World Bank Overview

- International Bank for Reconstruction and Development (IBRD) is also known as the "World Bank" in the capital markets
- Development cooperative owned by 186 member countries
- World’s largest source of financial solutions for development
- Works with members to achieve economic growth, social and environmental sustainability
- Treasury Manager for the International Finance Facility for Immunisation (IFFIm)
190 world leaders adopted the UN Millennium Declaration, committing their nations to achieving the Millennium Development Goals (MDGs). These MDGs are specific, measurable targets which aims to reduce poverty by half by 2015. The World Bank is one of the organizations working towards these MDGs

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development
The World Bank Group’s 6 Strategic Themes

The following six themes designed by President Robert Zoellick guide World Bank efforts towards sustainable development and are tracked for progress every year.

1. Poorest Countries
2. Fragility and Conflict
3. Middle Income Countries
4. Global Public Goods
5. The Arab World
6. Knowledge
World Bank Provides Financial Solutions for Members

- The World Bank (IBRD) provides financing, risk management products and other financial services only to sovereigns or for sovereign-guaranteed projects in countries with per capita income over a certain level (currently US$1,135)

- Countries with less capacity to repay loans receive long-term 40 to 50-year loans with 10-year grace periods at zero percent interest and a 0.75% service charge or grants from the concessional lending window, the International Development Association (IDA)

- Loans and risk management products focus on fostering sustainable growth and poverty reduction and are always the result of intensive consultations between the World Bank and the particular country partner
IBRD Lending in FY 2009
(Total amount: US$33 billion)

Distribution by Theme

- Urban Development: 7%
- Economic Management: 6%
- Environment & Natural Resources: 14%
- Financial & Private Sector Development: 22%
- Human Development: 11%
- Public Sector Governance: 13%
- Social Protection & Risk: 14%
- Social Dev/Gender: 1%
- Rural Development: 3%
- Trade & Integration: 9%

Distribution by Region

- Latin America and the Caribbean: 42%
- East Asia and Pacific: 21%
- Africa: 1%
- Middle East and North Africa: 5%
- South Asia: 4%
- Europe and Central Asia: 27%
- Middle East and North Africa: 5%
- South Asia: 4%
- Europe and Central Asia: 27%
- Africa: 1%
- Latin America and the Caribbean: 42%

Note: Distribution by Sector: Agriculture 5%, Education 5%, Energy & Mining 11%, Finance 12%, Health & Social Services 13%, Industry & Trade 7%, Info & Communication 1%, Law & Public Administration 21%, Transportation 15%, Water & Sanitation 11%

treasury.worldbank.org

International Bank for Reconstruction and Development (IBRD)
Project Summary

Purpose: Northern Aral Sea Preservation
IBRD Financing: US$64.5 million

Kazakhstan – Environment

The Northern Aral Sea receded 100 km away from the port city of Aralsk, Kazakhstan. Local fisheries processed 4 times less than the fish production of the 1980s. Impacted fishing and agricultural industries adversely affected unemployment and regional trade in Kazakhstan’s poorest region of Kzyl Orda Oblast.

Thanks to the support of the World Bank funded Aral Sea Program, the construction of an 8 mile dike in the Aral Sea Basin is helping restore Kazakhstan’s economy.

Today, water levels increased by 4 meters in the Northern Aral Sea. The water distance closed in at only 25 km. Fishing production increased back to its historical level. Trade has resumed and land production along the Syr Darya River Basin are expected to benefit an estimate of 1 million people of the Kzyl Orda Oblast.
Outline

1. The World Bank’s Development Activities
2. Financial Position of the World Bank
3. The World Bank in the Capital Markets
4. Annexes
Conservative Policies

The World Bank follows very conservative financial and lending policies:

- The World Bank has a policy of freezing loan approvals and disbursements if a country fails to pay obligations on time.

- It is the World Bank’s practice not to reschedule interest or principal payments on its loans, and the World Bank has never written off a loan.

- The World Bank is highly valued amongst borrowing nations which makes meeting financial obligations to the World Bank a top priority.
IBRD Capital Structure

IBRD’s AAA/Aaa rating is based on a solid capital structure and financial performance, as well as backing from its shareholders.

- IBRD bonds are 0% risk weighted under BIS Basel II
- The World Bank is currently owned by 186 sovereign shareholders
- Total shareholder’s equity (including paid-in capital and reserves) amounts to US$40 billion
- Callable capital (US$178.4 billion) is available upon the World Bank’s request only to meet its obligations to its debt holders
- No call has ever been made on the World Bank’s callable capital

Capital (US$ bn), June 30, 2009

<table>
<thead>
<tr>
<th>Capital Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid-in capital</td>
<td>11.5</td>
</tr>
<tr>
<td>Callable capital</td>
<td>178.4</td>
</tr>
<tr>
<td>Subscribed Capital</td>
<td>189.9</td>
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</tbody>
</table>
Key Balance Sheet Items
(as of June 30, 2009, billions US$)

Loans Outstanding\(^{(a)}\)
US$104

Borrowings
US$110

Liquid Assets
US$44

Equity
US$40

Other\(^{(b)}\)
US$127

Other\(^{(b)}\)
US$125

US$275

Assets

US$275

Liabilities and Equity

(a) Net of accumulated loan loss provision and deferred loan income
(b) Mostly swap payables and receivables
Operating Income*

* Reported in IBRD's financial statements as net income before Board of Governors-approved transfers and net unrealized gains (losses) on nontrading derivatives, loans, and borrowings measured at fair value, per Financial Accounting Standard No. 133 as amended. See annex for more details.
Strict Statutory Lending Limits and Low Leverage

- Maximum “gearing ratio” of 1:1
  - The World Bank can never lend more than subscribed capital, reserves, and surplus

- Low leverage
  - Borrowings account for about 48% of total subscribed capital, reserves, and surplus

Fiscal Year 2009 (US$ billion)

- Outstanding Loans and Guarantees (a)
  - 106
- Subscribed Capital, Reserves, and Surplus
  - 218

Borrowings (b) as % of total subscribed capital, reserves, and surplus

<table>
<thead>
<tr>
<th>Year</th>
<th>Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>44</td>
</tr>
<tr>
<td>2006</td>
<td>42</td>
</tr>
<tr>
<td>2007</td>
<td>38</td>
</tr>
<tr>
<td>2008</td>
<td>38</td>
</tr>
<tr>
<td>2009</td>
<td>48</td>
</tr>
</tbody>
</table>

(b) Borrowings net of associated swaps, excluding accrued interest and issuance costs (fiscal year 2009: US$105.617 billion)

(a) Net of accumulated loan loss provisions
Prudent Liquidity Policy

- Minimum liquidity target:
  Highest six months of expected debt service plus one-half of net approved loan disbursements, as projected for the fiscal year
- Actual liquidity exceeds minimum target to provide financial flexibility
- The FY 2010 prudential minimum liquidity level has been set at US$20 billion
Outline

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Activities in the Capital Markets

- **US$15-35 billion borrowings per year**
  - Frequent international issuer with over 500 transactions per year
  - Wide variety of products with different maturities, currencies, and structures

- **US$70-75 billion funds invested for IBRD and other clients**
  - 85% are managed internally
  - 15% are managed externally
  - Full spectrum of assets, from fixed income to private equity

- **US$25-35 billion derivative operations per year**
  - Variety of derivative products for risk management

International Bank for Reconstruction and Development (IBRD)
Funding Strategy and Objectives

- Meet investors’ needs
  - Safe investment (AAA/Aaa credit rating)
  - Wide choice of products: benchmark bonds and customized financing – structured or plain vanilla
  - Sustainable investment opportunity

- Ensure high execution standards
  - Broad sponsorship from underwriters
  - Solid primary placement with a diversified investor base
  - Spread performance
FY 1998 and FY 2009 funding volumes were increased in response to the financial crisis and the resulting increase in lending activity.

The funding volume for FY 2010 is expected to be around US$30 billion.
Structured Notes: Callable and puttable, floating rate with caps, floors or collars, step-up and step-down coupons, and others

Other Plain Vanilla Notes: Uridashi and local / non-core currency (Australian Dollar, Brazilian Reais, Chilean Peso, Colombian Peso, Czech Koruna, Hong Kong Dollar, Hungarian Forint, Indian Rupee, Malaysian Ringgit, Mexican Peso, New Romanian Leu, New Turkish Lira, New Zealand Dollar, Philippine Peso, Polish Zloty, Russian Ruble, Singapore Dollar, Slovak Koruna, South African Rand, South Korean Won, Swiss Franc)

Benchmark / Global Bonds: Australian Dollars, Canadian Dollars, Euros, New Zealand Dollars, South African Rand, Turkish Lira, and US Dollars
The World Bank offers flexible and customize short-term debt instruments through the US$ Discount Notes Program.

Discount Notes are offered in the United States and Eurodollar markets.

Discount Notes characteristics:
- Maturities between overnight and 360 days
- Aggregate face amounts of US$50,000 and higher per maturity date

Sold through a group of dealers consisting of:
- Barclays Capital
- Goldman Sachs
- HSBC
- UBS
Innovation in the Capital Markets

- 60 years of innovation in the global capital markets:
  - First currency swap executed in the international capital markets in 1981
  - First Global Bond issued in US$ (1989), in Yen and New Zealand Dollars (1992), and in Deutsch Marks (1993)
  - First fully integrated global electronic bond offering via the internet (2000)
  - Pioneer in opening and developing new markets and creating structured products
Innovation in the Capital Markets

The World Bank provides regionally focused investment products that combine financial and social returns for investors with ethical investment strategies. The World Bank partners with banks that offer their clients sustainable investment opportunities. IBRD's unique mix of innovative debt products supports international development projects and promotes social and environment sustainability across the globe.
Summary

- The World Bank’s mandate is to promote sustainable economic growth in its borrowing member countries with a view to alleviate poverty.

- World Bank shareholders benefit from IBRD’s financial services for a variety of purposes ranging from health and education systems to environmental and infrastructural projects. Especially in times of financial market stress, the members of the World Bank look to the World Bank for financing solutions.

- IBRD’s AAA/Aaa rating ensures safe investment and is based on:
  - solid capital structure and financial performance
  - backing from its shareholders
  - conservative financial management and policies

- To support development projects in client countries, the World Bank offers investors a broad range of products in the capital markets:
  - benchmark bonds
  - tailor-made bonds to suit specific investor needs
  - bonds in various currencies and maturities
  - sustainable investment opportunities
Outline

1. The World Bank’s Development Activities
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3. The World Bank in the Capital Markets
4. Annexes
Annex: The World Bank Group

- International Bank for Reconstruction and Development (IBRD), known as “The World Bank” in the capital markets
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for the Settlement of Investment Disputes (ICSID)
*Footnote to Operating Income:

For more information, see Section 2 – “Basis of Reporting” and 8 – “Results of Operations” in the Information Statement for 2009.

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Sustainable Investment Opportunities