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.

**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 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 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.

**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.

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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](http://www.euribor-ebf.eu)).
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.

<table>
<thead>
<tr>
<th>Reference Rate</th>
<th>Up to 8 Years</th>
<th>Greater than 8 to 10 Years</th>
<th>Greater than 10 to 12 Years</th>
<th>Greater than 12 to 15 Years</th>
<th>Greater than 15 to 18 Years</th>
<th>Greater than 18 to 20 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>USD</td>
<td>GBP</td>
<td>JPY</td>
<td>USD</td>
<td>GBP</td>
<td>JPY</td>
</tr>
<tr>
<td>Average Funding Spread</td>
<td>0.15%</td>
<td>-0.02%</td>
<td>0.15%</td>
<td>-0.02%</td>
<td>0.15%</td>
<td>-0.02%</td>
</tr>
<tr>
<td>Contractual Spread</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Standard Maturity Premium (Group C)</td>
<td>0</td>
<td>0.10%</td>
<td>0.30%</td>
<td>0.50%</td>
<td>0.70%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Adjustment to Standard Maturity Premium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A (Exemption)</td>
<td>0</td>
<td>0</td>
<td>-0.10%</td>
<td>-0.20%</td>
<td>-0.30%</td>
<td>-0.40%</td>
</tr>
<tr>
<td>Group B (Discount)</td>
<td>0</td>
<td>0</td>
<td>-0.05%</td>
<td>-0.10%</td>
<td>-0.15%</td>
<td>-0.20%</td>
</tr>
<tr>
<td>Group D (Surcharge)</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.10%</td>
<td>0.15%</td>
<td>0.20%</td>
<td>0.25%</td>
</tr>
<tr>
<td>Total Spread</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A</td>
<td>0.65%</td>
<td>0.48%</td>
<td>0.75%</td>
<td>0.58%</td>
<td>0.85%</td>
<td>0.68%</td>
</tr>
<tr>
<td>Group B</td>
<td>0.65%</td>
<td>0.48%</td>
<td>0.75%</td>
<td>0.58%</td>
<td>0.90%</td>
<td>0.73%</td>
</tr>
<tr>
<td>Group C</td>
<td>0.65%</td>
<td>0.48%</td>
<td>0.75%</td>
<td>0.58%</td>
<td>0.95%</td>
<td>0.78%</td>
</tr>
<tr>
<td>Group D</td>
<td>0.70%</td>
<td>0.53%</td>
<td>0.80%</td>
<td>0.63%</td>
<td>1.05%</td>
<td>0.88%</td>
</tr>
</tbody>
</table>

Loan Charges

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Front-End Fee</td>
<td>0.25%</td>
</tr>
<tr>
<td>Commitment Fee</td>
<td>0.25%</td>
</tr>
<tr>
<td>DPL DDO Fees</td>
<td>0.25% Front-End Fee; 0.50% Stand-by Fee</td>
</tr>
<tr>
<td>Cat DDO Fees</td>
<td>0.50% Front-End Fee; 0.25% Renewal Fee</td>
</tr>
</tbody>
</table>

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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2 The fixed spread term under the IFL is suspended effective April 1, 2021.