THE WORLD BANK
Treasury | IBRD • IDA

PRODUCT NOTE

IBRD Flexible Loan with Variable Spread: Pricing Basics

Highlights

- *The lending rate is comprised of a variable reference rate plus a variable spread.*
- *The applicable spread is the one prevailing at loan signing and may be different from the spread prevailing at negotiations.*
- *The applicable spread for disbursements of loans with a Deferred Drawdown Option (DDO) is the spread prevailing on the withdrawal date.*
- *IBRD loan pricing is subject to annual and periodic reviews.*

IBRD pricing is based on a floating reference rate for a six-month interest rate period[1] plus a variable spread. The applicable spread will vary according to average repayment maturity and country groups[2].

In addition to the spread over the reference rate, the Bank charges a front-end fee and a commitment fee. See overleaf for sample pricing. Please note that pricing may be different based on the date of invitation to negotiate and the date of Board approval of the loan. For the latest IBRD lending rates, loan charges, and pricing in currencies other than US dollar, please visit the World Bank Treasury website:

http://treasury.worldbank.org/en/about/unit/treasury/ibrd-financial-products/lending-rates-and-fees

Variable Spread

The variable spread includes a contractual spread, a maturity premium (where applicable), and a charge to cover the Bank's average funding spread relative to SOFR or EURIBOR, wherein the benefits and risks of changes in IBRD's cost of borrowing are borne by the borrower. The variable spread is recalculated every January 1, April 1, July 1, and October 1 based on the cost of the underlying funding for these loans.

Single Borrower Limit (SBL) Surcharge

IBRD member countries are subject to a Single Borrower Limit (SBL). There is a surcharge of 50 basis points per annum on

Pricing Structure

loan balances in excess of the respective country's SBL threshold, as determined by the Board from time to time. The SBL threshold is $28.9 billion for countries that are Below Graduation Discussion Income (GDI) and $21.2 billion for countries that are Above GDI for FY24.

IFL with a Deferred Drawdown Option

Development Policy Loans (DPLs) with a Deferred Drawdown Option (DPL DDOs) and DPLs with Catastrophe Deferred Drawdown Options (Cat DDO) allow the borrower to defer the disbursement of funds until the financing is needed.
These loans carry the same lending rates as regular IBRD loans. Loan charges vary according to the type of DDO.

DDO disbursements are priced at the prevailing spread over the corresponding reference rate for IBRD loans at the time of withdrawal based on applicable average repayment maturity (ARM). The calculation of ARM begins at loan effectiveness for the determination of the maturity premium (if applicable), but at withdrawal for the remaining components of the spread.

Climate Resilient Debt Clause (CDRC) Fee

IBRD Flexible loan covers small states, whose economies are disproportionately vulnerable, against natural disasters. By including the CRDC in their loan agreement, eligible borrowers[3] can defer their principal and interest payments and other loan charges for up to 2 years in case of predefined disasters.

The fee for CRDCs is 5 basis points per annum on the disbursed and outstanding loan balance. This fee will start accruing one year before the first scheduled principal repayment and will continue accruing until either earlier of (a) deferral option exercise, and (b) 5 years prior to the loan's original final maturity.

Pricing Review Process

The World Bank conducts an annual review of loan charges—the contractual lending spread, maturity premium, front-end fee, and commitment fee—to ensure that pricing is regularly updated and aligned with the prevailing needs of the institution and its shareholders.

[1] SOFR for USD, SONIA for GBP, TONA for JPY, and EURIBOR for EUR. SOFR stands for the Secured Overnight Financing Rate and is a broad measure of the cost of overnight borrowing collateralized by the U.S. Treasury securities in the repurchase agreement market, published by the Federal Reserve Bank of New York. SONIA stands for Sterling Overnight Index Average and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and is administered and published by the Bank of England. TONA stands for Tokyo Overnight Average Rate and measures the cost of borrowing in the Japanese yen unsecured overnight money market and is administered and published by the Bank of Japan. EURIBOR stands for Euro Interbank Offered Rate and is a daily reference rate based on the averaged interest rates at which Eurozone banks offer to lend unsecured funds to other banks in the euro interbank market (visit www.euribor-ebf.eu).

[2] Countries are classified into one of four pricing groups: A,B,C, or D. **Group A**: Blends, small states, countries in fragile and conflict-affected situations (FCS) and recent IDA graduates. These countries are exempt from the maturity premium increase regardless of their income levels**. Group B**: Countries below-GDI which do not qualify for an exemption listed in Group A. **Group C**: Countries above-GDI, but below high-income country status, and which do not qualify for an exemption listed in Group A. **Group D**: Countries with high income status and which do not qualify for an exemption listed in Group A.

[3] IBRD and IDA-eligible Small States, members of Small States Forum and Small Island Developing States as defined by UN

USD Lending Rates and Charges for the IBRD Flexible Loan

IBRD Flexible loan variable spread is the sum of the contractual spread, the maturity premium (based on the country grouping and the actual funding cost.)

Loan Charges	
Front-End Fee	0.25%
Commitment Fee	0.25%
DPL DDO Fees	0.25% Front-End Fee; 0.50% Stand-by Fee
Cat DDO Fees	0.50% Front-End Fee; 0.25% Renewal Fee
CRDC Fee for eligible borrowers who opt in	0.05%

Variable Spread [4] as of January 2024													
Reference Rate		**SOFR for USD, SONIA for GBP, TONA for JPY, and EURIBOR for EUR (6 months interest rate period)**											
Average Repayment Maturity		**Up to 8 Years**		**Greater than 8 to 10 Years**		**Greater than 10 to 12 Years**		**Greater than 12 to 15 Years**		**Greater than 15 to 18 Years**		**Greater than 18 to 20 Years**	
Currency		USD GBP JPY	EUR	USD GBP JPY	EUR	USD GBP JPY	EUR	USD GBP JPY	EUR	USD GBP JPY	EUR	USD GBP JPY	EUR
Average Funding Spread		0.44%	-0.01%	0.44%	-0.01%	0.44%	-0.01%	0.44%	-0.01%	0.44%	-0.01%	0.44%	-0.01%
Contractual Spread		0.50%		0.50%		0.50%		0.50%		0.50%		0.50%	
Standard Maturity Premium	Group A	0		0.10%		0.20%		0.30%		0.40%		0.50%	
	Group B	0		0.10%		0.25%		0.40%		0.55%		0.70%	
	Group C	0		0.10%		0.30%		0.50%		0.70%		0.90%	
	Group D	0.05%		0.15%		0.40%		0.65%		0.90%		1.15%	
Total Spread													
Group A		0.94%	0.49%	1.04%	0.59%	1.14%	0.69%	1.24%	0.79%	1.34%	0.89%	1.44%	0.99%
Group B		0.94%	0.49%	1.04%	0.59%	1.19%	0.74%	1.34%	0.89%	1.49%	1.04%	1.64%	1.19%
Group C		0.94%	0.49%	1.04%	0.59%	1.24%	0.79%	1.44%	0.99%	1.64%	1.19%	1.84%	1.39%
Group D		0.99%	0.54%	1.09%	0.64%	1.34%	0.89%	1.59%	1.14%	1.84%	1.39%	2.09%	1.64%

Please see the IBRD Flexible Loan product note for major terms and conditions related to the loan. These handouts serve as marketing material and do not provide the complete terms and conditions of IBRD loans. Borrowers should refer to their loan agreements and General Conditions with respect to individual loans.

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[4] *The fixed spread term under the IFL is suspended effective April 1, 2021.*