

# Credit Analysis

# Moody's Global Sovereign

December 2008

## IBRD (World Bank)

Supranational

### Summary Rating Rationale

The International Bank for Reconstruction and Development (IBRD), more commonly known as the World Bank, is rated Aaa due to the following factors: (1) a strong capital base and support from its highly-rated shareholders; (2) its proven status as a preferred creditor; and (3) its sound financial management. Prudent financial policies—with the Bank having consistently remained well within its internal borrowing and lending limitations—are reflected in the IBRD's healthy capital adequacy and liquidity ratios. As a result of its conservative practices and its preferred creditor status, the Bank has weathered relatively smoothly periods of global financial uncertainty and has maintained its fundamental strengths both in terms of its own historical record and in comparison to many other financial institutions. The IBRD's profitability, while experiencing some volatility, remains at a level similar to where it has been over the last decade.

The biggest risk to the Bank's financial position would come if more than one large borrower were to enter into nonaccrual status. The Bank's preferred creditor position provides substantial protection against such an event, and Moody's believes it remains unlikely that there would be a significant number of large borrowers in nonaccrual at the same time. The Bank's strong liquidity position, the ability to reduce lending activity if necessary, and the availability of other sources of funds make a resort to a call on capital only the last line of defense, a highly unlikely scenario, even in the event of a major increase in nonaccruals. Still, in a worst case scenario, where a number of large borrowers are unable or unwilling to make payments, bondholders are ultimately protected by the large amount of callable capital available to the IBRD. Now, the Bank must confront one of the worst financial crises that has occurred during its history, a crisis that originated in the U.S. sub-prime mortgage market and has spread globally through both advanced and emerging economies. In Moody's opinion, the IBRD is well-positioned to respond to the crisis without affecting its creditworthiness.

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This Credit Analysis provides an in-depth discussion of credit rating(s) for IBRD (World Bank) and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



**Moody's Investors Service**

## IBRD (World Bank)

The IBRD has never suffered any loss on principal in relation to loans made to borrowing countries and it did not experience any increase in loan arrears as a result of the last emerging markets crisis. As the current crisis unfolds, this record will be tested again. Its preferred creditor status ensures that the sovereign debt owed to it is excluded from all debt restructuring efforts undertaken by official creditors and that resources are made available to service the debt due to the Bank. As part owners of the IBRD, the borrowing countries recognize the importance of maintaining the Bank's financial soundness and premier credit status in order to minimize its lending charges and to maximize the benefits that they ultimately reap from the organization. The support from the shareholders of the IBRD—be it in the form of timely loan repayment and/or capital contributions—confers tangible benefits to all member countries, and protects the Aaa rating.

## Organization Structure and Strategy

The IBRD is one part of the larger World Bank Group, which also includes: the International Development Association (IDA), the group's soft-loan window; the International Finance Corporation (IFC), a vehicle for lending to or investing in private companies in emerging markets without the benefit of host country government guarantees; the Multilateral Investment Guarantee Agency (MIGA), which insures certain investments against political risks in emerging markets; and the International Centre for Settlement of Investment Disputes. The United States is the single largest shareholder of the IBRD, with 16.8% of subscribed capital, followed by Japan with 8.1%. Under the terms of the last general capital increase approved in April 1988, the Bank's authorized capital was raised to \$171.4 billion. As a result of subsequent special capital increases, the Bank's authorized capital now stands at \$190.8 billion.

The IBRD was established to supplement the domestic savings of borrowing countries with loans and to serve as a catalyst for additional external financial flows to those countries through co-financing arrangements. The Bank finances both investment projects and development policy programs in support of policy reforms alongside borrowing governments, official aid agencies, and private financial institutions. The IBRD lends exclusively to member countries that meet eligibility requirements as defined in its Articles of Agreement, or to borrowers in those jurisdictions under the guarantee of the member states. The Bank does not aim to maximize profits, although it earns a significant net income. The IBRD's financial policies are comparable to—and are often more conservative than—accepted private sector practice.

To increase its expected operating income over the long term, during FY2008 the IBRD approved a new investment portfolio called the Long-Term Income Portfolio (LTIP). The LTIP commenced in FY2009 and will consist of \$3 billion, to be funded out of IBRD's capital, which will be invested in a diversified risk asset portfolio (developed market public equities and developed market fixed-income investments). This marks a shift in the development strategy of the Bank, which has until now only deployed its equity capital to fund loans to further its development goals. Equity will now have to support additional risk assets that the Bank will acquire under the LTIP. Moody's believes that the Bank has ample room to increase risk assets in this manner without impacting its capital adequacy.

During FY2008, the IBRD implemented a new simplified and lowered loan and guarantee pricing structure for new loans. Previously its pricing was quite complicated, as it required up to six elements to determine the cost of a loan. Now there is a front end fee of 25 bps and an interest spread fee of 30bps for both Fixed Spread Loans and Variable Spread Loans; base rates for both types of loans remain unchanged. There is an additional market risk premium for Fixed Spread Loans, currently set at 20 bps. Furthermore, the Bank also terminated the 75 bps commitment charge on undisbursed amounts. Together, these changes return the all-in spread on IBRD lending (excluding the market risk premium on Fixed Spread Loans) to approximately pre-1998 levels.

## IBRD (World Bank)

## Profitability

The Bank's net income on a reported basis was \$1,491 million in FY2008 (after making adjustments according to FAS 133 accounting and its related amendments and taking into account the effects of Board of Governors approved transfers), a significant improvement over the \$140 million net loss reported in FY2007. FAS 133, as amended, requires that all derivatives, as defined by this standard, be marked to market, and so the recorded value of the derivatives fluctuate with interest rates, among other factors. A review of net income over the past four years provides an illustration of how FAS 133 contributes to some fluctuation in the Bank's reported net income. When interest rates shifted downward in FY2005 the Bank enjoyed a net unrealized gain on non-trading derivatives, loans, and borrowings measured at fair value, per FAS 133 as amended, of \$2,511 million and net income spiked to \$3,189 million. By contrast, higher interest rates in FY2006 and FY2007 caused net unrealized losses of \$3,479 million and \$842 million, respectively, and negative net income. During FY2008, interest rate movements resulted in a significantly smaller net unrealized loss of \$40 million and positive net income for the year. Meanwhile, the range of operating income over the four-year period, a more relevant measure of the Bank's financial health, was \$1,320 - \$2,271 million, showing a much steadier trend than net income. The Bank presents a more detailed discussion of this topic in the MD&A section of its annual financial statement.

Operating income, which Moody's feels is a better reflection of underlying trends than reported net income after FAS 133 adjustments, increased to \$2.3 billion in FY2008, the highest level since FY2003. Over the medium term, the outlook for the Bank's profits is fundamentally positive, although the global recession could affect them in the coming one to three years. Growth in operating income will be supported by increasing loan volume, the new LTIP (on average over time), and the equity duration extension that will reduce the sensitivity of the Bank's operating income to changes in short-term market interest rates (discussed in more detail in the Assets/Liability Management and Liquidity section below). However, profits could potentially be offset by increasing loss provisions given the global recession that is projected to persist into 2010. The recent loan pricing adjustment will have a negligible impact on operating income in the short-term, as the loan book consists of older loans to which the new pricing policy does not apply. The impact of the pricing change will accumulate gradually, and the pricing policy will be reviewed annually to ensure that the level of operating income is sufficient to allow the Bank to continue to support development activities that meet its shareholders' needs.

The Bank's build-up of reserves is expected to support earnings by growing the contribution of free funds to overall returns. Out of FY2008 net income, the Bank allocated \$811 million in August toward increasing the general reserve in order to increase its risk-bearing capacity.

All transfers approved by the Board of Governors are now reported as expenses on the income statement to reflect the increasing frequency of these transfers and varying nature of recipients. In years prior to June 30, 2006, these transfers have been shown as a direct reduction in equity, reflecting the shareholders' view of the substance and intent of these transfers. This change was made to increase the transparency of the full extent of the Bank's outflows by including both its regular operating activities and those activities outside of its normal operations, as explained in more detail in the Bank's notes to its financial statements. In FY2008, the Bank recorded as an expense \$740 million of transfers from FY2007 net income and surplus approved by the Board of Governors. The IDA received \$600 million from unallocated net income and the Food Price Crisis Response Trust Fund and Trust Fund for Gaza and West Bank received \$85 million and \$55 million, respectively, from surplus.

In December 2007, the Bank announced that it would once again participate in the IDA replenishment. For the IDA 15 Replenishment (2008-2011) the World Bank Group has indicated it will more than double its IDA 14 contribution, promising \$3.5 billion to help the 81 poorest countries in the world. The IBRD is expected to fund half of this commitment, with the IFC financing the remainder.

## IBRD (World Bank)

## Asset/Liability Management and Liquidity

The aim of IBRD's asset/liability management framework is to provide adequate funding for each loan and liquid asset at the lowest available cost and to manage the portfolio of liabilities supporting each loan and liquid asset within the prescribed risk guidelines. The liabilities portfolios are monitored and adjusted for currency composition, maturity profile and interest rate sensitivity as needed. To minimize exchange rate risk, IBRD matches borrowings in any one currency with assets in the same currency (as mandated by its Articles) and also undertakes currency conversions to match the currency composition of its equity to that of its outstanding loans.

During FY2008 the Bank implemented an equity duration extension strategy with the goal of reducing the interest rate sensitivity of its operating income by taking a greater exposure to long-term interest rates. The need for this arose in recent years as the loan portfolio shifted from pool loans to floating LIBOR-based loans, which increased the sensitivity of IBRD's operating income to changes in market interest rates. The strategy was executed by entering into interest rate swaps to extend the duration of equity using a 10-year ladder repricing profile.

The goal of IBRD's liquidity management is to ensure cash flows are available to meet all of the Bank's financial commitments. In accordance with the Bank's liquidity policy (which was last revised during FY1997), liquid assets must equal at least the highest consecutive six months of anticipated debt service plus one-half of the anticipated net loan disbursements over the coming fiscal year (if positive). The prudential minimum for FY2009 is \$19 billion, an increase of \$3 billion from FY2008; in general, the liquid asset portfolio should not exceed 150% of the prudential minimum liquidity level. Liquid assets are held in three sub-portfolios—stable, operational and discretionary—and up to 20% of the stable portfolio may be contracted out to external managers. Historically, the Bank's actual liquidity has tended to be comfortably above the minimum set by policy, and is conservatively managed to protect the principal amount of the investments while generating a reasonable return. At the end of the last financial year, liquidity was \$22.7 billion, an increase of \$782 million from the previous year.

## Capital Adequacy

The steady expansion of IBRD's capital resources over the years, combined with strict lending limitations, means that the Bank has sufficient capital, generally speaking, to cope with its above-average business risk.

The IBRD realizes that by having enough resources of its own to absorb risks it protects members from a possible capital call. The Bank judges its capital adequacy as the ability of its equity to generate future net income to support normal loan growth and respond to a potential crisis without having to resort to a call on capital.

There are various safeguards used to protect capital adequacy. The statutory lending limit is defined by the IBRD charter, which stipulates that the total amount outstanding of disbursed loans, participations in loans, and callable guarantees may not exceed the total value of subscribed capital, reserves, and surplus. As of June 30, 2008 the Bank's total exposure to borrowing countries amounted to 45% of this limit (similar to the ratio at the end of the prior fiscal year and in the middle of the range recorded throughout the 1990s). The Bank is conservatively leveraged, with borrowings through debt issuance accounting for about 40% of subscribed capital, reserves and surplus.

The Bank also uses the equity-to-loans ratio (ETL) as one of its primary measures of risk-bearing capacity. The ETL ratio allows the Bank to monitor the sensitivity of its risk-bearing capacity to interest and exchange rate movements, and to respond accordingly to protect the ratio from these market rate risks. In FY2008 it rose to 37.6% (net of relevant accumulated provisions and deferred loan income in the fiscal year), from 35.1% the previous year as a result of the increase in equity. This ratio has climbed steadily over the last five years, from 29.4% as of June 2004 to its current level of 37.6%, well above the 23-27% target risk coverage range established during FY2008. The Bank reviewed its capital adequacy in the context of its long-term developmental mission and proposed this range as a part of a strategic capital adequacy framework.

## IBRD (World Bank)

Moody's believes that reference to a more focused measure—the risk asset coverage ratio—may provide further value in assessing the strength of the IBRD's capital base: at fiscal year-end 2008, the Bank's usable capital (hard currency, paid-in capital plus reserves) plus the callable capital pledged by Aaa/Aa-rated member countries equaled 245% of what Moody's regards as its high risk assets (i.e., loans outstanding to countries that Moody's considers to be less than investment grade). This figure is at a record high due to the benign credit environment during the years preceding FY2008 and indicates a more than comfortable capital cushion. However, there is likely to be some drop in this figure in FY2009 as the global financial crisis spreads to the real sector and many developing countries face increasing macroeconomic stress.

As a result of its large capital base, the IBRD is in a comfortable position to respond to the financial crisis. In October 2008 the Bank pledged \$1.3 billion (€1.0 billion) to an emergency financing package that they, along with the IMF and European Union, made available to Hungary. The Bank has also stated that they can substantially increase financial support for developing countries and could make new commitments of up to \$100 billion over the next three years to meet additional demand from developing country partners. In addition, the Bank has increased its support of the private sector by launching or expanding four initiatives with the IFC: ensuring trade flows; bolstering distressed banking systems; keeping infrastructure projects on track; and shifting advisory support services to focus on the current crisis. In Moody's opinion, the IBRD's response to the financial crisis, as briefly described above, will not cause severe deterioration in capital adequacy ratios and therefore will not put stress on the Aaa rating.

If the Bank were unable to service its own debt—an event Moody's considers as being extremely remote as reflected in its Aaa rating—it has the option of making capital calls on all member countries in proportion to their subscribed shares. About 59% of the Bank's callable capital represents the obligations of Aaa/Aa-rated shareholders. The callable capital is an unconditional and full faith obligation of each member country, the fulfillment of which is independent of the action of other shareholders. Should one or more of the member countries fail to meet this obligation, successive calls on the other members would be made until the full amounts needed were obtained. However, no country would be required to pay more than its total callable subscription. The Bank has never made a capital call and is highly unlikely to need to resort to such an action in the future.

## Asset Quality

Total assets at the end of FY2008 amounted to \$234 billion, with net loans outstanding excluding loss provisions representing 41.8% of that total. The IBRD limits its exposure to individual borrowers based on its risk-bearing capacity. The single-borrower exposure limit for FY2008 was \$14.5 billion (the same as in the previous three fiscal years); the Board reviews and approves this figure every year and has increased the FY2009 limit by \$1 billion for a limit of \$15.5 billion. There also is an equitable access limit of 10% of IBRD's subscribed capital, reserves and unallocated surplus, and the overall country limit is the lower of the single-borrower exposure and the equitable access limit. In FY2003 the IBRD instituted a policy whereby it could continue to lend to a country that had reached its concentration limit, provided arrangements were made so that IBRD's net exposure to the borrower would not increase. As of June 30, 2008, China was the only country with which the Bank had such an arrangement, and since it was below the limit the agreement had not been activated.

## IBRD (World Bank)

## Top Ten Borrowers Ranked by Shares of Total Loans Outstanding

FY 2006			FY 2007			FY 2008		
Country	US\$, bn.	(%)	Country	US\$, bn.	(%)	Country	US\$, bn.	(%)
China	11.2	10.9	China	11.6	11.8	China	12.0	12.2
Brazil	9.5	9.2	Brazil	9.6	9.9	Brazil	9.9	10.0
Mexico	9.2	8.9	Turkey	6.9	7.0	Turkey	7.8	7.9
Indonesia	7.6	7.3	Indonesia	6.8	7.0	India	7.2	7.3
Argentina	6.6	6.4	India	6.4	6.6	Indonesia	6.4	6.5
Turkey	6.2	6.1	Argentina	5.9	6.0	Argentina	5.3	5.3
India	5.7	5.5	Colombia	4.6	4.7	Colombia	4.9	5.0
Russia	4.9	4.7	Russia	4.5	4.6	Mexico	4.1	4.2
Colombia	4.0	3.9	Mexico	4.1	4.2	Russia	4.1	4.1
Korea	2.9	2.8	Philippines	2.8	2.9	Philippines	2.7	2.7
<b>Total</b>	<b>67.8</b>	<b>65.7</b>	<b>Total</b>	<b>63.2</b>	<b>64.7</b>	<b>Total</b>	<b>64.4</b>	<b>65.2</b>

As is suggested by the table above, change in the composition of principal borrowers is a slow process. Eight of the top ten borrowers in FY2008 were among the top ten both five and ten years ago (FY2003 and FY1998, respectively) and over the past ten years, the top ten borrowers have consistently accounted for approximately two-thirds of all loans outstanding. Thus, there is a degree of concentration risk in the portfolio.

New loan commitments increased to \$13.5 billion during FY2008, from \$12.8 billion the previous year. During FY2008 Cote D'Ivoire and Liberia cleared all of their overdue principal, interest, and charges due to IBRD, leaving only one country—Zimbabwe—in nonaccrual status.

The Bank does not reschedule its loans. It has never declared a loan loss and continues to seek recovery on all arrears. Loans in nonaccrual status (overdue by 180+ days) amount to approximately \$464 million and are amply covered by accumulated loan loss provision of \$1.4 billion, which is about 1.4% of gross outstanding loans. In the coming two to three years, there is a risk that loans in nonaccrual status could increase given the extent of the financial crisis that is affecting both advanced and emerging economies. In order to minimize the risk that future large and protracted nonaccruals might disrupt normal lending operations, the IBRD uses an internal stress test of the equity capital-to-loans ratio to monitor and to evaluate its risk-bearing and financial capacities, resulting in an increase in general reserves in recent years. In keeping with its mission as a development organization, the Bank does not seek to maximize profits, and consequently shapes its financial policies to reduce risk while meeting its minimum profitability requirements.

As indicated earlier, the IBRD's nonaccrual assets (at \$0.5 billion, less than a fifth of the \$3.5 billion recorded in FY2005), are well covered by provisions. In the event of a major increase in nonaccruals, aside from the portfolio of liquid assets, the Bank also has the options of reducing lending activity, increasing borrowings from capital markets and conceivably also from member governments or their central banks. Furthermore, general reserves total \$24.9 billion, and were further increased with the addition of the \$811 million allocation in August from the FY2008 net income. As a result of all these factors, Moody's considers a resort to callable capital to be highly unlikely.

## IBRD (World Bank)

## Rating History

IBRD (World Bank)					
	Issuer Rating		Senior Unsecured	Outlook	Date
	Long-term	Short-term			
Outlook Assigned	--	--	--	Stable	March-97
Rating Assigned	Aaa	--	--	--	December-94
Rating Assigned	--	--	Aaa	--	March-93

## IBRD (World Bank)

## Annual Statistics

## IBRD (World Bank)

	2001	2002	2003	2004	2005	2006	2007	2008
<b>ASSETS, LIABILITIES AND CAPITAL (US\$ Mil.)</b>								
<b>ASSETS</b>								
<b>Total</b>	<b>222,873</b>	<b>227,794</b>	<b>230,352</b>	<b>228,910</b>	<b>222,008</b>	<b>212,326</b>	<b>207,900</b>	<b>233,599</b>
Cash	685	1,083	1,929	1,803	1,177	758	765	834
o/w Unrestricted Cash	50	415	1,259	1,138	505	65	41	66
Investments	24,168	24,256	27,916	31,146	26,733	25,672	23,054	25,213
Gross Loans	156,800	157,942	149,271	141,738	138,145	137,942	133,245	137,226
Less Loans Approved but not yet effective	6,933	6,634	5,937	7,357	9,822	9,082	10,566	11,779
Less Undisbursed Balance of Effective Loans	31,001	29,719	27,094	24,771	23,922	25,856	24,874	26,397
Equals Gross Loans Outstanding	118,866	121,589	116,240	109,610	104,401	103,004	97,805	99,050
Accumulated Loan Loss Provision	4,074	5,053	4,045	3,505	3,009	2,296	1,932	1,370
Other Assets	83,228	85,919	88,312	89,856	92,706	85,188	88,208	109,872
<b>LIABILITIES</b>								
<b>Total</b>	<b>193,303</b>	<b>195,481</b>	<b>192,434</b>	<b>193,447</b>	<b>183,420</b>	<b>175,852</b>	<b>168,104</b>	<b>192,051</b>
Total Borrowings	106,757	110,263	108,554	108,066	101,297	95,835	87,759	87,690
Other Liabilities	86,546	85,218	83,880	85,381	82,123	80,017	80,345	104,361
<b>CAPITAL AND RESERVES</b>								
<b>Total</b>	<b>29,570</b>	<b>32,313</b>	<b>37,918</b>	<b>35,463</b>	<b>38,588</b>	<b>36,474</b>	<b>39,796</b>	<b>41,548</b>
Total Subscribed Capital	189,505	189,505	189,567	189,718	189,718	189,718	189,801	189,801
Less Total Callable Capital	178,029	178,029	178,089	178,235	178,235	178,235	178,315	178,315
(CC of Aaa/Aa members) [1]	103,593	103,593	103,735	103,735	103,735	103,735	105,628	105,796
(CC of IG members) [2]	129,417	129,461	130,102	140,242	140,242	140,834	141,288	141,288
(CC of members below IG) [3]	48,612	48,568	47,987	37,993	37,993	37,401	37,027	37,027
Equals Paid-in Capital	11,476	11,476	11,478	11,483	11,483	11,483	11,486	11,486
Less net amounts required to maintain value of currency holdings under capital subscriptions	1,102	936	433	94	-58	-102	-236	-853
Less amounts subject to restrictions	2,473	2,300	2,464	2,455	2,509	2,460	2,448	2,443
Equals Usable Paid-in Capital	7,901	8,240	8,581	8,934	9,032	9,125	9,274	9,896
Plus Total Reserves, incl. unallocated net income and accumulated loan loss provision	23,079	25,965	28,814	22,936	29,355	23,762	26,990	28,754
o/w General Reserve	17,223	17,841	19,132	21,542	22,222	22,912	23,948	24,859
o/w Special Reserve	293	293	293	293	293	293	293	293
o/w Accumulated Net Income -- Unallocated	1,489	2,778	5,344	-2,404	3,831	-1,739	817	2,232
Equals Usable Equity	30,980	34,205	37,395	31,870	38,387	32,887	36,264	38,650
Surplus	131	100	100	95	448	360	43	0
Other	-1,042	-175	1,571	4,454	311	3,165	3,209	2,678
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>	<b>222,873</b>	<b>227,794</b>	<b>230,352</b>	<b>228,910</b>	<b>222,008</b>	<b>212,326</b>	<b>207,900</b>	<b>233,599</b>

[1] Member countries viewed by Moody's as having credit standing of Aaa/Aa.

[2] Member countries viewed by Moody's as having investment grade credit standing (Baa or above).

[3] Member countries viewed by Moody's as having below investment grade credit standing (below Baa).

## IBRD (World Bank)

## IBRD (World Bank)

	2001	2002	2003	2004	2005	2006	2007	2008
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## COMPOSITION OF ASSETS (%)

	2001	2002	2003	2004	2005	2006	2007	2008
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cash	0.3	0.5	0.8	0.8	0.5	0.4	0.4	0.4
Investments	10.8	10.6	12.1	13.6	12.0	12.1	11.1	10.8
Net Loans Outstanding	51.5	51.2	48.7	46.4	45.7	47.4	46.1	41.8
Other	37.3	37.7	38.3	39.3	41.8	40.1	42.4	47.0

## CAPITALIZATION (%)

	2001	2002	2003	2004	2005	2006	2007	2008
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Borrowings	33.9	34.4	33.6	34.1	31.9	31.2	29.0	28.8
Reserves	6.0	6.5	7.7	6.1	8.3	7.0	8.3	9.0
Subscribed Capital	60.1	59.1	58.7	59.8	59.8	61.8	62.7	62.3
Paid-in Capital	3.6	3.6	3.6	3.6	3.6	3.7	3.8	3.8
CC of Aaa/Aa members [1]	32.9	32.3	32.1	32.7	32.7	33.8	34.9	34.7
CC of A/Baa members [2]	8.2	8.1	8.2	11.5	11.5	12.1	11.8	11.6
CC of below IG members [3]	15.4	15.1	14.9	12.0	12.0	12.2	12.2	12.1

## INCOME STATEMENT SUMMARY (US\$ Mil.)

<b>Total Gross Income</b>	<b>10,015</b>	<b>7,876</b>	<b>6,362</b>	<b>4,942</b>	<b>5,053</b>	<b>6,235</b>	<b>7,012</b>	<b>6,863</b>
Income from Loans	8,143	6,861	5,742	4,403	4,155	4,864	5,467	5,497
Interest	8,052	6,779	5,659	4,328	4,084	4,791	5,391	5,426
Commitment Fees	91	82	83	75	71	73	76	71
Investment Income	1,701	831	418	304	627	1,107	1,281	1,066
Other	171	184	202	235	271	264	264	300
<b>Total Gross Expenses</b>	<b>8,724</b>	<b>5,952</b>	<b>3,341</b>	<b>3,246</b>	<b>3,733</b>	<b>4,495</b>	<b>5,353</b>	<b>4,592</b>
Borrowing Expenses	7,152	4,903	3,594	2,789	3,037	3,987	4,519	4,017
Interest on Borrowings	7,021	4,793	3,509	2,708	2,942	3,882	4,427	3,934
Other borrowing expenses	131	110	85	81	95	105	92	83
Interest on payable for cash collateral received	6	4	--	--	--	--	--	--
Administrative Expenses	881	876	882	934	1,021	1,059	1,066	1,082
Provision for Loan Losses	676	-15	-1,300	-665	-502	-724	-405	-684
Other post retirement benefits expense	--	--	--	--	--	--	--	--
Contribution to Special Programs	147	176	156	179	173	173	171	176
Other	9	8	9	9	4	0	2	1
<b>Net Operating Income</b>	<b>1,291</b>	<b>1,924</b>	<b>3,021</b>	<b>1,696</b>	<b>1,320</b>	<b>1,740</b>	<b>1,659</b>	<b>2,271</b>
Plus Board of Governors-approved transfers	0	-402	-540	-645	-642	-650	-957	-740
Plus net unrealized gains (losses) on non-trading derivative instruments	345	854	2,323	-4,100	2,511	-3,479	-842	-40
<b>Equals Net Income</b>	<b>1,489</b>	<b>2,376</b>	<b>4,804</b>	<b>-3,049</b>	<b>3,189</b>	<b>-2,389</b>	<b>-140</b>	<b>1,491</b>

## IBRD (World Bank)

## IBRD (World Bank)

	2001	2002	2003	2004	2005	2006	2007	2008
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## FINANCIAL RATIOS

## Performance Statistics (%)

Return on Total Assets	0.6	0.9	1.3	0.7	0.6	0.8	0.8	1.0
Return on Earning Assets	0.9	1.3	2.1	1.2	1.0	1.3	1.3	1.8
Return on Equity	3.8	5.3	7.8	4.5	3.5	4.6	4.5	5.8
Return on Usable Equity	4.2	5.9	8.4	4.9	3.8	4.9	4.8	6.1
Interest on Loans/Loans Outstanding	6.8	5.7	4.8	3.9	3.9	4.7	5.4	5.6
Interest Coverage Ratio (x)	1.2	1.4	1.9	1.6	1.4	1.4	1.4	1.6
Disbursed Loans/Total Effective Loans	79.3	80.4	81.1	81.6	81.4	79.9	79.7	79.0

## Capital Adequacy Ratios (%)

Usable Equity as % Risk Assets [1]	40.1	42.5	48.2	49.5	61.4	53.3	62.1	65.6
Usable Equity + CC of Aaa/Aa Members/Risk Assets [1]	174.0	171.4	182.0	210.5	227.5	221.4	243.2	245.0
Usable Equity + CC of IG Members/Risk Assets [1]	207.4	203.6	216.0	267.2	285.9	281.5	304.3	305.2

## Liquidity Ratios (%)

Liquid Assets (less restricted cash)/Total Assets	10.9	10.8	12.7	14.1	12.3	12.1	11.1	10.8
Liquid Assets (less restricted cash)/Borrowings	22.7	22.4	26.9	29.9	26.9	26.9	26.3	28.8
Liquid Assets (less restricted cash) as % of Principal Payments due next five years	37.8	37.7	46.7	50.5	46.5	50.2	43.5	46.3
Total Liquid Assets/Undisbursed Effective Loans	80.2	85.3	110.2	133.0	116.7	102.2	95.8	98.7

## Maturity of Outstanding MT and LT Borrowings (% of total)

One Year	17.6	16.7	11.6	18.7	15.9	16.5	25.4	28.1
Two to Five	46.6	45.6	47.5	41.6	43.6	41.3	33.5	31.9
More than Five	35.8	37.7	40.9	39.7	40.6	42.2	41.1	40.0

## Reserves to Loans Ratio (%)

Total Reserves/Loans Outstanding	19.4	21.4	24.8	20.9	28.1	23.1	27.6	29.0
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## Loans To Usable Equity (X)

Loans Outstanding/Usable Equity	3.8	3.6	3.1	3.4	2.7	3.1	2.7	2.6
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## Lending Limitation (%) [2]

Loans and Callable Guarantees Outstanding/Subscribed Capital and Reserves	55.9	56.0	52.9	49.7	47.4	47.0	44.0	45.0
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Net Loans (US\$ Mil.)	114,792	116,536	112,195	106,105	101,392	100,708	95,873	97,680
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[1] Risk assets defined as loans to countries considered by Moody's to be below investment grade.

[2] World Bank charter limits commitments on loans and guarantees to 100% of subscribed capital and reserves.

## IBRD (World Bank)

**CAPITAL SUBSCRIPTIONS AND VOTING POWER (US\$ Mil.)**  
 (as of June 30, 2008)

	Par Value of Shares				Voting Power Per Cent of Total
	Per Cent of Total	Total	Paid-in	Callable	
United States	16.84	31,965	1,998	29,966	16.38
Japan	8.07	15,321	944	14,377	7.86
Germany	4.60	8,734	543	8,191	4.49
France	4.41	8,372	520	7,851	4.30
United Kingdom	4.41	8,372	540	7,832	4.30
India	2.85	5,404	334	5,070	2.78
Italy	2.85	5,404	335	5,069	2.78
Canada	2.85	5,404	335	5,069	2.78
China, People's Republic	2.85	5,404	335	5,069	2.78
Saudi Arabia	2.85	5,404	335	5,069	2.78
Russian Federation	2.85	5,404	334	5,070	2.78
Others	44.57	84,613	4,934	79,682	45.99
<b>Total</b>	<b>100.00</b>	<b>189,801</b>	<b>11,486</b>	<b>178,315</b>	<b>100.00</b>

## IBRD (World Bank)

**Moody's Related Research****Credit Opinion:**

- IBRD (World Bank), April 2008

**Analysis:**

- IBRD (World Bank), October 2007 (105534)
- International Finance Corporation, December 2008 (113672)
- Inter-American Development Bank, April 2008 (108126)
- Asian Development Bank, December 2008 (113066)

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

## IBRD (World Bank)

Report Number: 113644

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