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RATINGS

IBRD

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

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Analyst Contacts

William Foster +1.212.553.4741
VP-Sr Credit Officer
william.foster@moodys.com

Alexis Corn +1.212.553.0269
Associate Analyst
alexis.corn@moodys.com

Mauro Leos +1.212.553.1947
Associate Managing Director
mauro.leos@moodys.com

Alejandro Olivo +1.212.553.3837
Managing Director
alejandro.olivo@moodys.com

IBRD (World Bank) – Aaa stable

Annual credit analysis

OVERVIEW AND OUTLOOK

The International Bank for Reconstruction and Development (IBRD) is the original World Bank institution and key member of the World Bank Group (WBG). The IBRD provides a combination of financial and technical resources to developing countries and is one of the most active multilateral development bank (MDB) issuers in the international capital market. The bank's Aaa rating is based on its very high intrinsic financial strength and large cushion of callable capital, which provides substantial credit protection to its shareholders.

The IBRD's credit fundamentals reflect its prudent financial policies and effective risk management strategy. The bank's key credit strengths include: (1) high capital adequacy, supported by a robust risk management framework and preferred creditor status that contributes to very strong asset performance; (2) ample liquidity buffers and exceptional access to global funding markets; and (3) a large cushion of callable capital and very high willingness and ability of global shareholders to provide support.

The IBRD's credit challenges stem from its development mandate and international scope, which require it to lend to riskier sovereigns, some of which have no or very limited access to capital markets. As a result, maintaining capital adequacy through a policy-driven rise in leverage is a challenge.

The stable outlook reflects our view that despite relatively high leverage, through prudent and comprehensive risk management policies the 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. 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 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.

This credit analysis elaborates on the IBRD's credit profile in terms of capital adequacy, liquidity and funding and strength of member support, which are the three main analytical factors in Moody's Supranational Rating Methodology.

Organizational structure and strategy

World Bank Group's public sector lender

The IBRD was established in 1944 to help rebuild Europe after World War II. Today, its 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 does not aim to maximize profit, although it earns significant allocable income.[1]

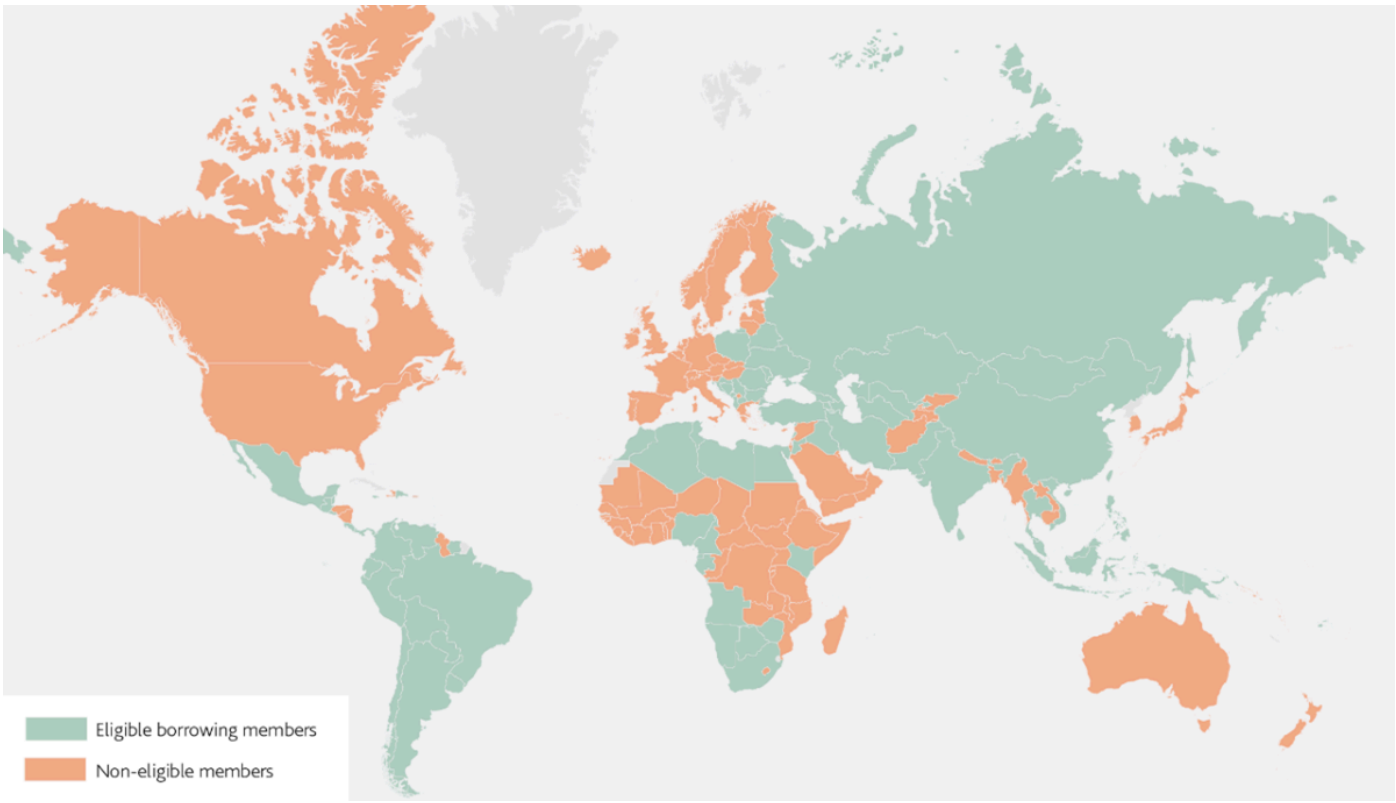
The IBRD is the largest of the WBG entities, which includes: the International Development Association (IDA, Aaa stable), the group's mainly concessional arm for the world's poorest countries; the International Finance Corporation (IFC, Aaa stable), a vehicle for lending to or investing in private sector 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 markets; and the International Center for Settlement of Investment Disputes (ICSID, unrated).

Very large global membership with targeted borrower criteria

With 189 sovereign members, the IBRD's member base is the largest in the MDB universe. While the IBRD does not lend to all of its members, it does have a comparatively larger number of borrowing members than other MDBs. For the fiscal year starting on 1 July 2021 (FY2022), member countries with 2020 per capita gross national income (GNI) of $1,205 or more are eligible to borrow from the IBRD. As of the fiscal year ending on 30 June 2021 (FY2021), 85 members were eligible to borrow from the IBRD (see Exhibit 1). Geographically, countries in Latin America and the Caribbean received 31% of FY2021 net commitments, followed by East Asia and the Pacific (22%), Europe and Central Asia (15%), Middle East and North Africa (13%), South Asia (12%), Eastern and Southern Africa (5%) and Western and Central Africa (2%).

Exhibit 1

Out of IBRD's 189 members, 85 were eligible to borrow from the bank, as of the end of FY2021



Sources: IBRD and Moody's Investors Service

Mission and goals advance development agenda

The WBG defines its mission through two specific goals: (i) to end extreme poverty by reducing the percentage of people living on less than $1.90 per day to no more than 3% globally by 2030 (compared to 10.7% as of 2013); and (ii) to promote shared prosperity in a sustainable manner by fostering income growth for the bottom 40% of the population of every developing country.

Prudent lending ensures financial strength and progress toward development goals

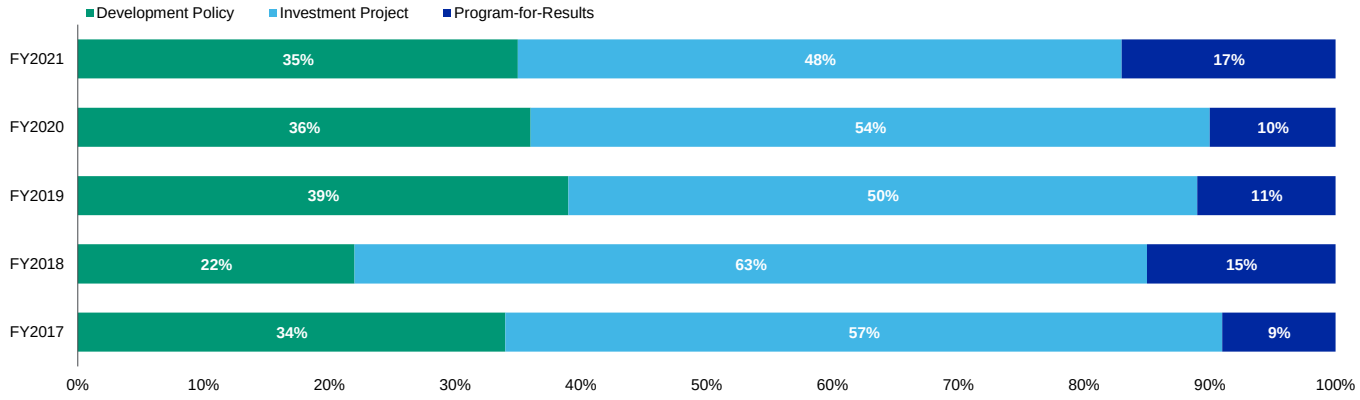
The IBRD pursues its development goals by providing loans, guarantees and knowledge for development-focused projects and programs to creditworthy middle-income and lower-income countries. The bank's objective is to earn adequate income to ensure its financial strength and sustain its development activities – not to maximize profit. As such, it seeks to generate sufficient revenue to conduct its operations and be able to set aside funds in reserves to strengthen its financial position.

The 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 tend to prefer loans denominated in US dollars and euros).[2]

Lending is classified within three instruments: investment project financing (creation of physical and social infrastructure); development policy financing (support for achieving sustainable policy and institutional actions); and program-for-results (design and implementation of development programs). The proportionate share of each category has shifted modestly as its borrowing members' needs have evolved (see Exhibit 2).

Exhibit 2

Lending consists mostly of investment project and development policy financing
(% of total commitments by instruments)



Sources: IBRD and Moody's Investors Service

The IBRD also supports its borrowers by providing access to risk management tools, such as derivative instruments, including currency and interest rate swaps and interest rate caps and collars.

CREDIT PROFILE

Our determination of a supranational's rating is based on three rating factors: capital adequacy, liquidity and funding and strength of member support. For multilateral development banks, the first two factors combine to form the assessment of intrinsic financial strength. Additional factors that can impact the intrinsic financial strength, including risks stemming from the operating environment or the quality of management, are also considered. The strength of member support is then incorporated to yield a rating range. For more information please see our Supranational Rating Methodology.

Capital adequacy score: a1

Factor 1: Capital adequacy

Scale	aaa	aa1	aa2	aa3	a1	a2	a3	baa1	baa2	baa3	ba1	ba2	ba3	b1	b2	b3	caa1	caa2	caa3	ca	c
+					Assigned																-

Sub-factor scores

Capital position	ba1
Development asset credit quality	aa
Asset performance	aaa

Capital adequacy assesses the solvency of an institution. The capital adequacy assessment considers the availability of capital to cover assets in light of their inherent credit risks, the credit quality of the institution's development assets and the risk that these assets could result in capital losses.
Note: In case the Adjusted and Assigned scores are the same, only the Assigned score will appear in the table above.

The resources that an MDB has available to absorb credit or market losses stemming from its operations and preserve its ability to repay debtholders 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.

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 in line with more recent pre-pandemic levels as the global pandemic subsides and loan disbursements moderate.

Capital position is strong, despite rise in leverage

The bank's "ba1" capital position sub-factor score is underpinned by its robust risk management framework and preferred creditor status, which supports strong asset performance and provides a buffer to absorb shocks inherent to business risk.

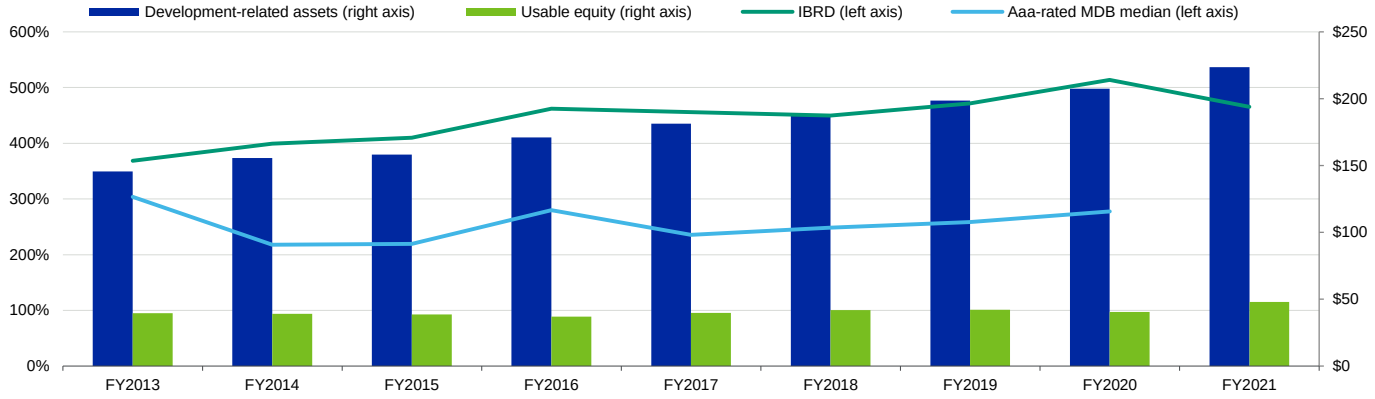
In FY2021, IBRD reported net income of $2 billion, compared to a net loss of $42 million in FY2020. The change was primarily due to $1.2 billion of net unrealized mark-to-market gains on IBRD's non-trading portfolios in FY2021, mainly from derivatives in the loan portfolio. Given IBRD's intention to maintain its non-trading portfolio positions, unrealized mark-to-market gains and losses are not included in its "allocable income."[3] After standard adjustments to arrive at allocable income, the IBRD's internal measurement of profitability and metric for making net income allocation decisions, the bank registered income of $1,248 million, lower than that of FY2020 ($1,381 million). Of this, $874 million was allocated to the General Reserve, $274 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 to that of FY2020.

In addition to retained earnings from its operations, the bank's capital position is further supported by equity contributions from shareholders. On 1 October 2018, the shareholders approved a new capital increase package of $60.1 billion, comprised of $7.5 billion of paid-in capital and $52.6 billion of callable capital, which would be paid in over the next five years. According to our definition of usable equity, IBRD's usable equity increased 19% to about $48 billion in FY2021 compared to FY2020.[4] Under the new General and Selective Capital Increases that were approved by the shareholders in October 2018, the bank received $1.2 billion of paid-in capital in FY2021 bringing the cumulative amounts received to $2.8 billion (37% of the total amount expected from these increases). The shareholders are expected to make their subscription payments within five years. The new capital increases are part of the institutional and financial reforms package endorsed by the Governors in April 2018.

The bank 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. However, we measure the strength of an MDB's capital position by using a different leverage ratio: as development-related assets and liquid assets rated A3 or lower divided by usable equity (total shareholder equity, excluding callable capital). As of FY2021, this leverage ratio stood at 4.75, down from 5.19 in FY2020, but significantly higher than the median of 2.80 for Aaa-rated MDB peers (see Exhibit 3). The gradual rise in the bank's leverage over the longer term has been driven by the bank's pursuit of its Board-mandated development policy objectives and more recently from demand for its resources by member countries to support pandemic relief efforts. Looking ahead, we expect the leverage ratio to gradually decline in line with more recent pre-pandemic levels.

Exhibit 3

Strong demand for loans and lowering of minimum equity-to-loans ratio has led to an increase in leverage
(Development-related assets and liquid assets rated A3 or lower, % of usable equity - left axis; billions of US$ - right axis)



Note: Aaa median is unavailable for FY2021 due to differing financial year reporting dates of MDBs.
Sources: MDB audited financial statements and Moody's Investors Service

The rise in leverage has been driven by the bank's pursuit of its Board-mandated development policy objectives and increased demand for its resources by member countries to support COVID-19 pandemic relief efforts. In 2014, the World Bank Executive Directors lowered the IBRD's minimum equity-to-loans ratio to 20% from 23% to reflect the significant long-term improvement in the IBRD's loan portfolio credit quality, while maximizing the bank's development impact. As of FY2021, the bank's equity-to-loans ratio stood at 22.6% (compared to 22.8% in FY2020), indicating scope to raise leverage further. However, we do not expect the bank to reduce the ratio materially beyond its current level, as changes to the bank's retained earnings formula (which links the amount of capital that is required to be transferred to IDA to IBRD's allocable income) and future inflows from paid-in capital from the 2018 general capital increase will support the bank's equity base. Meanwhile, we do not expect loan disbursements to increase significantly beyond current levels.

In FY2021, leverage increased as the bank raised $68 billion in new medium- and long-term borrowing issuances, less than the $75 billion in debt raised in FY2020, and higher than the $54 billion issued in FY2019. The decrease in issuances in FY2021 was primarily due to lower debt servicing and refinancing requirements. This was done to finance lending operations and meet increased liquidity requirements. The IBRD's borrowing needs have been evolving in proportion to rising demand for its loans since the global financial crisis, which increased further in response to the pandemic. In the run-up to the global financial crisis, the IBRD's borrowing needs declined because it was experiencing negative net loan disbursements as annual loan repayments from borrowers exceeded loan disbursements to borrowers. Since the crisis, it had consistently reported positive yet declining net loan disbursements until FY2019 ($10.1 billion in FY2019, $5.6 billion in FY2018, $8.7 billion in FY2017 and $13.2 billion in FY2016).

In FY2021, the bank reported $31 billion of net loan commitments (net of full terminations and cancellations relating to commitments approved in the same fiscal year) and $14 billion of net loan disbursements. Net loans outstanding increased to $219 billion from $202 billion in FY2020.

New lending commitments comprised of 125 operations, amounting to $31 billion. Regionally, the top three destinations for net loan commitments in FY2021 were Latin America and the Caribbean (31% of total), East Asia and the Pacific (22%) and Europe and Central

Asia (15%). The largest percentage increase in commitments went to East Asia and the Pacific, up to $6.8 billion (22% of total) in FY2021 from $4.8 billion in FY2020. Lending strongly supported coronavirus pandemic efforts. From April 2020 to December 2020, IBRD approved financing for a total of approximately $25 billion as a direct response to the pandemic.

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 the IBRD 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 FY2021, the bank's total exposure to borrowing countries was approximately 68%, well below the 100% statutory limit but up slightly from 65% at the end of FY2020.

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 asset quality deterioration in emerging markets in recent years. Since FY2008, the bank's weighted average borrower rating (WABR) oscillated between Ba2 and Ba3. As of FY2021 the WABR stood at B1, reflecting some deterioration in the credit quality of middle-income borrowers during the 2020-21 period of the pandemic.

Nevertheless, the IBRD's preferred creditor status, in which borrowing members pledge to prioritize debt service to the 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 the IBRD's asset performance remains well anchored by its preferred creditor status, the bank has had periods of higher nonperforming assets (NPAs) due to 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 2022, eight of the bank's 10 largest exposures had stable outlooks. Of the remaining two, Mexico (Baa1 negative) and Turkey (B2 negative) had negative outlooks (see Exhibit 4). In the long run, we do not expect the current global macroeconomic environment to pose a material threat to the IBRD's asset quality, as the probability of default among its borrowers remains remote and portfolio diversification mitigates concentration risk.

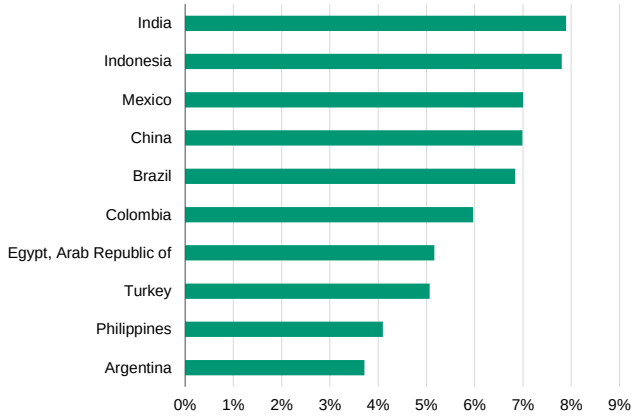
Overall, portfolio concentration is not a credit concern. Altogether, the IBRD's 10 largest exposures, including guarantees, represented about 61% of its total portfolio as of 30 June 2021, which we consider to be a moderate level of concentration.

Given that the 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, the 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.

The IBRD limits its concentration risk exposure (both development-related lending and treasury investments) to individual borrowers based on its risk-bearing capacity. Effective from FY2019 onward, the World Bank's executive directors approved a dual Single Borrower Limit (SBL) system, which differentiates between countries below and above the Graduation Discussion Income (GDI) threshold. GDI is the level of GNI per capita of a member country above which graduation from IBRD starts being discussed. Under this new system, the GDI threshold for FY2021 is $7,065 and the SBL for countries below and above the GDI is $23.5 billion and $20.5 billion, respectively. For FY2021, there are two countries below-GDI and two above-GDI, all of which have their exposure limits set at the respective SBLs.

Exhibit 4

Moderate level of portfolio concentration by country...
(% of total exposure* by country, FY2021)



*Note: Total exposure measured as loans, equity and non-EEA guarantees
Sources: IBRD and Moody's Investors Service

Exhibit 5

...counterbalanced by a geographically very diverse portfolio
(outstanding loan balance by region, FY2021)

Region	Loan Outstanding	Percent
Latin America & Caribbean	68,525	31.10%
Europe & Central Asia	48,012	21.80%
East Asia and Pacific	46,574	21.10%
Middle East & North Africa	30,868	14.00%
South Asia	20,309	9.20%
Eastern & Southern Africa	4,665	2.10%
Western & Central Africa	1,611	0.70%
Total	220,564	100%

Sources: IBRD and Moody's Investors Service

Very strong asset performance is a key credit strength

Asset performance continues to be very strong, with levels of NPAs consistent with an assessment of "aaa." Only one country, Zimbabwe (unrated), was in non-accrual status as of the end of FY2021. The 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 non-accrual status since FY2001, and as of FY2021, the principal in non-accrual status amounted to approximately $432 million, or about 0.2% of total gross loans and guarantees outstanding, after receiving $1.5 million from Zimbabwe over FY2019-21. This has decreased from $444 million in FY2016, due to principal payments of $9 million from Zimbabwe during FY2017 and $1.5 million in FY2019. IBRD's non-accrual is amply covered by the bank's accumulated loan loss provisions of $1.3 billion, or about 0.6% of gross loans and guarantees (see Exhibit 6).

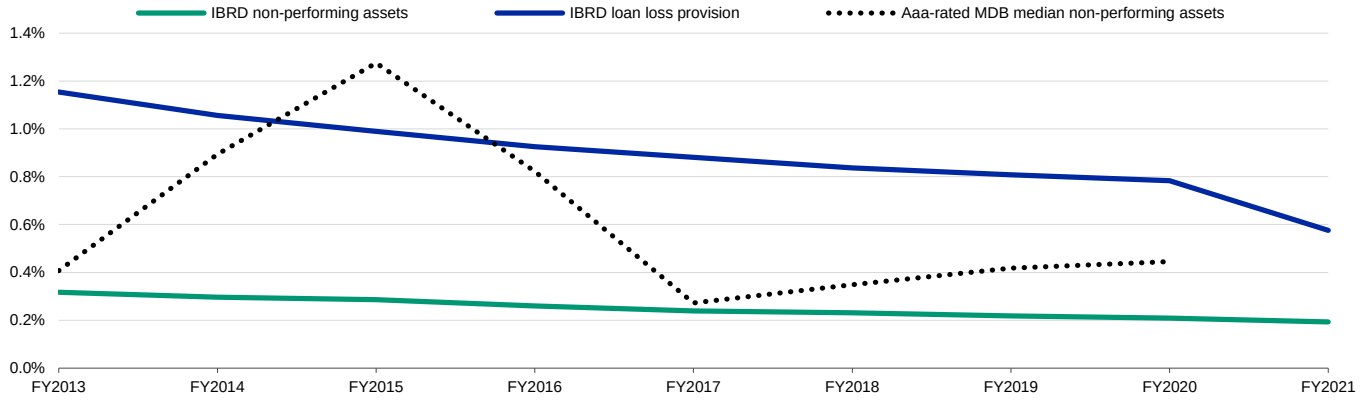
Although the IBRD places its loans on nonperforming status when a country is overdue on its payments by more than six months, the figures do not change if one applies a more conservative and standard period of 90 days.

Problem loans have steadily decreased since FY2005, when the ratio of nonperforming loans to total loans outstanding reached 3.4%. This is notable given the IBRD's countercyclical lending during the global financial crisis and the current pandemic.

On average, the 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 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 strong asset quality has led to a steady decline of the NPA ratio
(% of development assets)



Note: Aaa median is unavailable for FY2021 due to differing financial year reporting dates of MDBs.
Sources: MDB audited financial statements and Moody's Investors Service

Liquidity and funding score: aa1

Factor 2: Liquidity and funding

Scale	aaa	aa1	aa2	aa3	a1	a2	a3	baa1	baa2	baa3	ba1	ba2	ba3	b1	b2	b3	caa1	caa2	caa3	ca	c
+		Assigned																			-

Sub-factor scores	
Liquid resources	aa3
Quality of funding	aaa

An entity's liquidity is important in determining its ability to meet its financial obligations. We evaluate the extent to which liquid assets cover net cash flows over the coming 18 months and the stability and diversification of the institution's access to funding.
Note: In case the Adjusted and Assigned scores are the same, only the Assigned score will appear in the table above.

We consider an MDB's availability of liquid assets in our assessment of its intrinsic financial strength because illiquidity is most often the proximate cause of a financial institution's failure. Liquidity assumes particular importance for MDBs because these entities rely on their own resources in the face of shocks before shareholder support materializes, as most do not have access to the liquidity facilities that central banks provide to commercial banks. We also evaluate the quality of an MDB's access to funding, which is an essential element of maintaining liquidity.

IBRD's "aa1" liquidity and funding score reflects the ample availability of liquid resources and exceptional access to market funding.

IBRD's strong liquidity position supported by a conservative liquidity management strategy

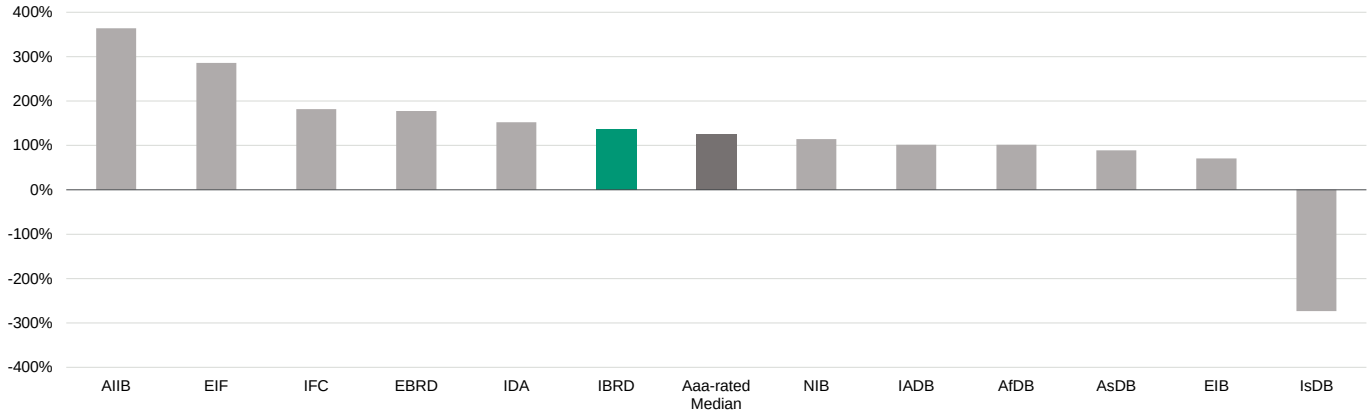
We assess IBRD's liquidity resources as "aa3." We measure an MDB's availability of liquid resources as the percentage of liquid assets of estimated net cash outflows over a period of 18 months. With a ratio of about 137% in FY2021, IBRD's liquid resources more than fully covered potential outflows, and we expect them to remain ample given the bank's internal liquidity management policies, policy restrictions on leverage and pending paid-in capital contributions.

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. The bank'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. Its availability of liquid resources over a longer 18-month period is lower, but generally consistent with that of large regional Aaa-rated MDBs (see Exhibit 7).

Exhibit 7

IBRD's availability of liquid resources ratio is in line with that of large, regional Aaa-rated MDBs
(Liquid assets as % of net cash outflows)

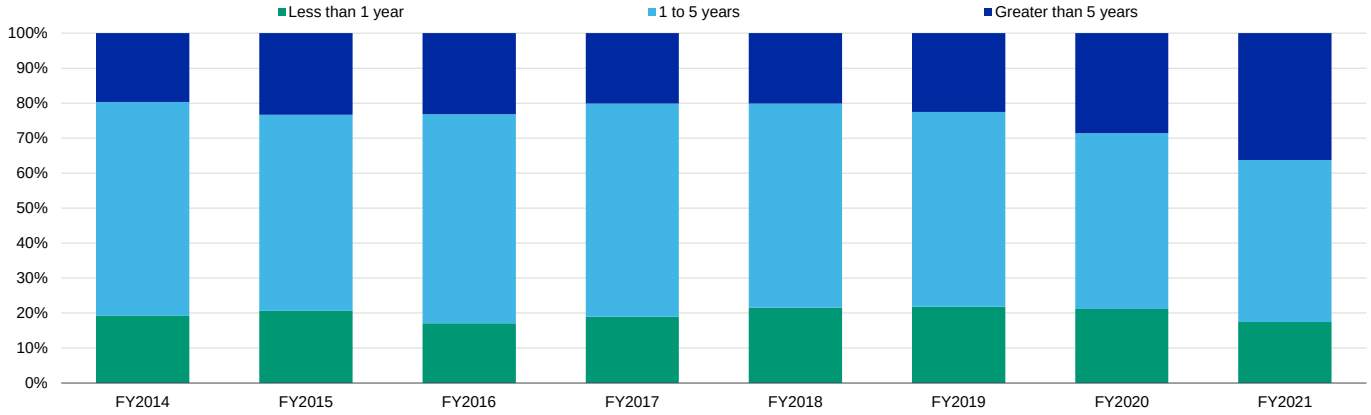


Sources: MDB audited financial statements and Moody's Investors Service

The average contractual maturity of the bank's medium- and long-term borrowings stood at 8.8 years for new issuances in FY2021, higher than the 6.7 years in FY2020 and than in the recent past due to an increase in medium- and long-term debt 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
(% of outstanding borrowings by maturity)*



*Note: IBRD's borrowings have original maturities ranging from 27 days to 50 years
Sources: IBRD and Moody's Investors Service

The IBRD's liquidity management strategy ensures that cash flows are available to meet all financial commitments. Effective FY2017 onward, the bank changed its official liquidity policy to target 12 months of projected debt service and net loan disbursement needs. This policy helps to limit the bank's exposure to potential market disruptions that might affect its funding. In addition, conservative asset/liability management policies greatly reduce financial risks.

Prior to the adoption of the new official liquidity policy, the IBRD's actual liquidity tended to be comfortably above the minimum set by its own policy and was conservatively managed to protect the principal amount of investments while generating a reasonable return. For FY2022, the target liquidity level is set at $57 billion, compared to a target level of $68 billion in FY2021. 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 FY2021, liquid assets were about $83 billion or 122% of the target liquidity level for FY2021.

IBRD's investment portfolio increased by $3.3 billion to $85.8 billion in FY2021, from $82.5 billion in FY2020. Investments remain concentrated in the upper end of the credit spectrum, with 72% rated AA or above, reflecting IBRD'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.

Overall, the maturity profile of the IBRD's borrowings, historical precedence of over-compliance with its liquidity policy, and recent further tightening of its liquidity policy all serve to support our assessment of the bank's stable and robust liquidity position.

Asset/liability management minimizes liquidity risk

The objective of the 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 re-pricing between loans and borrowing; manage the duration of equity; and assist borrowing member countries in managing their interest and currency risks. The 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.

Exceptional market access underpinned by strong brand and global benchmark status

The 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, which supports our overall assessment of Liquidity and Funding at "aa1."

The bank 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. In addition, it issues in other less liquid currencies and different thematic formats, such as green and sustainable development bonds, to help deepen and develop capital markets. IBRD'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.

The strength of its market access has been tested and proven in numerous episodes of market stress. For example, when developed nations were hit hard by the global financial crisis and several of the IBRD's largest members experienced a deterioration in creditworthiness, the IBRD did not experience market dislocation and benefitted from the market's risk aversion as investors sought its bonds as a safe haven investment during the sovereign turmoil. More recently, IBRD has experienced strong investor demand for its debt issuances during the coronavirus pandemic. We expect the IBRD's market access to remain very strong over the medium term.

The IBRD has a sizable annual borrowing program and regularly issues benchmark bonds. 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.

In FY2021, the bank raised $15.8 billion in net medium- and long-term debt (with new issuances of $67.5 billion), a $16.5 billion increase in the borrowing portfolio to $254 billion from $237 billion in FY2020. The average final contractual maturity of the debt issuances for medium- and long-term borrowings was 8.8 years, and funding came from a diverse set of investors, both in terms of geography and investor type.

The IBRD's debt issuances continue to play an important role in the deepening of international capital markets. For example, in FY2021, IBRD issued a $100 million five-year bond to support the United Nations' Children's Fund (UNICEF) for pandemic relief. Since the first green bond was issued by the IBRD in 2008, the bank has issued over $17 billion in green bonds through 200 transactions in 24 currencies. In addition, in August 2018, the bank issued an AUD$110 million, two-year bond using blockchain technology. The bond, dubbed "bondi" (Blockchain Operated New Debt Instrument), is the world's first bond to be created, allocated, transferred and

managed through the use of distributed ledger technology. Although the issuance was small, accounting for less than 1% of the IBRD's average annual borrowing program, and has no impact on the bank's credit profile, the transaction's success exemplifies the IBRD's leading role as a sophisticated capital markets issuer. In August 2019, the bank issued a second tranche of the blockchain bond for AUD $50 million.

The 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 FY2021, IBRD's total borrowing portfolio, after the effects of derivatives, carried variable rates with a weighted average cost of 0.12% compared to 0.9% in FY2020. The decrease from the prior year reflects the decline in short-term market interest rates during the year. This also resulted in a decrease in IBRD's weighted average loan rates, which are also based on short-term interest rates. As a result, IBRD's lending spread was not impacted by the decrease in short-term interest rates.

Qualitative adjustments

Qualitative adjustments to intrinsic financial strength

Adjustments	
Operating environment	0
Quality of management	+1

The capital adequacy and liquidity and funding factors represent the key drivers of our assessment of an institution's intrinsic financial strength (IFS). However, assessments of the operating environment and the quality of management are also important components of our analysis. To capture these considerations, we may adjust the preliminary IFS outcome that results from the capital adequacy factor and the liquidity and funding factor. The result of this analysis is the adjusted IFS outcome.

The IBRD's intrinsic financial strength score of "aa1" reflects a "+1" 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.

Strength of member support score: Very High

Factor 3: Strength of member support

Scale	Very High	High	Medium	Low	Very Low
+	Assigned	Adjusted			-

Sub-factor scores

Ability to support	baa2
Willingness to support: Contractual	aaa
Willingness to support: Non-contractual	Very High

Shareholders' support for an institution is a function of their ability and willingness. Ability to support is reflected by the shareholders' credit quality. Willingness to support takes into consideration (1) the members' contractual obligations that primarily manifest in the callable capital pledge, a form of emergency support, and (2) other non-contractual manifestations of support to the institution's financial standing and mission. Strength of member support can increase the preliminary rating range determined by combining factors 1 and 2 by as many as three scores.
Note: In case the Adjusted and Assigned scores are the same, only the Assigned score will appear in the table above.

The resources that an MDB has available to absorb credit or market losses stemming from its operations and to preserve its ability to repay debtholders 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 the 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 Baa2 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, the IBRD's 'ability to support' score is "baa2," driven by the Baa2 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
($ millions, unless otherwise specified)

	Rating*	Par Value of Shares				Voting Power
		% of Total	Total	Paid-In	Callable	
United States of America	Aaa	16.7%	$49,640	$3,277	$46,363	15.77%
Japan	A1	7.8%	$23,280	$1,585	$21,695	7.41%
China	A1	5.3%	$15,764	$1,043	$14,721	5.03%
Germany	Aaa	4.5%	$13,243	$913	$12,330	4.23%
France	Aa2	4.1%	$12,224	$843	$11,381	3.91%
United Kingdom	Aa3	4.1%	$12,224	$862	$11,362	3.91%
India	Baa3	3.2%	$9,539	$646	$8,893	3.05%
Canada	Aaa	2.9%	$8,499	$620	$7,880	2.72%
Russia	Baa3	2.7%	$8,023	$484	$7,539	2.57%
Saudi Arabia	A1	2.7%	$8,023	$485	$7,538	2.57%
Other		46.2%	$137,399	$8,487	$128,911	48.83%
Total		100.0%	$297,856	$19,244	$278,612	100.00%

*Note: Moody's foreign-currency government bond ratings as of 10 December 2021
Sources: IBRD and Moody's Investors Service

In view of the IBRD's largest shareholders and very large global membership base, we consider the concentration of members and financial/economic linkages 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, the IBRD does not face the risk that isolated regional crises would materially impair its members' ability to provide support.

In addition, the IBRD's membership base has the added diversity of both borrowing and non-borrowing members. Only three of the top 10 shareholders – China (A1 stable), India (Baa3 stable) and Russia (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.

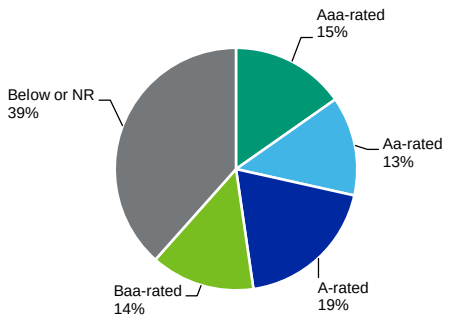
Very high willingness to support, underpinned by contractual and non-contractual support

If the 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, we believe 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. The IBRD scores "aaa" in this ratio, with a FY2021 ratio of 107.1%. 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 $46.4 billion in callable capital pledged to the IBRD, without need for further congressional approval.

Exhibit 10

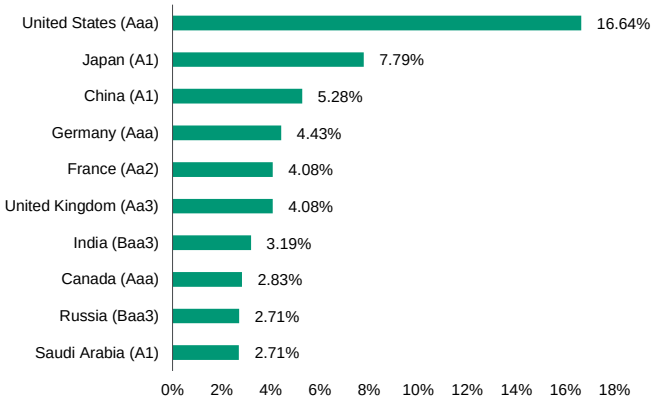
Highly rated sovereigns provide majority of callable capital...
(% of subscribed capital by Moody's rating*)



*Note: Moody's foreign-currency government bond ratings as of 10 December 2021
Sources: MDB audited financial statements and Moody's Investors Service

Exhibit 11

...with a majority of callable capital provided by 10 sovereigns
(% of callable capital provided)



Note: Moody's foreign-currency government bond ratings as of 10 December 2021
Sources: IBRD 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. Should one or more of the member countries fail to meet this obligation, successive calls on the other members would be made until the full amount needed is obtained. However, no country would be required to pay more than its total callable subscription. As a result, we do not consider the 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 the IBRD with a total of $60.1 billion in capital, comprised of $7.5 billion of additional paid-in capital and a $52.6 billion increase in callable capital. The shareholders are expected to make their subscription payments within five years.

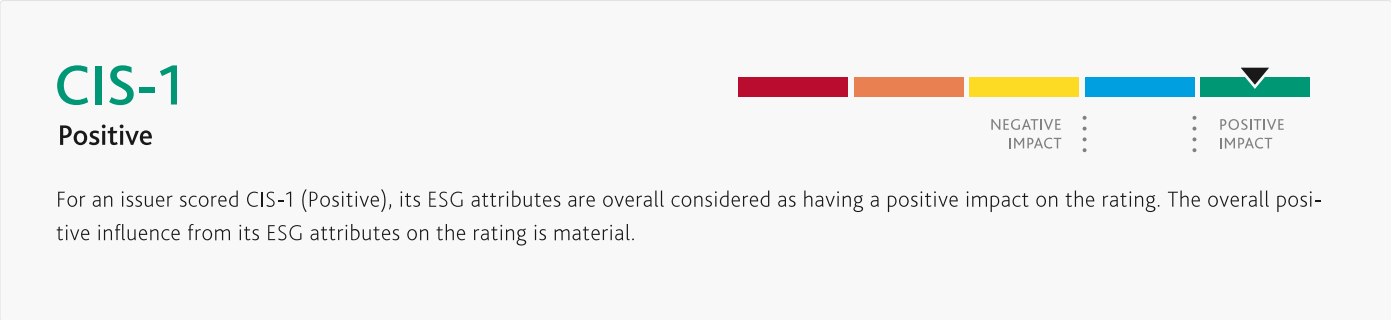
The approval of the latest capital increase affirmed the endorsement of the IBRD by its largest shareholder, the US, and mitigated the risk of a material decline in US support.

Besides contractual support through callable capital, we also believe willingness of shareholders to provide extraordinary, non-contractual support to be "Very High." We believe that in extremely low probability scenarios, when support is needed and callable capital is exhausted or otherwise unavailable, the 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'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 by its 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. 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

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.

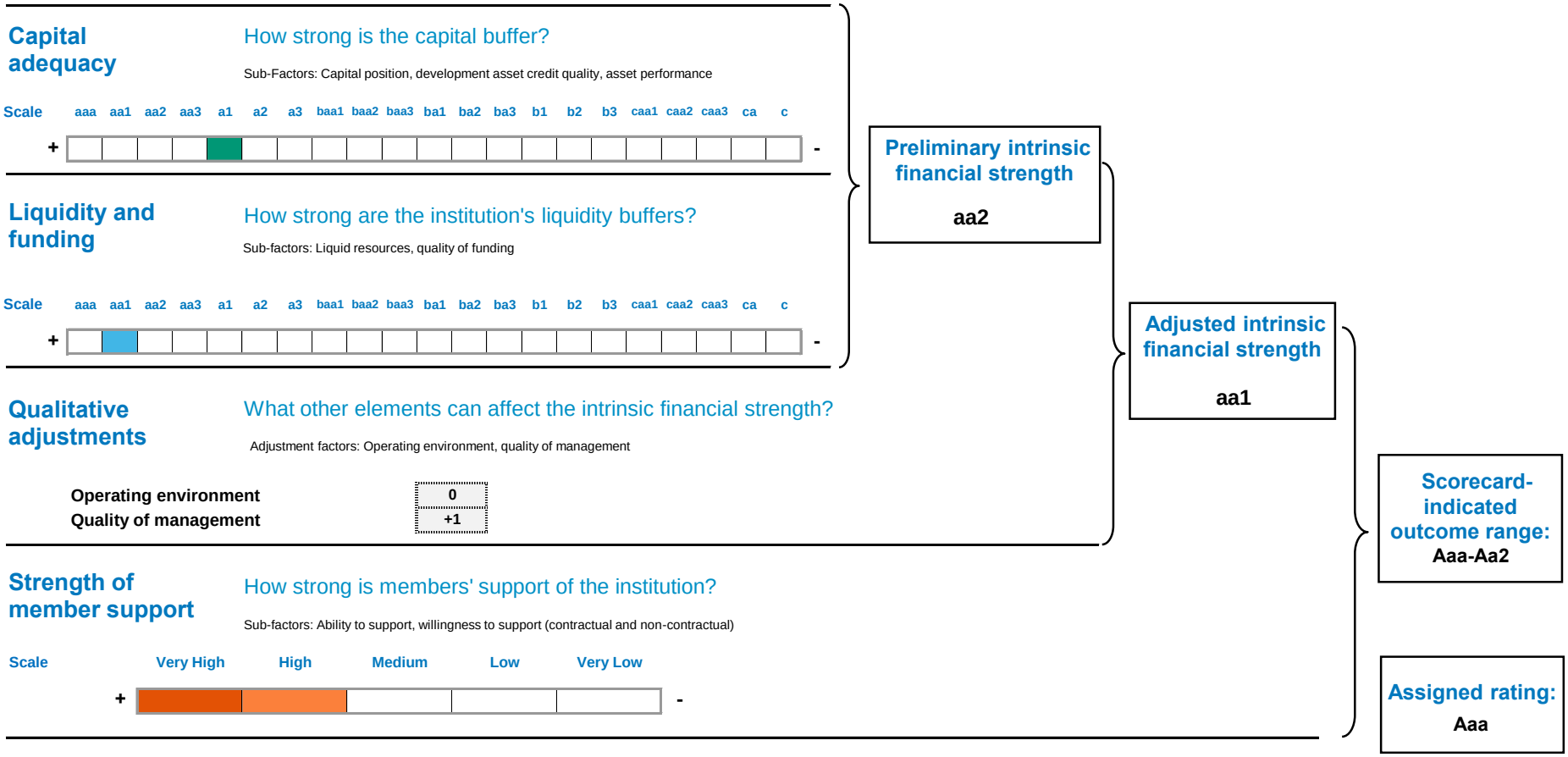
All of these considerations are further discussed in the "Credit profile" section above. Our approach to ESG is explained in our cross-sector methodology General Principles for Assessing ESG Risks. Additional information about our rating approach is provided in our Supranational Rating Methodology.

Rating range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our Supranational Rating Methodology.

Exhibit 14

Supranational rating metrics: IBRD (World Bank)



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding IBRD with other supranational entities that we rate. It focuses on a comparison with supranationals within the same rating range and shows the relevant credit metrics and factor scores.

Exhibit 15

IBRD (World Bank) key peers

	Year	IBRD	IDA	IFC	AfDB	ADB	IADB	Aaa Median
Rating/Outlook		**Aaa/STA**	**Aaa/STA**	**Aaa/STA**	**Aaa/STA**	**Aaa/STA**	**Aaa/STA**	
Total assets (US$ million)	2020	296,804	199,472	95,800	50,552	271,741	151,737	90,709
Factor 1: Capital adequacy		**a1**	**a1**	**a3**	**baa1**	**a1**	**a2**	
DRA / Usable equity[1] [2] [4]	2020	513.8	98.3	186.0	295.5	259.8	313.4	277.6
Development assets credit quality score (year-end)	2020	aa	baa	baa	baa	a	baa	baa
Non-performing assets / DRA[1]	2020	0.2	1.3	4.8	2.6	0.2	0.6	0.6
Return on average assets[4]	2020	0.0	-0.6	-1.7	0.4	0.6	0.4	0.4
Net interest margin (X)[4]	2020	0.7	0.9	1.6	1.2	0.9	1.0	0.9
Factor 2: Liquidity and funding		**aa1**	**aaa**	**aaa**	**aa1**	**aa1**	**aa1**	
Quality of funding score (year-end)	2020	aaa	aaa	aaa	aaa	aaa	aaa	aaa
Liquid assets / ST debt + CMLTD[3][4]	2020	167.3	605.2	330.2	193.9	181.0	203.5	203.8
Liquid assets / Total assets[4]	2020	29.0	17.7	48.2	31.6	18.0	23.7	29.3
Preliminary intrinsic financial strength (F1+F2)		**aa2**	**aa2**	**aa3**	**a1**	**aa2**	**aa3**	
Adjusted intrinsic financial strength		**aa1**	**aa1**	**aa2**	**aa3**	**aa1**	**aa2**	
Factor 3: Strength of member support		**VH**	**H**	**H**	**VH**	**VH**	**VH**	
Weighted average shareholder rating (year-end)	2020	baa2	aa3	baa2	ba2	a3	ba1	baa1
Callable capital / Total debt	2020	111.0	--	--	373.8	112.1	150.0	112.1
Callable capital (CC) of Baa3-Aaa members/Total CC[4]	2020	81.0	--	--	46.9	91.6	66.7	90.9
Scorecard-indicated outcome range (F1+F2+F3)		**Aaa-Aa2**	**Aaa-Aa2**	**Aaa-Aa2**	**Aaa-Aa2**	**Aaa-Aa2**	**Aaa-Aa2**	

[1] Development related assets
[2] Usable equity is total shareholder's equity and excludes callable capital
[3] Short-term debt and currently-maturing long-term debt
[4] Ratio not used in Scorecard
Source: Moody's Investors Service

DATA AND REFERENCES

Rating history

Exhibit 16
IBRD[1]

	Long-Term Ratings		Short-Term		
Supranational	Senior	Subordinate	Ratings	Outlook	Date
IBRD (World Bank)	Aaa	-	P-1	STA	November-18
IBRD (World Bank)	Aaa	-	(P)P-1	STA	November-17
IBRD (World Bank)	Aaa	-	P-1	STA	May-10
IBRD (World Bank)	Aaa	-	-	STA	November-03
IBRD (World Bank)	Aaa	-	-	-	January-62

Notes: [1] Table excludes rating affirmations. Please visit the issuer page for IBRD for the full rating history.
Source: Moody's Investors Service

Annual statistics

Exhibit 17

IBRD (World Bank)

Balance Sheet, USD Millions	2015	2016	2017	2018	2019	2020	2021
Assets							
Cash & Equivalents	388	1,284	683	619	895	1,870	2,347
Securities	49,951	53,522	72,973	72,569	81,415	84,161	87,904
Derivative Assets	134,325	144,488	150,112	2,460	2,840	3,744	3,355
Net Loans	155,040	167,643	177,422	183,588	192,752	202,158	218,799
Other Assets	3,521	4,323	4,708	4,564	5,129	4,871	4,896
Total Assets	**343,225**	**371,260**	**405,898**	**263,800**	**283,031**	**296,804**	**317,301**
Liabilities							
Borrowings	164,555	183,408	206,315	208,039	230,190	243,276	260,138
Derivative Liabilities	132,324	141,741	153,129	7,932	3,053	1,473	1,222
Other Liabilities	7,709	9,048	6,656	5,985	7,673	11,668	7,863
Total Liabilities	**304,588**	**334,197**	**366,100**	**221,956**	**240,916**	**256,417**	**269,223**
Equity							
Subscribed Capital	252,821	263,329	268,937	274,730	279,953	288,002	297,856
Less: Callable Capital	237,629	247,524	252,828	258,274	262,892	269,968	278,612
Equals: Paid-In Capital	15,192	15,805	16,109	16,456	17,061	18,034	19,244
Retained Earnings (Accumulated Loss)	27,501	27,996	27,759	28,457	28,807	28,765	31,007
Accumulated Other Comprehensive Income (Loss)	-3,213	-6,126	-3,376	-2,422	-3,103	-5,726	-1,565
Other Equity	-843	-612	-694	-647	-650	-686	-608
Total Equity	**38,637**	**37,063**	**39,798**	**41,844**	**42,115**	**40,387**	**48,078**

Note: In FY2019, 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 FY2019 and the restated period of FY2018.
Source: Moody's Investors Service

Exhibit 18

IBRD (World Bank)

Income Statement, USD Millions	2015	2016	2017	2018	2019	2020	2021
Net Interest Income	**1,320**	**1,828**	**1,667**	**1,716**	**1,787**	**2,098**	**2,364**
Interest Income	1,712	2,614	3,512	4,635	6,565	5,852	3,026
Interest Expense	392	786	1,845	2,919	4,778	3,754	662
Net Non-Interest Income	**658**	**1,560**	**792**	**1,218**	**1,204**	**281**	**2,425**
Net Commissions/Fees Income	739	835	890	969	1,015	917	891
Other Income	-81	725	-98	249	189	-636	1,534
Other Operating Expenses	**2,774**	**2,836**	**2,685**	**2,267**	**2,436**	**2,403**	**2,604**
Administrative, General, Staff	1,701	1,822	1,751	1,777	2,119	2,080	2,142
Grants & Programs	825	772	519	196	356	358	429
Other Expenses	248	242	415	294	-39	-35	33
Pre-Provision Income	**-796**	**552**	**-226**	**667**	**555**	**-24**	**2,185**
Loan Loss Provisions (Release)	-10	57	11	-31	50	18	146
Net Income (Loss)	**-786**	**495**	**-237**	**698**	**505**	**-42**	**2,039**
Other Accounting Adjustments and Comprehensive Income	-151	-2,913	2,750	954	-836	-2,623	4,161
Comprehensive Income (Loss)	**-937**	**-2,418**	**2,513**	**1,652**	**-331**	**-2,665**	**6,200**

Source: Moody's Investors Service

Exhibit 19

IBRD (World Bank)

Financial Ratios	2015	2016	2017	2018	2019	2020	2021
Capital Adequacy, %							
DRA / Usable Equity	409.7	461.8	455.9	449.9	471.5	513.8	465.2
Development Assets Credit Quality (Year-End)	--	--	--	aa	aa	aa	aa
Non-Performing Assets / DRA	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Return On Average Assets	-0.2	0.1	-0.1	0.2	0.2	0.0	0.7
Net Interest Margin	0.6	0.8	0.7	0.7	0.6	0.7	0.8
Liquidity, %							
Quality of Funding Score (Year-End)	--	--	--	aaa	aaa	aaa	aaa
Liquid Assets / ST Debt + CMLTD	135.0	158.4	189.2	163.1	163.9	167.3	199.5
Liquid Assets / Total Debt	30.6	29.9	35.7	35.2	35.8	35.4	34.7
Liquid Assets / Total Assets	14.7	14.8	18.1	27.7	29.1	29.0	28.4
Strength of Member Support, %							
Weighted Average Shareholder Rating (Year-End)	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2
Callable Capital / Gross Debt	144.4	135.0	122.5	124.1	114.2	111.0	107.1
Callable Capital (CC) of Baa3-Aaa Members/Total CC	82.7	80.7	79.5	77.9	81.4	81.0	81.1

Source: Moody's Investors Service

Moody's related publications

» **Credit Opinion**: IBRD (World Bank) – Aaa stable: Update following rating affirmation, outlook unchanged, 27 January 2022

» **Rating Methodology**: Multilateral Development Banks and Other Supranational Entities, 28 October 2020

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related websites and information sources

» Sovereign and supranational risk group web page

» Sovereign and supranational rating list

» The IBRD (World Bank) website

Authors

William Foster
VP-Sr Credit Officer

Alexis Corn
Associate Analyst

Endnotes

1 Allocable income, a non-GAAP financial measure, is the IBRD's internal measurement of profitability and metric for making net income allocation decisions. Given the IBRD's intention to maintain its non-trading portfolio positions, unrealized mark-to-market losses and gains are not included in the IBRD's allocable income.

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

3 Given the IBRD's intention to maintain its non-trading portfolio positions, unrealized mark-to-market losses and gains are not included in IBRD's allocable income, which is the income measure used as the basis for making net income allocation decisions.

4 We define usable equity as total shareholders' equity and exclude callable capital. In FY2021, the IBRD's measurement of usable equity was nearly $50 billion, which was a $2.9 billion increase compared to FY2020.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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