

### Rating Action: **Moody's affirms IBRD's Aaa rating, maintains stable outlook**

---

17 Jan 2020

New York, January 17, 2020 -- Moody's Investors Service, ("Moody's") has today affirmed the International Bank for Reconstruction and Development's (World Bank) Aaa long-term issuer and senior unsecured ratings. The outlook remains stable.

The key factors underpinning the affirmation are:

1. High capital adequacy, underpinned by a robust risk management framework that contributes to very strong asset performance
2. Ample liquidity buffers and exceptional access to global funding markets
3. Large cushion of callable capital and very high willingness and ability of global shareholders to provide support

Concurrently, IBRD's (P)Aaa senior unsecured MTN program rating and P-1 other short-term rating have been affirmed.

The stable outlook reflects Moody's expectations of no material changes to IBRD's intrinsic financial strengths or shareholders' support in the coming years, given its strong governance and global public policy role.

#### RATINGS RATIONALE

##### RATIONALE FOR AFFIRMATION OF Aaa RATING

##### FIRST DRIVER: HIGH CAPITAL ADEQUACY, UNDERPINNED BY ROBUST RISK MANAGEMENT AND VERY STRONG ASSET PERFORMANCE

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" is supported by its robust risk management framework and preferred creditor status that contribute to strong asset performance. While the bank's Weighted Average Borrower Rating of "ba2" reflects its focus of lending largely to developing middle-income sovereigns, the bank uses various safeguards, including statutory lending limits, to ensure strong capital adequacy and limit concentration risk. In addition, the wide breadth of lending across countries and sectors provides very high diversification that reduces the risk that a significant proportion of the bank's assets become non-performing. This has led to a very strong record of asset performance with, on average, only 0.2% of total outstanding development assets qualifying as non-performing over the past three fiscal years.

These strengths more than offset the credit impact of a rise in leverage, which Moody's measures as the ratio of development-related assets to useable equity (total shareholder equity, excluding callable capital), on the bank's capital adequacy. As of the fiscal year ending in June 2019 (fiscal 2019), IBRD's leverage ratio stood at 4.7, up marginally from 4.5 in fiscal 2018, but significantly higher than the median of 2.5 for Aaa-rated Multilateral Development Bank (MDB) peers.

The rise in IBRD's leverage has been driven by the bank's pursuit of its Board mandated development policy objectives since the global financial crisis. Meanwhile, in 2014, in response to the significant long-term improvement in IBRD's loan portfolio credit quality, the World Bank Executive Directors implemented a lowering of the bank's internal minimum equity-to-loans ratio from 23% to 20%. Looking ahead, Moody's does not expect the leverage ratio to increase significantly beyond current levels, supported by lower expected income transfers to the International Development Association (IDA, Aaa stable), increased future inflows of shareholder paid-in capital from the bank's 2018 general capital increase, and a relatively stable outlook for loan disbursements.

##### SECOND DRIVER: AMPLE LIQUIDITY AND EXCEPTIONAL ACCESS TO GLOBAL FUNDING MARKETS

IBRD's intrinsic financial strength is further supported by its ample liquidity and exceptional access to international funding markets.

IBRD's liquidity position is underpinned by its conservative asset and liability management policies. The bank'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. In fiscal 2019, the bank's ratio of about 111% of estimated net cash outflows over the next 18 months, more than fully covered potential outflows.

Meanwhile, IBRD's liquid asset investment portfolio consists mostly of short-term, highly rated sovereign government bonds, debt instruments issued by sovereign government agencies, and bank time deposits. As of 30 June 2019, 67% of these investments were with issuers and counterparties rated Aaa and Aa, and approximately 78% was due to mature within six months. In addition, the bank uses derivatives to manage its exposure to interest and currency risks, and repricing between loans and borrowing.

IBRD's access to international funding markets is exceptional. It has a sizable annual borrowing program, regularly issues benchmark bonds and has a deep and diverse investor base. In fiscal 2019, the bank raised a total of \$54 billion in medium- and long-term debt. Since 1947, it has issued bonds in more than 60 different currencies and has been an innovator in new financing markets, such as green bonds and using block chain technology. The bank's investor base is diversified by both investor type and geography, demonstrating strong global support for its development mandate from both official and institutional investors. The Basel Committee also classifies IBRD securities as high quality liquid assets with zero risk weight.

#### THIRD DRIVER: LARGE CUSHION OF CALLABLE CAPITAL AND VERY HIGH SHAREHOLDER SUPPORT

IBRD's large cushion of callable capital and very high willingness of shareholders to support the bank, underpin Moody's very high assessment of the bank's strength of member support.

At 114%, the bank's amount of callable capital more than fully covers its outstanding debt stock. At Baa2, IBRD's Weighted Average Shareholder Rating (WASR) is strong, but slightly lower than the MDB Aaa peer median of Baa1. Nonetheless, the bank's strong track record of consistent general capital increases, including the most recent increase in 2018, implies very strong willingness of support by its members for its role as the preeminent international Multilateral Development Bank (MDB) dedicated to global poverty reduction and development.

#### RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects Moody's view that despite a rise in leverage, through prudent and comprehensive risk management policies the IBRD will maintain its very strong capital adequacy and liquidity, along with very high shareholder support, thus keeping its credit profile in line with its Aaa rating.

#### ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Environmental considerations are not material for IBRD's rating. Although IBRD's borrowers are exposed to the negative impact of climate trends, the geographically diverse structure of the institution's development portfolio offsets this risk.

Social considerations are not material for IBRD's rating. Moody's does not expect social risks affecting IBRD's borrowers to impact its financial strength.

Governance considerations are material. IBRD adheres to robust and conservative risk management practices, which Moody's believes limits the risks associated with its development lending to sovereigns in emerging and frontier markets.

#### 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 combined with a decline in asset quality resulting from sovereign credit stress among its largest borrowing countries. Despite the IBRD's intrinsic financial strength derived from its strong financials and conservative risk management, a decline in shareholder support would also be credit negative.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational

Entities published in June 2019. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for additional regulatory disclosures for each credit rating.

William Foster  
VP - Senior Credit Officer  
Sovereign Risk Group  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Yves Lemay  
MD - Sovereign Risk  
Sovereign Risk Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

**MOODY'S**  
INVESTORS SERVICE

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees,

agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.