 million or 0.4% of total gross loans and guarantees outstanding. IBRD's nonaccrual is amply covered by the bank's accumulated loan loss provisions of \$2.3 billion, or about 1.0% of gross loans and guarantees (see Exhibit 6).

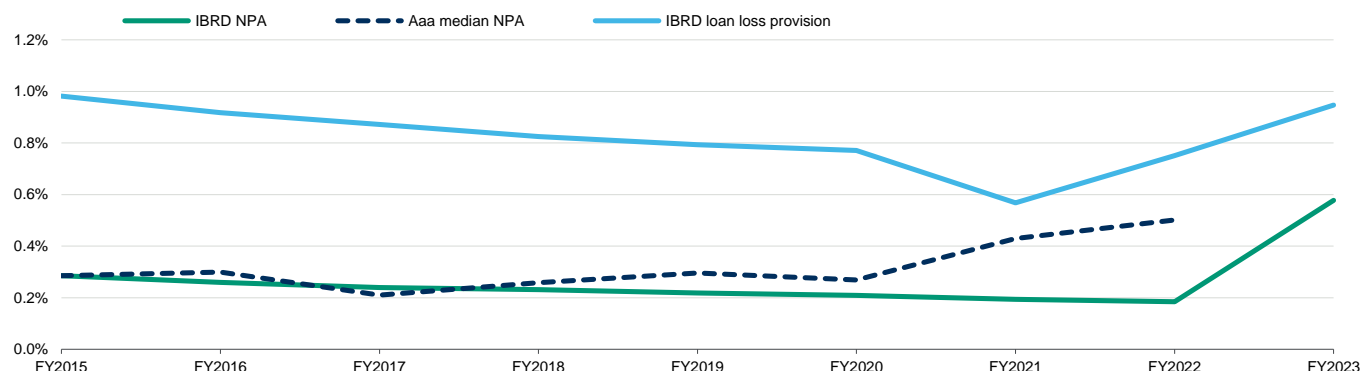
Problem loans have decreased steadily since fiscal 2005, when the ratio of nonperforming loans to total loans outstanding reached 3.4%, which is notable given IBRD's countercyclical lending during the global financial crisis and the coronavirus pandemic. On average,

IBRD has historically experienced relatively higher NPA levels than some other Aaa-rated MDBs, such as the [Asian Development Bank](#) (ADB, Aaa stable) and the EIB (Aaa stable), all of which have long-term histories of zero or near-zero NPA ratios. Nevertheless, IBRD's very strong asset quality had continued to push this metric below the Aaa-rated MDB median in recent years, prior to the inclusion of Belarus.

Exhibit 6

#### IBRD's asset quality remains very strong despite the inclusion of Belarus in 2023

NPA as percentage of development-related assets



The Aaa median is unavailable for fiscal 2023 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 "aaa" quality of funding and "aa3" liquid resources scores.

##### 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 2023, IBRD issued around \$19 billion in green bonds through more than 220 transactions in 28 currencies. 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. In October 2023, IBRD issued an inaugural three-year fixed rate digital bond on Euroclear's new Digital Financial Market Infrastructure (D-FMI), raising EUR 100 million to support the financing of its sustainable development activities. More recently, in January 2024, IBRD priced a seven-year \$100 million, principal-protected Plastic Waste Reduction-Linked Bond, which provides investors with plastic credits and carbon credits likely to be generated by two projects in Ghana and Indonesia.

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 2023, the bank's borrowings portfolio totaled \$266.8 billion, a \$9.9 billion increase from the previous fiscal year on account of net new debt issuances. Meanwhile, medium- and long-term debt issues totaled \$42.2 billion, with the average maturity to first call of the debt issuances for medium- and long-term borrowings at 6.3 years. Higher debt servicing and refinancing requirements account for the increase in medium- and long-term debt issuances.

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 2023, IBRD's total borrowing portfolio, after the effects of derivatives,

carried variable rates with a weighted average cost of 5.05% compared with 1.04% in fiscal 2022. The increase from the previous year reflects the annual increase in short-term market interest rates.

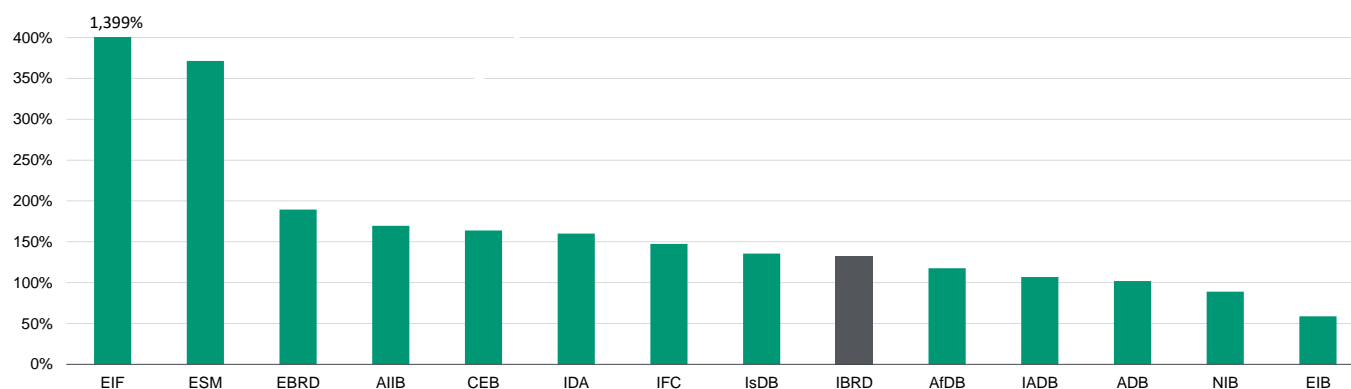
#### Ample and high-quality liquidity is supported by a conservative liquidity management strategy

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 2023, 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 limit its exposure to potential market disruptions that might affect funding.

For fiscal 2024, the target liquidity level is set at \$59 billion, compared with a target level of \$54 billion in fiscal 2023. 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 2023, liquid assets were about \$75 billion or 140% of the target liquidity level for fiscal 2023.

IBRD's net investment portfolio decreased by \$2.9 billion to \$79.2 billion in fiscal 2023, from \$82.1 billion in fiscal 2022. Investments remain concentrated at the upper end of the credit spectrum, with 79% 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.

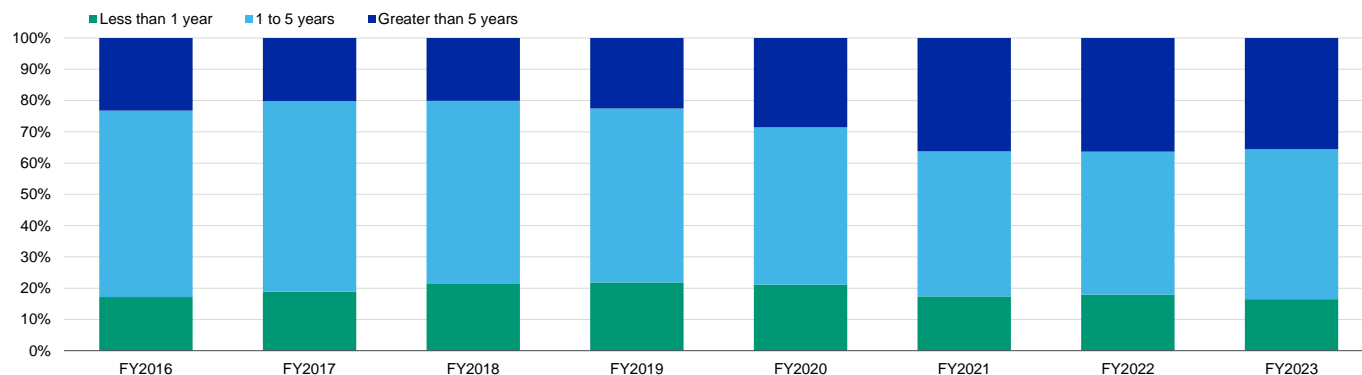
In fiscal 2023, the average contractual maturity of the bank's medium- and long-term borrowings was 6.9 years for new issuances (see Exhibit 8). The average maturity is consistent with the bank's strategy to maximize affordability and stability of its debt issuance through effective debt management.



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 17 days to 50 years.

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

**Qualitative adjustments to intrinsic financial strength**

IBRD's adjusted intrinsic financial strength score of "aa2" reflects a one-notch upward adjustment to its preliminary intrinsic financial strength score of "aa3" 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**

Our assessment of IBRD's "aa2" 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

Member	Moody's rating	% of total	Total	Par value of shares		Voting share
				Amounts paid in	Amounts subject to call	
United States	Aaa	16.6%	\$52,895	\$3,690	\$49,206	15.8%
Japan	A1	7.6%	\$24,113	\$1,752	\$22,361	7.2%
China	A1	5.9%	\$18,686	\$1,312	\$17,374	5.6%
Germany	Aaa	4.5%	\$14,305	\$1,044	\$13,261	4.3%
France	Aa2	4.1%	\$13,102	\$957	\$12,146	3.9%
United Kingdom	Aa3	4.1%	\$13,102	\$976	\$12,127	3.9%
India	Baa3	3.2%	\$10,275	\$738	\$9,537	3.1%
Russia	Ratings withdrawn	3.0%	\$9,545	\$686	\$8,859	2.9%
Canada	Aaa	2.7%	\$8,499	\$620	\$7,880	2.6%
Italy	Baa3	2.6%	\$8,298	\$600	\$7,698	2.5%
Other		45.6%	\$145,019	\$9,447	\$135,572	48.4%
Total		100%	\$317,840	\$21,819	\$296,021	100%

Our foreign-currency issuer ratings as of 20 February 2024.

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 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 significantly 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 negative) 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.

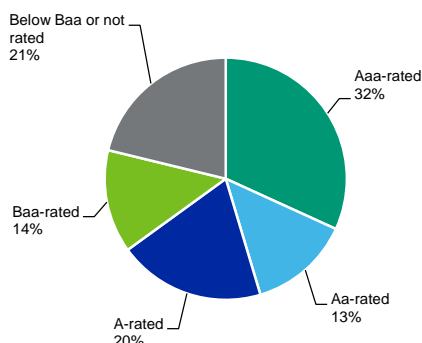
**Very high willingness to support, underpinned by contractual and non-contractual support**

If IBRD were unable to service its own debt — an event we consider extremely remote, as reflected in our “aa2” assessment of its adjusted 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 2023 ratio of 124.8%. The high portion of callable capital pledged (and thus vote allocations) by members rated Aaa through Baa3 (see Exhibits 10 and 11) supports the stability of the contractual support assessment. In particular, the [US](#) (Aaa negative) 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 \$49.2 billion in callable capital pledged to IBRD as of the fiscal year ended June 30, 2023, without need for further congressional approval.

Exhibit 10

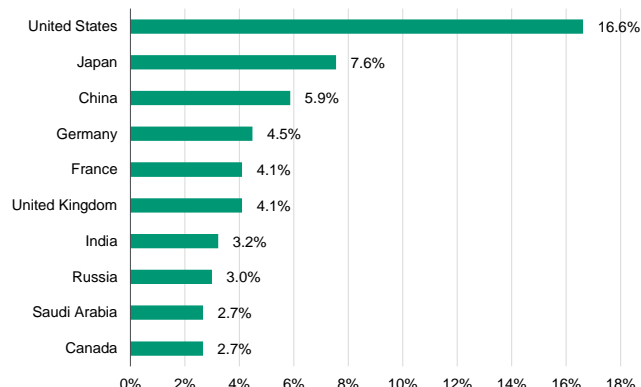
### Highly rated sovereigns provide most of the callable capital... Percentage of subscribed capital by rating



Foreign-currency government bond ratings as of 4 January 2024.  
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



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 required to pay more than its total callable subscription. As a result, IBRD does not 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 assess the willingness of shareholders to provide extraordinary, non-contractual support as "Very High." In extremely low probability scenarios, when support is needed and callable capital is exhausted or otherwise unavailable, we expect that IBRD would receive extraordinary support from its members. This is because of the strategic role played by the bank around the world, which complements the bank's ability to provide that support, for which we use shareholders' weighted average creditworthiness as a proxy.

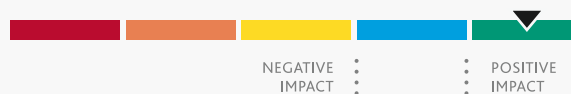
## ESG considerations

### IBRD (World Bank)'s ESG credit impact score is CIS-1

Exhibit 12

#### ESG credit impact score

# CIS-1



ESG considerations have a positive impact on the current rating which is higher than it would have been in the absence of ESG considerations.

Source: Moody's Investors Service

IBRD's credit impact score (**CIS-1**) indicates that ESG considerations have a positive impact on the rating. For IBRD, this reflects 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 by its highly diverse global membership and the particular importance assigned to the bank by large non-borrowing members, including the US.

Exhibit 13

#### ESG issuer profile scores



Source: Moody's Investors Service

#### Environmental

**E-2** IBRD's exposure to environmental risks 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

**S-1** IBRD's exposure to social risks reflects its very strong position regarding responsible production and credit positive support from its mission to end extreme poverty and boost shared prosperity on a livable planet. The 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

**G-1** IBRD's very strong governance reflects 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 Moody's.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

#### IBRD reported a decline in net income, but an increase in allocable income in 2023

IBRD recorded a net income of \$1,144 million in fiscal 2023, a decrease of \$2,846 million, compared with a net income of \$3,990 million for fiscal 2022. The change was primarily driven by net unrealized mark-to-market losses on IBRD's non-trading portfolios. After standard adjustments to arrive at allocable income,<sup>4</sup> the bank's internal measurement of profitability and metric for making net income allocation decisions, IBRD registered income of \$1,312 million. Of this, \$921 million was allocated to the General Reserve, \$291 million was transferred to IDA using a formula-based approach, and \$100 million was allocated as surplus. The increase in allocable income was driven by higher net revenue on interest earning assets, because of both the average balance of outstanding loans and the increase interest rates over the fiscal year.

IBRD's lending operations provided \$38.6 billion of new net commitments and \$25.5 billion of gross loan disbursements in fiscal 2023. Net disbursements of \$12.7 billion were the key driver for the increase in net loans outstanding, which rose to \$241 billion as of the end of fiscal 2023 from \$227 billion as of the end of fiscal 2022. New lending commitments comprised 136 operations. Regionally, the top

three destinations for net loan commitments were Latin America and the Caribbean (26% of total), Europe and Central Asia (26%), and East Asia and the Pacific (17%). The largest percentage increase in commitments went to Europe and Central Asia — which increased to \$10.2 billion in fiscal 2023 from \$6.0 billion in fiscal 2022.

### **New WBG evolution road map is underway**

As discussed above, in response to the G-20's July 2022 CAF report, IBRD has announced new measures to enhance its development impact and implemented initial steps that could raise its financing capacity by up to \$50 billion over the next 10 years. The reforms underway are referred to as the new evolution roadmap.

Most of IBRD's additional lending capacity will come from reducing the bank's minimum equity-to-loans (E/L) ratio to 19% from previously 20%, which the IBRD board approved in April 2023. The E/L ratio is IBRD's key internal leverage metric, and the bank estimates that a one-percentage point reduction will allow it to lend an additional \$4 billion per year or \$40 billion over a 10-year period. Additionally, IBRD raised the limit for bilateral shareholder guarantees by \$5 billion (to \$15 billion from \$10 billion) in fiscal 2023, and further to \$20 billion in July 2023. It has also announced its intention to issue hybrid securities to help boost its lending capacity while also limiting the increase on leverage. [Germany](#) (Aaa stable) has already announced that it would invest €305 million in a shareholder version of a hybrid issuance. Hybrid securities sold to institutional investors are also under consideration for a maximum pilot of \$1 billion. IBRD envisages using hybrid debt to increase its financing capacity by eight times over a 10-year horizon. The combined impact of all the proposals would be to raise IBRD's lending capacity by around \$160 billion over 10 years.

In our [recent research](#) that assessed the potential credit implications of these proposals, we noted that the E/L ratio adjustment will imply higher leverage for IBRD, but will generally not have a significant impact on the bank's credit profile. Assuming an additional \$4 billion in lending and unchanged usable equity, IBRD's leverage ratio under our definition would increase by around seven percentage points to around 420% in fiscal 2024 from 413% in fiscal 2023. Leverage would further increase if the additional capacity were to be fully used in the coming years (\$4 billion per year over 10 years for a total of \$40 billion). Including the multiple additional measures under consideration, we estimate IBRD's leverage could increase to more than 500% by 2033. This would be considerably higher than the 413% in June 2023, but not significantly different from the historic peak of 519% in 2020.

Overall, we do not expect the proposed measures to have a significant credit impact on IBRD, as some of the evolution roadmap measures will help to mitigate the rise in leverage by contributing to an improving DACQ and further strengthening of shareholder support.

### **IBRD continues to support Ukraine directly and through bilateral guarantees**

Since the outbreak of the war with Russia in February 2022, through 30 June 2023, IBRD committed \$4.2 billion to [Ukraine](#) (Ca stable). During the same period, IBRD has disbursed \$2.8 billion to help the government of Ukraine provide critical services. As of June 30, 2023, IBRD's total loans outstanding to Ukraine were \$8.7 billion with \$2.3 billion guaranteed by third parties. In addition, IBRD provided \$0.7 billion of guarantees to Ukraine that were outstanding as of June 30, 2023.

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

Factor / Subfactor	Metric	Initial score	Adjusted score	Assigned score
<b>Factor 1: Capital adequacy (50%)</b>			<b>a2</b>	<b>a2</b>
<b>Capital position (20%)</b>			<b>ba1</b>	
	Leverage ratio	<b>ba1</b>		
	Trend	0		
	Impact of profit and loss on leverage	0		
<b>Development asset credit quality (10%)</b>			<b>aa</b>	
	DACQ assessment	<b>aa</b>		
	Trend	0		
<b>Asset performance (20%)</b>			<b>aa1</b>	
	Non-performing assets	<b>aa1</b>		
	Trend	0		
	Excessive development asset growth	0		
<b>Factor 2: Liquidity and funding (50%)</b>			<b>aa1</b>	<b>aa1</b>
<b>Liquid resources (10%)</b>			<b>aa3</b>	
	Availability of liquid resources	<b>aa3</b>		
	Trend in coverage outflow	0		
	Access to extraordinary liquidity	0		
<b>Quality of funding (40%)</b>			<b>aaa</b>	
<b>Preliminary intrinsic financial strength</b>				<b>aa3</b>
<b>Other adjustments</b>				<b>+1</b>
<b>Operating environment</b>		0		
<b>Quality of management</b>		+1		
<b>Adjusted intrinsic financial strength</b>				<b>aa2</b>
<b>Factor 3: Strength of member support (+3,+2,+1,0)</b>			<b>High</b>	<b>Very High</b>
<b>Ability to support (50%)</b>			<b>baa3</b>	
	Weighted average shareholder rating	<b>baa3</b>		
<b>Willingness to support (50%)</b>				
	Contractual support (25%)	<b>aaa</b>	<b>aaa</b>	
	Strong enforcement mechanism	0		
	Payment enhancements	0		
	Non-contractual support (25%)		<b>Very High</b>	
<b>Scorecard-Indicated Outcome Range</b>				<b>Aaa-Aa2</b>
<b>Rating Assigned</b>				<b>Aaa</b>

**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](#)

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## Endnotes

- 1 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; and the Multilateral Investment Guarantee Agency (MIGA), which insures certain investments against political risks in emerging.
- 2 We define usable equity as total shareholders' equity and exclude callable capital. In fiscal 2023, IBRD's measurement of usable equity was more than \$53 billion, which was a \$2.6 billion increase from the level in fiscal 2022.
- 3 [See Ending Poverty on a Livable Planet: Report to Governors on World Bank Evolution](#), 28 September 2023
- 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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