THE WORLD BANK
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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.*

Pricing Structure

IBRD pricing is based on a floating reference rate, usually six-month LIBOR,[1] plus a variable spread. The applicable spread will vary according to average repayment maturity and country circumstances. In addition to the spread over LIBOR, 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 cost relative to LIBOR, 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 loan balances in excess of the respective country's SBL threshold, as determined by the Board from time to time.

The 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 LIBOR 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.

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] London Interbank Offered Rate (LIBOR) is a floating interest rate. It is the rate at which banks can borrow unsecured funds from other banks in the London wholesale money market. IBRD loans denominated in euro will have the Euro Interbank Offered Rate, Euribor, as the base lending rate.

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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; group C is the standard maturity premium and then adjustments or surcharges apply for groups A, B, and D), and the actual funding cost.

Variable Spread **As of July 1, 2021**						
Reference Rate	**6-Month LIBOR**					
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**
Contractual Spread	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Standard Maturity Premium (Group C)	0	0.10%	0.30%	0.50%	0.70%	0.90%
Actual Funding Cost	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Adjustment to Standard Maturity Premium						
Group A (Exemption)	0	0	-0.10%	-0.20%	-0.30%	-0.40%
Group B (Discount)	0	0	-0.05%	-0.10%	-0.15%	-0.20%
Group D (Surcharge)	0.05%	0.05%	0.10%	0.15%	0.20%	0.25%
Total Spread						
Group A	0.53%	0.63%	0.73%	0.83%	0.93%	1.03%
Group B	0.53%	0.63%	0.78%	0.93%	1.08%	1.23%
Group C	0.53%	0.63%	0.83%	1.03%	1.23%	1.43%
Group D	0.58%	0.68%	0.93%	1.18%	1.43%	1.68%

IBRD Flexible loan fixed spread is the sum of the contractual spread, the maturity premium (based on the country grouping; group C is the standard maturity premium and then adjustments or surcharges apply for groups A, B, and D), market risk premium, and the projected 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

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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