International Bank for Reconstruction and Development

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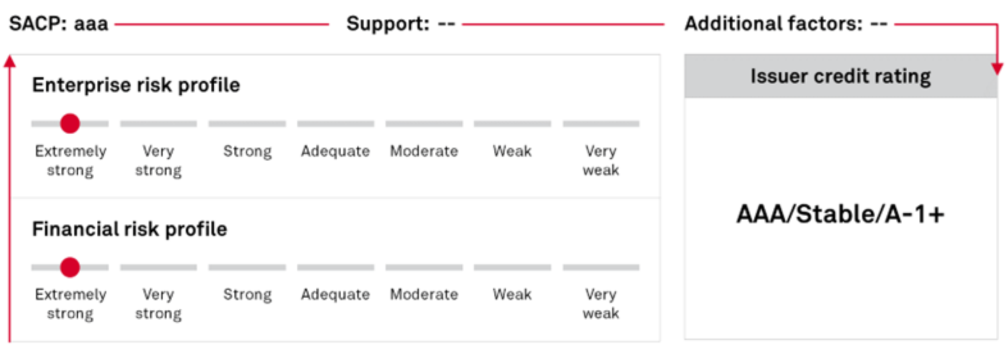
This report does not constitute a rating action.

Ratings Score Snapshot



SACP--Stand-alone credit profile.

Overview

Enterprise risk profile	Financial risk profile
Policy importance remains among the highest in the sector.	Conservative capital management supported by the financial sustainability framework.
--Strong commitment from shareholders with steady progress on the US$7.5 billion capital increase.	--Risk-adjusted capital (RAC) ratio of 23.7% supports planned lending.
--Sound governance and conservative risk management.	--Robust liquidity buffers.
--Strong track record of preferred creditor treatment, despite recent arrears from Belarus.	--Regular benchmark issuer in global capital markets and a leader in developing the sustainable bond market.

During 2023, the World Bank Group (WBG) launched a new evolution roadmap to clarify and expand its mission of ending extreme poverty on a livable planet, representing larger-than-ever financing needs. The evolution roadmap envisages a significant ramping-up of activities and explicitly recognizes the amplified mandate of reducing environmental risk, for instance by targeting net zero greenhouse gas emissions. Global challenges, geopolitics, poverty, and getting back on track to meet the 2030 U.N. Sustainable Development Goals (SDG) remains key, and the sizable financing needs prompt the bank to increase its ambitions without compromising its robust financial position.

The International Bank for Reconstruction and Development's (IBRD's) policy importance has been underscored by the bank's leading role responding to multiple crises, including the COVID-19 pandemic, the Russia-Ukraine conflict, and worsening climate change impacts. IBRD deployed US$45.6 billion from April 2020 to June 2021 to respond to the pandemic, including drawing down about half of its US$10 billion crisis buffer in the fiscal year ended June 30, 2021. During fiscal 2023, new commitments were US$5.5 billion higher than the previous year, reflecting continued support for COVID-19-related efforts. IBRD continues to be at the forefront of climate finance and responding to climate change impacts in its member countries, and all projects are screened for climate risk. At the same time, we expect IBRD to play a crucial role in the reconstruction of Ukraine. IBRD disbursed US$2.8 billion between the onset of the conflict and the end of fiscal 2023. Loans outstanding to Ukraine totaled US$8.7 billion, of which US$2.3 billion has been guaranteed by highly rated third parties. In addition, IBRD provided US$0.7 billion of guarantees to Ukraine that were outstanding as of fiscal 2023.

IBRD's RAC ratio will remain extremely strong over the coming two years despite declining to 23.7% in fiscal 2023. IBRD placing its loans to Belarus on nonperforming status in October 2022 put pressure on its preferred creditor treatment (PCT) score and our loss-given default assumption, which we apply to the capital assessment. Still, we assume the RAC ratio will stay above the 23% threshold, supported by capital payments from the 2018 capital increase and IBRD's conservative risk management.

Outlook

S&P Global Ratings' outlook on the 'AAA' long-term rating on IBRD is stable. It captures our view that IBRD's enterprise risk profile, capital (including callable capital), funding, and liquidity are sufficiently robust, and that there is less than a one-in-three probability that we would lower our issuer credit rating on IBRD in the next two years.

Downside scenario

We could lower the ratings if management--contrary to our expectations--adopts more aggressive financial policies, or if several members cease treating IBRD as a preferred creditor. IBRD's financial risk profile could weaken if liquidity ratios decline meaningfully or if the RAC ratio drops below 23%. However, if its capital ratio erodes, we expect the effect to be mitigated by the robust eligible callable capital buffers provided by the 'AAA' rated members.

Enterprise Risk Profile

Policy importance: Long track record fulfilling its mandate

IBRD has a long track record of fulfilling its public policy mandate through economic cycles and has wide geographical coverage unmatched by other lending institutions. IBRD is the keystone of the WBG, which includes the International Development Association (IDA), International Finance Corp., Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes. IBRD may lend directly, guarantee, or participate in loans to any member country or political subdivision thereof, as well as to any business or industrial or agricultural enterprise in a member's territories. However, when the member itself is not the borrower, the member or its central bank or similar agency acceptable to IBRD must fully guarantee payment of principal, interest, and other charges on the loan. We view its Articles of Agreement, created at the Bretton Woods Conference in 1944, as equivalent to a treaty. As at end of fiscal 2023, IBRD had 189 members, which is more than twice any other rated multilateral lending institution (MLI), except its WBG affiliates.

In our view, the WBG's wider mandate, under its new evolution roadmap, demonstrates the importance the IBRD and the group's other entities give to ensuring flow of capital to emerging markets during fragile times and crises. In 2023, the group, encouraged by shareholders, materially scaled up its aim to increase work on global challenges, get back on track with the SDG, eradicate poverty, and, for the first time, create the means for a livable planet. While these efforts are multifaceted, at their core is making primarily better use of existing resources and rethinking the operational model, strengthening cooperation between the various entities in the group, and ultimately exploring options to expand capital resources to extend further financing.

IBRD's recently expanded crisis toolkit is unlikely to compromise the balance sheet, in our view. The broadened approach allows the World Bank to offer contingent financing to all its client countries and gives them an option to quickly repurpose a portion of unused bank financing to address the emergency needs during crisis. In addition, IBRD widened scope under the climate resilient debt clauses offered to clients (CRDC) will benefit existing loans as well as new ones. We expect that IBRD will be selective in extending CRDC's to a smaller portion of the portfolio (less than 5%).

IBRD plays a key role in powering the global environmental, social, and governance (ESG) market. It acts as a knowledge broker, outlining best-in-class frameworks and guidelines, compiling key sustainable policy indicators that it tracks globally, and offering ESG-related statistical platforms. Its creditworthiness also depends on improving environmental outcomes, notably through climate action, and supporting human and economic development. IBRD pioneered the global green bond market in 2008. It helped develop and expand the global sustainable bond market by connecting many of its issuances to raise awareness for the various 2030 U.N. Sustainable Development Goals. The WBG has made multiple commitments to combat climate change and supports countries that are undertaking their own climate action plans. The group intends for 45% of its lending commitments, on average, to target climate action by fiscal 2025.

The capital increase of US$7.5 billion, in our view, underscores shareholders' commitment to the bank. At IBRD's spring meetings in April 2018, the board of governors endorsed a US$60.1 billion package, which included US$7.5 billion in additional paid-in capital. As of December 2023, IBRD received cumulative subscription payments of US$5.9 billion. The subscription period was further extended to Oct. 1, 2025.

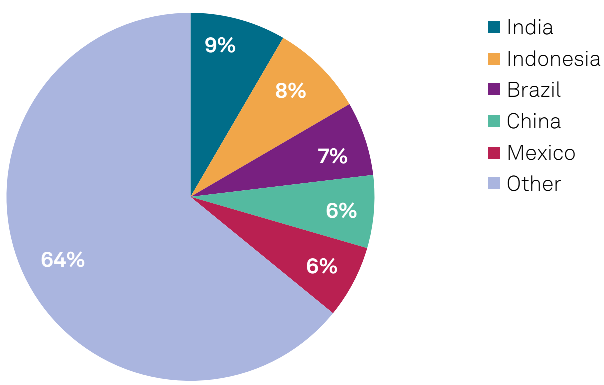
As part of its capital package, IBRD introduced a new financial sustainability framework and policies to bolster organic capital generation. The financial sustainability framework approved in December 2018 began operating in fiscal 2020. It established a sustainable annual lending level and built a crisis buffer. The crisis buffer-adjusted sustainable annual lending level serves as the upper bound for regular lending. IBRD also introduced administrative cost-reduction measures, a formula-based transfer policy with IDA, and balance sheet optimization with an exposure exchange agreement (with the Inter-American Development Bank and African Development Bank) in recent years.

Demand for IBRD resources remains high--given the lingering effects of the pandemic, climate change events, and the broader impact from the Russia-Ukraine conflict--translating to increased use of its crisis buffer. On June 28, 2022, the board approved a crisis buffer of US $5 billion for fiscal 2023 (plus carryover from underutilization of the fiscal 2022 crisis buffer), resulting in an adjusted sustainable annual lending limit of US$27 billion for fiscal 2023, with the lending ceiling set at US$36.5 billion. In fiscal 2023, IBRD committed US$38.6 billion in new purpose-related exposures, an 17% increase from 2022. This Included financing supported by bilateral guarantees. IBRD's purpose-related exposures increased by 6% to US$250.4 billion during fiscal-year 2023 mainly supported by increase in loan disbursements during the period. This reflects its global reach, underpinning our assessment of extremely strong enterprise risk. Climate financing represented 42% of IBRD's commitments value in fiscal 2023.

We believe IBRD's PCT compares favorably with some 'AAA' peers, despite the increase in the PCT arrears ratio. IBRD's PCT ratio stood at 0.61% for fiscal 2023. The ratio increased significantly during fiscal 2022 to 0.65% from 0.21% when the IBRD placed Belarus in arrears status. We do not think this weighs on IBRD's overall policy importance and extremely strong enterprise risk profile. On March 2, 2022, the WBG announced that it stopped all programs in Russia and Belarus, with no new lending approved to Belarus since mid-2020 and no new loans in Russia since 2014. Russia prepaid its remaining loan exposures to IBRD as of December 2022. Other than Belarus, Zimbabwe remains in arrears with IBRD.

IBRD's purpose-related exposures--The five largest countries

As a share of gross purpose-related assets plus guarantees



Source: S&P Global Ratings.

Governance and management expertise: IBRD's shareholder base is diverse and its governance and management standards remain among the highest of supranational institutions globally

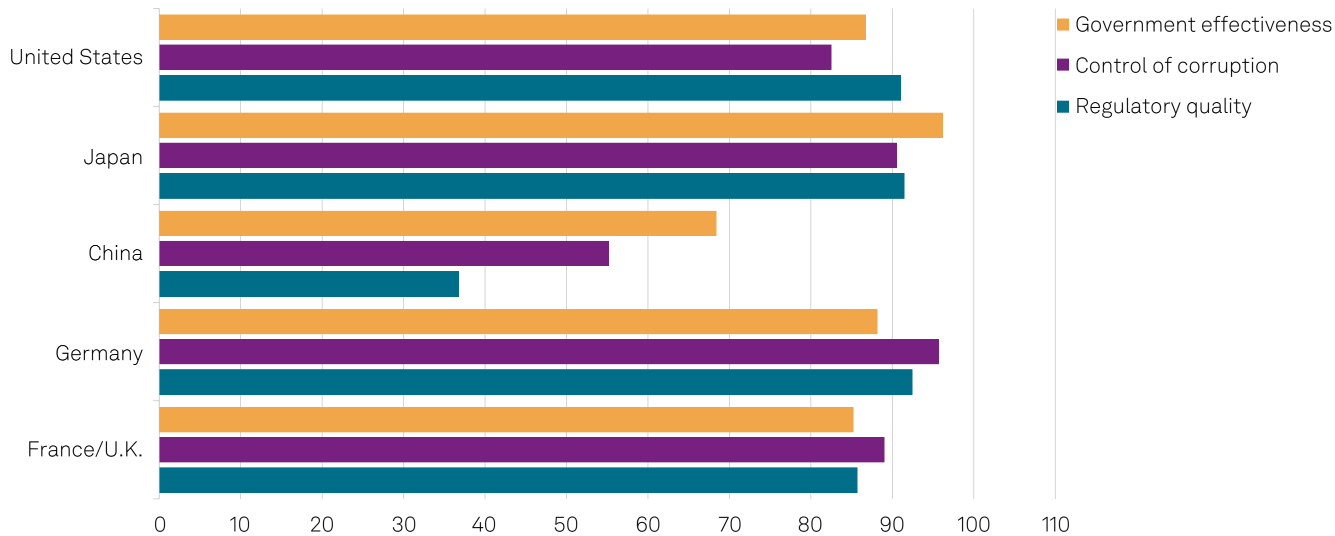
IBRD is owned by 189 member countries. The U.S. is the largest shareholder, with 15.8% of the voting rights, followed by Japan (7.2%) and China (5.6%), as of fiscal 2023. No major shareholder has recently withdrawn from IBRD, and none are expected to withdraw in the medium term. With the capital increase approved in 2018, China's shareholding is expected to increase to 6.01%, while the U.S.'s share will dip slightly, although it will maintain its veto power over certain decisions like amendments to the Articles of Agreement.

On average, IBRD shareholder countries have high-ranking governance based on the World Bank's governance indicators, supporting our governance assessment. This is further enhanced by the bank's record of solid management and risk practices. IBRD has no private-sector shareholding, and shareholders allow MLI earnings to be retained, supporting our assessment.

Smooth management changes underscore the breadth of the professional bench at IBRD and its consistent policy history through personnel changes. IBRD's financial and risk management policies, limits, and methods are comprehensive, conservative, and updated as needed. Management has implemented strategic plans and helps WBG achieve its goals. WBG appointed a new president, Mr. Ajay Banga, who began his term on June 2, 2023. This followed the departure of prior president, Mr. David Malpass, who left a year before his term was scheduled to end. We note that the transition was smooth, underscoring the breadth of the professional bench of management at IBRD and its consistent policy history through personnel changes.

IBRD's Five largest shareholders

Selected World Bank Governance Indicators



Source: Worldwide Governance Indicators Data as at end-December 2022.

Financial Risk Profile

Capital adequacy: IBRD's capital remains resilient under heightened risk conditions.

IBRD's RAC ratio declined to 23.7%, after adjustments for concentration risk and PCT. The ratio incorporates parameters as of Feb. 16, 2024, based on financial data as of June 30, 2023. The decline was mainly driven by our deduction from total adjusted capital of the pension asset surplus, amounting to US$4.3 billion as of June 30, 2023. Over the past few years, IBRD's risk-weighted assets have increased as the bank responded to the pandemic and the Russia-Ukraine conflict, among other grave situations, while remaining focused on lower-middle-income countries. But we think this is counterbalanced by incoming capital payments.

We expect remaining capital payments will continue to provide an important cushion, albeit under somewhat moderated lending levels. We believe that if IBRD had to provide meaningful countercyclical support amid future global shocks, its capacity to do so would be more constrained at current capital levels absent additional capital increases or balance sheet optimization. The bank is considering various options such as a portfolio guarantee platform as well as hybrid issuance directed to shareholders that could expand its capacity for additional loans. We expect IBRD will manage capital to the highest level while it seeks to unlock additional resources over time. Even if IBRD's RAC ratio deteriorated below the 23% threshold, the negative effect on its stand-alone credit profile (SACP) could be balanced by significant callable capital cushions from highly rated shareholders.

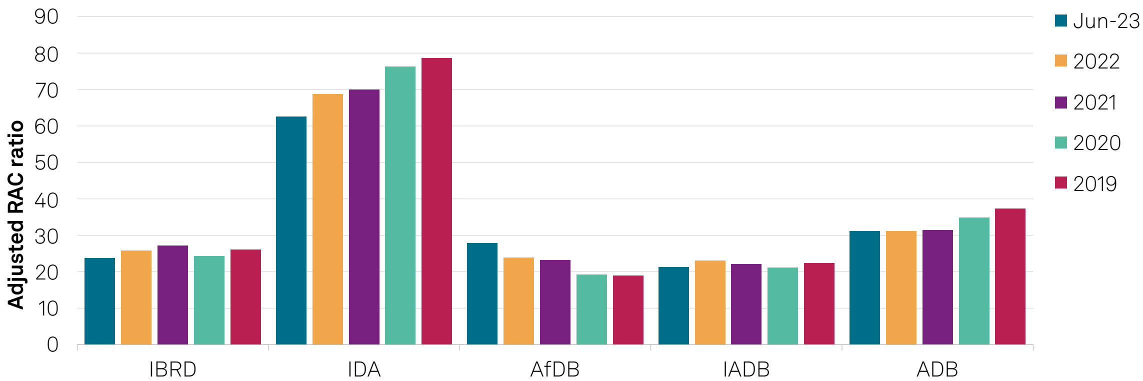
We view favorably that the bank has adopted policies to generate capital organically and committed to delivering cost-saving reforms and high capital levels. IBRD management has had important cost-savings under its budget anchor policy, as net loan spread revenue fully covered net administrative expenses in fiscals 2023-2022. The formula-based approach for determining IBRD's transfers to IDA--which went into effect during IDA's 18th replenishment cycle and are linked to the overall financial standing of IBRD--resulted in transfers to IDA declining from fiscal 2018 compared with the prior three years. Using the formula approach, the board approved a transfer of US$291 million from fiscal year 2023 allocable income, which was made on Oct. 24, 2023.

IBRD--Risk-Adjusted Capital Framework Data: June 2023

Mil. USD	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	330,018	337,946	102
Institutions	44,571	9,191	21
Corporate	32	27	84
Retail			
Securitization	1,074	216	20
Other assets	3,044	5,769	190
Total credit risk	378,739	353,149	93
Market risk			
Equity in the banking book	2,617	11,063	423
Trading book market risk			
Total market risk		11,063	
Operational risk			
Total operational risk		7,679	
Risk transfer mechanisms			
Risk transfer mechanisms RWA			
RWA before MLI Adjustments		371,892	100
MLI adjustments			
Single name (on corporate exposures)		422	1,563
Sector (on corporate portfolio)		-21	-5
Geographic		-40,559	-11
Preferred creditor treatment (on sovereign exposures)		-201,762	-60
Preferential treatment (on FI and corporate exposures)		-181	-2
Single name (on sovereign exposures)		106,031	31
Total MLI adjustments		-136,071	-37
RWA after MLI adjustments		235,821	63

	Total adjusted capital	S&P Global Ratings RAC Ratio (%)
Capital ratio before adjustments	56,017	15.1
Capital ratio after adjustments	56,017	23.7

IBRD--Risk-adjusted capital ratio versus peers



Source. S&P Global Ratings. International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), African Development Bank (AfDB), Inter- American Development Bank (IADB), Asian Development Bank (ADB).

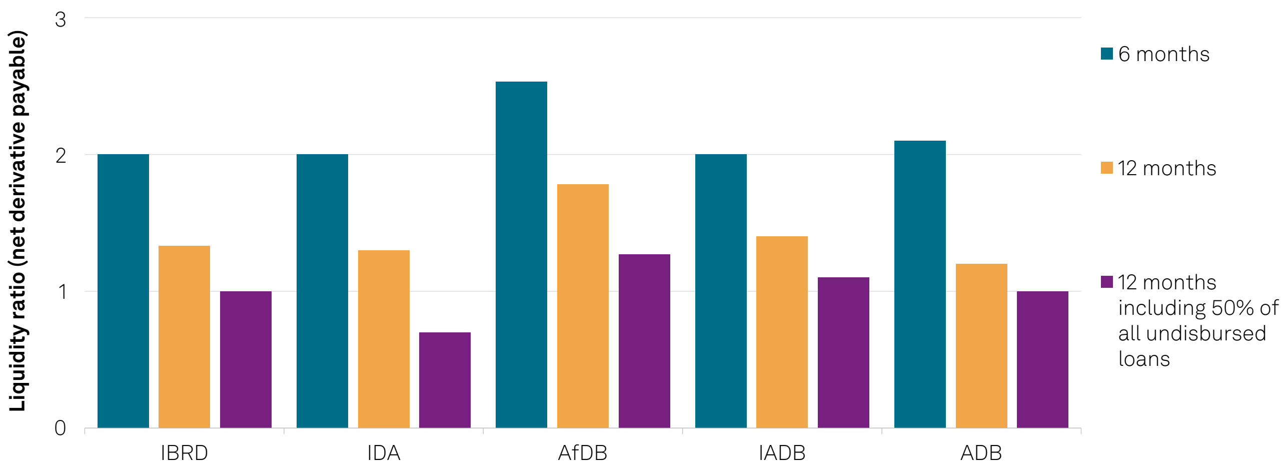
Funding: Investors perceive IBRD as a safe haven and an issuer of benchmark bonds, including sustainable bonds.

We view IBRD's funding as broadly diversified by geography and investors, given its frequent issuance in many markets and currencies. IBRD issues US$45 billion-US$55 billion on an average each year, making it one of the largest issuers among MLIs. IBRD pioneered the global green bond market in 2008. It helped develop and expand the global sustainable bond market by connecting many of its issuances to raise awareness for the various 2030 U.N. Sustainable Development Goals. IBRD has also been pioneering special outcome bonds such as its wildlife conservation bond in 2022, which channels private capital to finance conservation activities, and more recently, a plastic waste reduction bond that incentivizes plastic and carbon credits in two projects in Ghana and Indonesia. Our funding ratios for 2023 indicate that IBRD does not have a funding gap below the one-year horizon. IBRD's assets exceed its liabilities at all horizons up to five years, supporting its funding.

Liquidity: Ample liquidity comfortably covers IBRD's six- and 12-month liabilities

Effective June 2017, IBRD revised its liquidity policy to cover its projected outflows over the next 12--rather than six--months. Our calculation of IBRD's liquidity incorporates stressed market conditions and assumes no market access. Under these conditions, we conclude that IBRD's liquid assets are sufficient to service its obligations through the next year without slowing planned disbursements. According to our calculations, IBRD's liquidity ratio, assuming scheduled disbursements, was 2.00x at the six-month horizon and 1.33x at the one-year horizon, as of June 30, 2023. Under this stress scenario, we estimate that IBRD could also withstand an unforeseen increase in its potential disbursements to a limited extent while meeting other obligations.

IBRD--Liquidity stress test ratios versus peers



Source. S&P Global Ratings. International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), African Development Bank (AfDB), Inter-American Development Bank (IADB), Asian Development Bank (ADB).

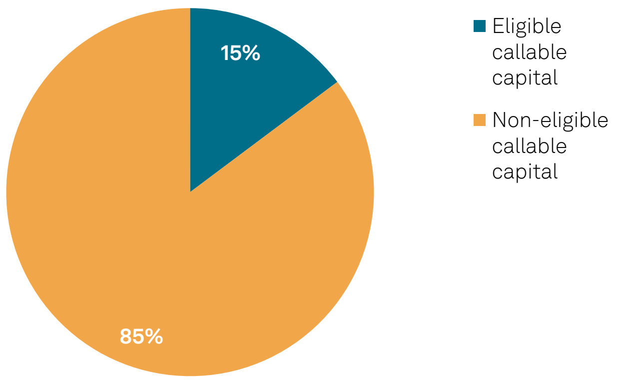
Data as of end-June 2023 for all, except for IADB, which is as of end-Dec 2022. Fiscal year end for IBRD and IDA is June

Extraordinary Shareholder Support

Even excluding extraordinary shareholder support, we assess IBRD's SACP at 'aaa', our highest level. We would expect 'AAA'-rated shareholders to answer one or more calls on their subscribed callable capital. Ten 'AAA'-rated shareholders subscribed US$43.7 billion of callable capital. If IBRD's stand-alone capital ratios were to decline, the effect on its SACP could be countered by up to two notches of uplift from callable capital, all else being equal. This would reflect the (currently latent) benefit of IBRD's 'AAA' callable capital.

Callable Capital

As a percentage of total callable capital



Source: S&P Global Ratings.

IBRD--Selected Indicators

	2023	2022	2021	2020	2019
ENTERPRISE PROFILE					
Policy importance					
Total purpose-related exposure (loans, equity, etc.) (mil. USD)*	250,438	235,723	227,269	211,129	202,216
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	100	100	100	100	100
Private-sector loans/purpose-related exposures (%)	0	0	0	0	0
Gross loan growth (%)	6.4	4.0	8.0	4.8	5.0
Preferred creditor treatment ratio (%)	0.6	0.7	0.2	0.2	0.3
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	27.7	33.7	33.5	33.4	33.6
Concentration of top two shareholders (%)	22.9	23.2	23.2	23.4	23.6
Eligible callable capital (mil. USD)	43,744.6	42,062.3	41,373.7	39,362.0	38,182.0
FINANCIAL RISK PROFILE					
Capital and earnings					
RAC ratio (%)	23.7	25.9	27.2	24.3	25.9
Net interest income/average net loans (%)	1.4	1.1	1.1	1.1	1.0
Net income/average shareholders' equity (%)	2.0	7.7	4.6	-0.1	1.2

IBRD--Selected Indicators

	2023	2022	2021	2020	2019
ENTERPRISE PROFILE					
Policy importance					
Impaired loans and advances/total loans (%)	0.6	0.2	0.2	0.21	0.2
Liquidity ratios					
Liquid assets/adjusted total assets (%)	24.0	25.9	28.5	29.0	29.1
Liquid assets/gross debt (%)	33.6	35.0	34.7	35.4	35.8
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivate payables) (x)	2.0	2.0	2.0	2.0	1.8
12 months (net derivate payables) (x)	1.3	1.3	1.3	1.1	1.2
12 months (net derivate payables) including 50% of all undisbursed loans (x)	1.0	1.0	1.1	1.0	1.0
Funding ratios					
Gross debt/adjusted total assets (%)	71.3	74.1	82.0	82.0	81.4
Short-term debt (by remaining maturity)/gross debt (%)	16.4	18.0	17.4	21.1	21.8
Static funding gap (with planned disbursements)					
12 months (net derivate payables) (x)	1.5	1.5	1.4	1.3	1.3
Summary balance sheet					
Total assets (mil. USD)	332,641	317,542	317,301	296,804	283,031
Total liabilities (mil. USD)	272,259	262,222	269,223	256,417	240,916
Shareholders' equity (mil. USD)	60,382	55,320	48,078	40,387	42,115

* Not including committed disbursements. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available.

IBRD--Peer Comparison

	International Bank for Reconstruction And Development	The International Development Association	African Development Bank	Inter-American Development Bank	Asian Development Bank
Issuer credit ratings	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+
Total purpose-related exposure (mil.$)	250,438	194,220	31,276	113,799	147,125
Preferred creditor treatment ratio (%)	0.6	1.8	1.8	1.8	0.3
Risk adjusted capital ratio (%)	23.7	62.6	27.9	21.3	31.1
Liquidity ratio 12 months (net derivative payables; %)	1.3	1.3	1.8	1.4	1.2
Funding gap 12 months (net derivative payables; %)	1.5	2.7	1.5	1.2	1.1

Source: S&P Global Ratings. For IBRD and IDA all data as of June 2023; For AfDB all data as of Dec 2022; For ADB and IADB: PRE and PCT ratio as of end-Dec 2022 and all other ratios as of end-June 2023;

Rating Component Scores

Enterprise Risk Profile	**Extremely strong**	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Policy Importance	**Very strong**	Strong	Adequate	Moderate	Weak		
Governance and Management	**Strong**	Adequate	Weak				
Financial Risk Profile	**Extremely strong**	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Capital Adequacy	**Extremely strong**	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Funding and Liquidity	Very strong	**Strong**	Adequate	Moderate	Weak	Very weak	

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, Jan. 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sovereign Debt 2024: Borrowing Will Hit New Post-Pandemic Highs, Feb. 27, 2024
- Introduction To Supranationals Special Edition 2023, Oct. 11, 2023
- Supranationals Edition 2023: Comparative Data For Multilateral Lending Institutions, Oct. 12, 2023
- A Closer Look At The G-20 Expert Panel Review Of MLIs' Capital Adequacy Frameworks, Oct. 11, 2022
- Belarus FC Ratings Affirmed At 'SD/SD' And LC Ratings At 'CCC/C'; Issue Ratings Lowered To 'D'; LC Outlook Negative, Sept. 16, 2022
- How The Russia-Ukraine Conflict May Affect Multilateral Lenders, June 16, 2022

Ratings Detail (as of March 18, 2024)*

International Bank for Reconstruction and Development

Issuer Credit Rating		
Foreign Currency		AAA/Stable/A-1+
Senior Unsecured		AAA
Short-Term Debt		A-1+
Issuer Credit Ratings History		
05-Sep-1997	*Foreign Currency*	AAA/Stable/A-1+
05-Apr-1990		AAA/Stable/--
13-Sep-1959		AAA/--/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.