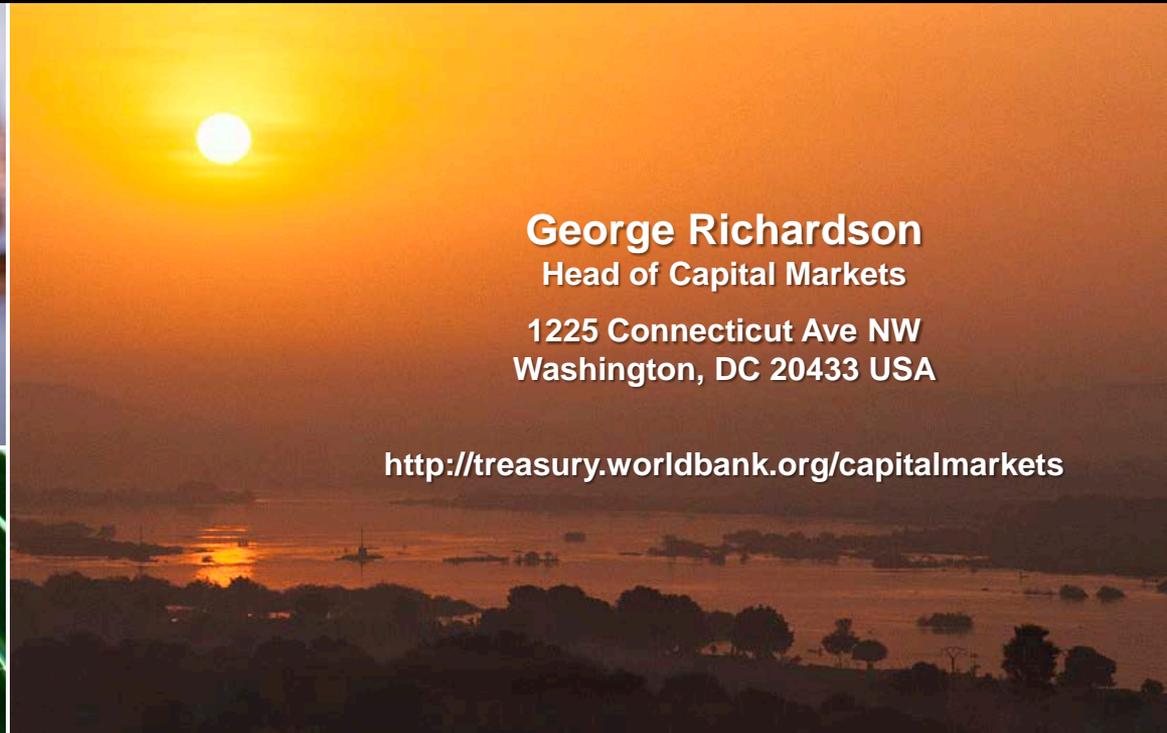




TREASURY
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Investing in Supranationals



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Why care about Supranationals?

- Diversification of AAA portfolios
- Investment of safe haven assets
- Replacement for shrinking supply by GSEs
- Earn “social” returns in addition to financial returns



What are AAA Supranationals?

- **Supranationals** are international institutions that provide development financing, advisory services and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth.
- **Key features**
 - Triple-A rated
 - 0% risk weighting with Basle II and III
 - Financial strength based on
 - *diversified, sovereign shareholders*
 - *conservative risk management*
 - *quality loan portfolio (preferred creditor status)*
 - *substantial liquidity and consistent profitability*
 - *strong capitalization*
 - Issuers of US\$ global benchmarks
 - Issuers of only senior, unsecured debt
 - Some issue other instruments of possible interest to US government and official sector investors (e.g., US\$ callables, FRNs, etc.)
 - Benchmark bonds included in major USD and global indices

Who are the AAA Supranationals?



Red outline highlights the AAA supranationals that have the US as a shareholder.

United States Shareholding



	Percentage of U.S. Shareholding	U.S. is X largest shareholder	Headquarters
African Development Bank	7%	2 nd	Tunis, Tunisia (Temporary)
Asian Development Bank	16%	1 st (co-largest with Japan)	Manila, Philippines
European Bank of Reconstruction and Development	10%	1 st	London, UK
Inter-American Development Bank	29%	1 st	Washington, DC, USA
International Finance Corporation	24%	1 st	Washington, DC, USA
International Bank for Reconstruction and Development (World Bank)	17%	1 st	Washington, DC, USA

The Sov/Supra/Agency (SSA) sector

- The different categories of issuers (not all of which are AAA)

AAA Supranationals

- AfDB
- AsDB
- CoEDB
- EBRD
- EIB
- IADB
- IFC
- IBRD (World Bank)
- NIB

Full Government Guarantee

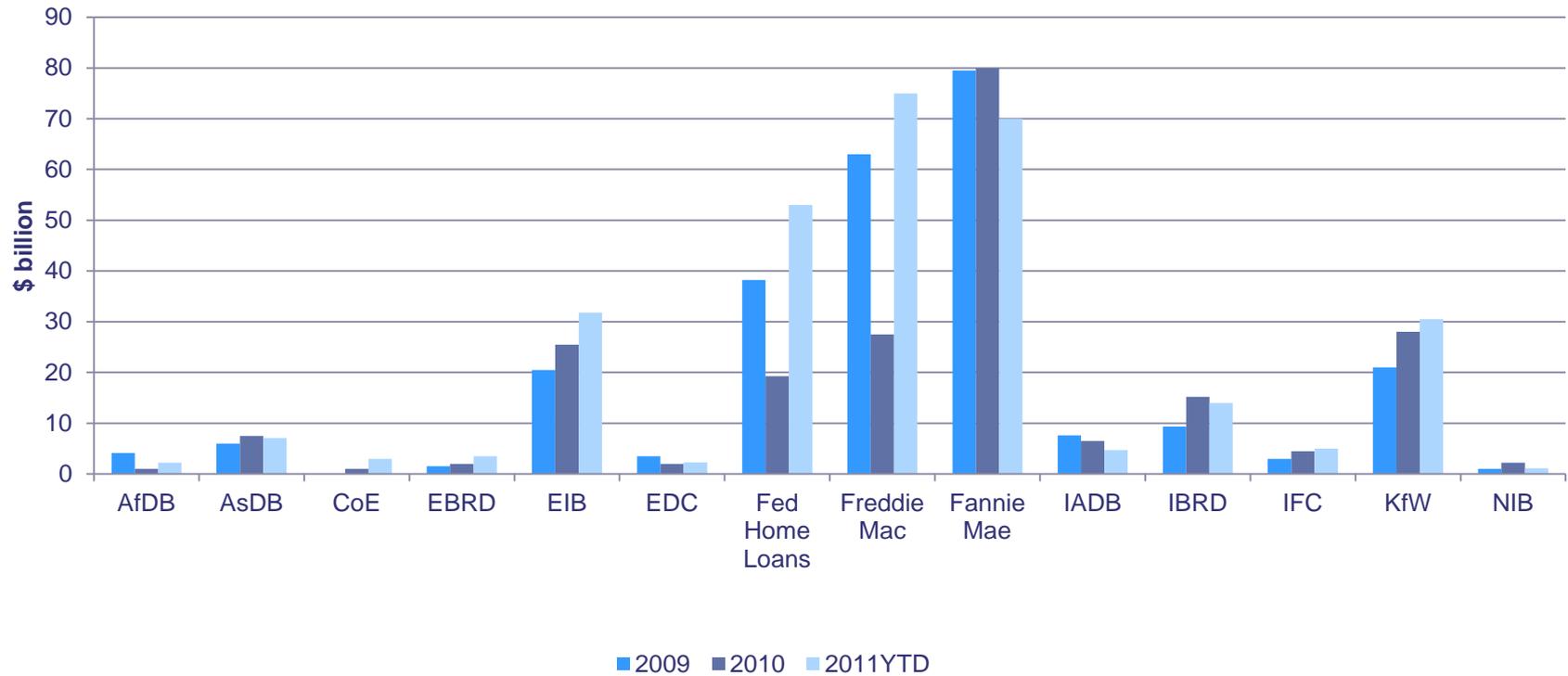
- EDC (Canada)
- KfW (Germany)
- OKB (Austria)
- ICO (Spain)
- JBIC (Japan)

Implied Guarantee or Government Ownership

- BNG
- CADES
- Eurofima
- SEK
- Etc.

US\$ Issuance Volumes

US\$ Benchmark Issuance Volumes



GSE's – Supra's: Some basic differences

	US GSE	Supranational
Mission	US Residential Property	International, multi-sectoral economic development and poverty reduction
Leverage	N/A – Negative equity gap is bridged each quarter (when applicable) with investment from Treasury under the preferred stock purchase program	Capped by capital (to 1x leverage in the case of the World Bank)
Sponsorship	US Government	Multi-government
Call on Capital	US Treasury	All Member nations
Oversight	Federal Housing Finance Agency – regulator (and conservator)	Resident board with representatives from all members who approve all loans and control other activities



What is the World Bank?

- **International organization owned by 187 member countries**
 - A global development cooperative – its owners are its clients
 - The world's largest source of development finance and expertise
 - 60 years of financing development projects:
 - *US\$500 billion in financing*
 - *Approximately 130 countries*
 - *5,000+ projects*
 - 10,000 staff from 160 countries in 130 countries
 - The World Bank (officially called International Bank for Reconstruction and Development, IBRD) is the largest part of the World Bank Group
 - Finances activities by issuing bonds in the capital markets



Millennium Development Goals

- The World Bank and its member countries are working towards these 8 specific, measurable targets, which aim to reduce poverty by half by 2015

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**



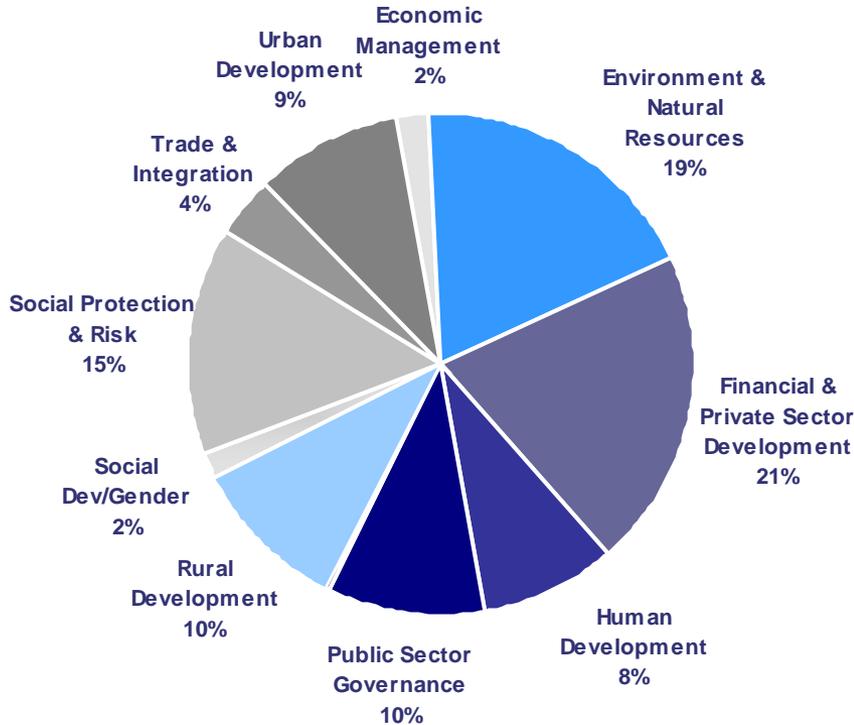
8

**Develop
global
partnerships**

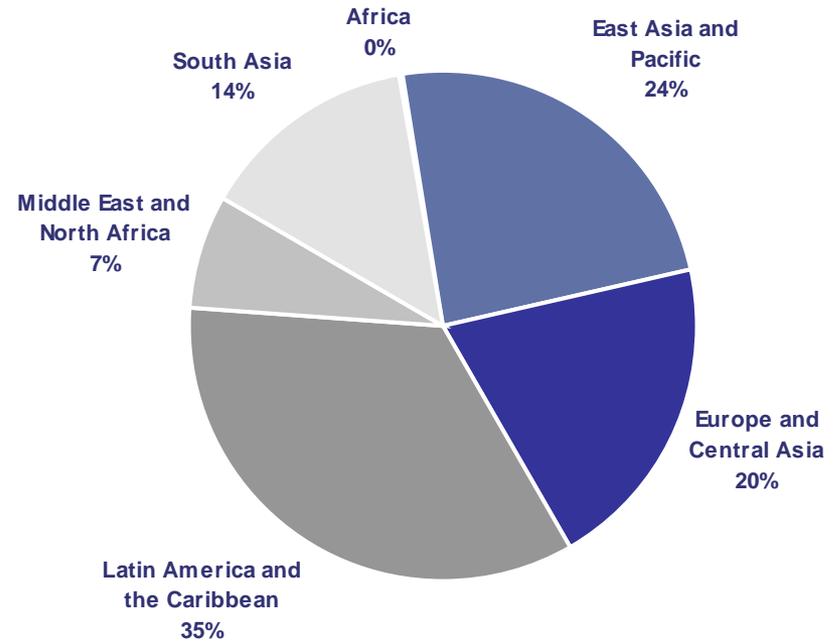


What We Support

- **IBRD Lending in FY 2011** (Total amount: US\$27 billion)



Distribution by Theme



Distribution by Region

Note: Distribution by Sector: Agriculture 3%, Education 2%, Energy & Mining 17%, Finance 3%, Health & Social Services 17%, Industry & Trade 5%, Info & Communication 1%, Law & Public Administration 22%, Transportation 19%, Water & Sanitation 11%

The World Bank's Financial Strength

- IBRD's Aaa/AAA rating is based on a solid financial structure, conservative financial policies and consistent performance, as well as support and capital backing from its shareholders.

Strong Credit Quality

Diversified Shareholder Base

Prudent Risk Management

Quality Loan Portfolio

Substantial Liquidity

Consistent Profitability



**The World Bank's main
headquarters are in
Washington, D.C.**

Key Balance Sheet Items and Risk Management

Highlights:

- **Loans Outstanding** have increased since FY2007; the overall credit quality of many borrowers has improved.
- **Liquid Assets** are held to ensure timely payments can be made for disbursements and debt service and are managed against strict guidelines and conservative benchmarks.
- **Swaps** are used for hedging purposes (we cannot take currency or interest rate risk on our balance sheet); collateral is held to manage counterparty credit risk.
- **Borrowings and loans** are managed on a USD Libor basis to eliminate the risk of interest rate or currency mismatches between assets and liabilities.
- **Equity** is primarily comprised of paid-in capital and retained earnings. Annual income generated is used to add on to reserves and / or for other purposes as determined by shareholders (e.g. to contribute to IDA). The Equity-to-Loans ratio was 28.67% on June 30, 2011.

Key Balance Sheet Items^(a) (as of June 30, 2011, billions US\$)

Investments & due from banks ^(b)	35	Borrowings	135
Net loans outstanding	130	Equity	39
Other ^(c)	148	Other ^(c)	139
Total Assets	313	Total Liabilities & Equity	313

- (a) Fair value basis; see financial statements for additional details
 (b) Of this amount, the liquidity portfolio is US\$ 28.4 billion
 (c) Mostly swap payables and receivables

Benefits of a Diversified Shareholder Base

- **Shareholder support** - IBRD bonds are supported by the strength of the balance sheet *and* support of both borrowing member shareholders and other shareholders through callable capital of the World Bank's 187 sovereign shareholders.
- **Callable capital** can only be called in order to satisfy debt holder claims. Members are responsible for the full amount of their callable capital subscription, regardless of others' ability to fulfill their obligations.
 - The World Bank's financial policies are designed to minimize the need for a call on capital and key management tools like the Equity-to-Loans ratio targets do not take callable capital into account. A call would only be made in the case of unprecedented losses, and only if they exceed expected available financial resources. No call has ever been made on callable capital.
- **Largest shareholders** (percent of total subscription as of June 30, 2011):
 - United States 16.5%
 - Japan 9.86%
 - Germany 4.51%
 - France 4.32%
 - United Kingdom 4.32%

Practicing Prudent Risk Management

- Under IBRD's Articles of Agreement (the Articles), as applied, the total amount outstanding of direct loans made by IBRD, including participation in loans and callable guarantees may not exceed the **statutory lending limit**, so the World Bank can never lend more than subscribed capital, reserves, and surplus.
- At June 30, 2011, outstanding loans and callable guarantees totaled \$132,459 million, equal to 60% of the statutory lending limit of \$220,201 million.

Maximum “gearing ratio” of 1:1

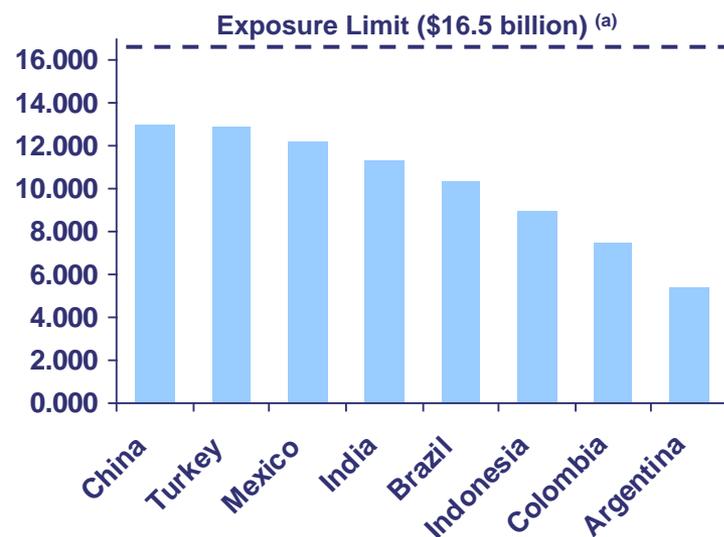


(a) Net of accumulated loan loss provisions

Quality Loan Portfolio Lowers Risk

- Borrowing nations are shareholders; increased incentive to repay
- Overall credit quality of many borrowers has improved over last few years; 5 of the largest 8 borrowers have an investment grade rating
- Recognized preferred creditor status; borrowing nations prioritize financial obligations to the World Bank
- Lending is limited to sovereign or sovereign-guaranteed projects
- Concentration limits for individual countries
- Has never written off a loan
- Practice is to not reschedule interest or principal payments on loans
- Policy of freezing loan approvals and disbursements if a country fails to pay obligations on time

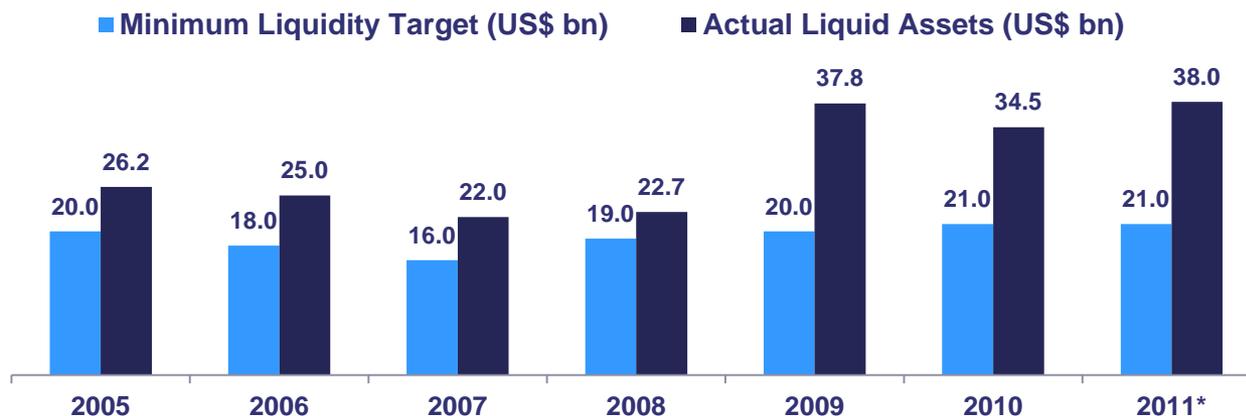
Top 8 Country Exposures as of June 30, 2011
In billions of U.S. Dollars



(a) India's exposure limit is US\$17.5 billion

Substantial Liquidity

- Liquid investment portfolio allows flexibility in the timing of new debt issuance and while meeting obligations. Portfolio is managed against strict guidelines.
- Eligible investments are highly rated fixed income securities rated AA- or better for governments and agencies and AAA for corporates and ABS
- Actual liquidity exceeds minimum target to provide financial flexibility
- Minimum liquidity target is the highest six months of expected debt service plus one-half of net approved loan disbursements, as projected for the fiscal year
- The FY 2012 prudential minimum liquidity level has been set at US\$21 billion

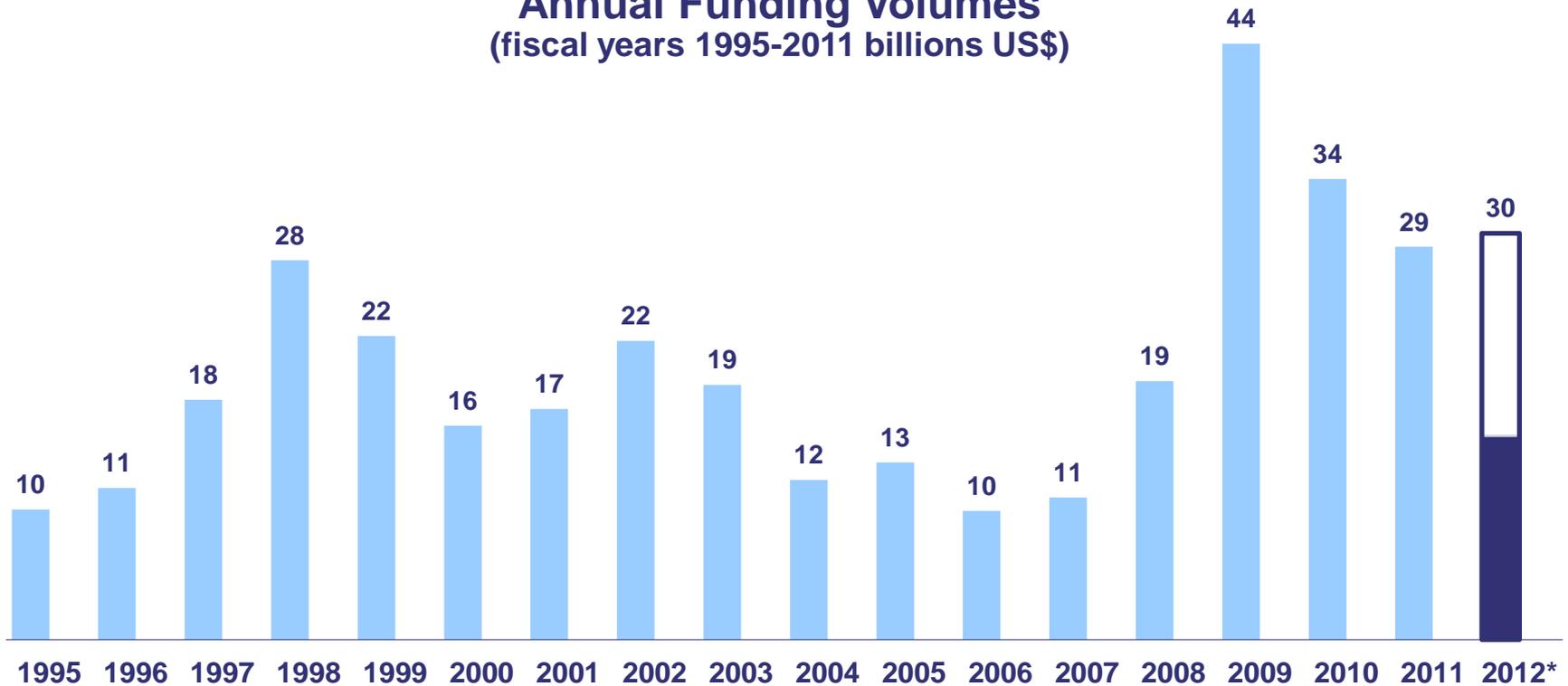


* As of November 28, 2011

The World Bank Increases Funding When & Where it is Needed

- Funding volume grows in response to global financial crises and the resulting increase in lending activity, and/or refinancing

Annual Funding Volumes
(fiscal years 1995-2011 billions US\$)



Note: World Bank fiscal years begin on July 1st and end on June 30th

* YTD

World Bank Funding by Product and Currency Mix

- **Benchmark / Global Bonds:**

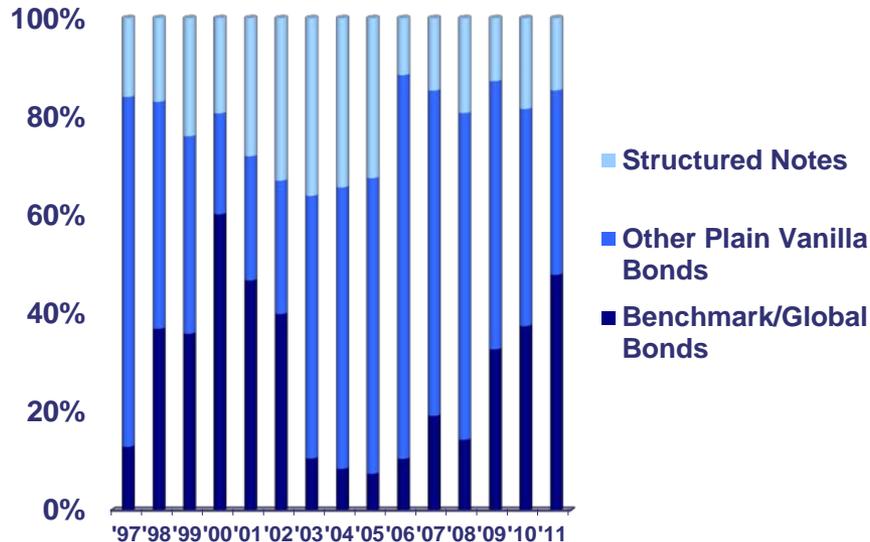
Australian Dollars, Canadian Dollars, Euros, New Zealand Dollars, Norwegian Krone, Pound Sterling, South African Rand, Turkish Lira, and US Dollars

- **Other Plain Vanilla Notes:**

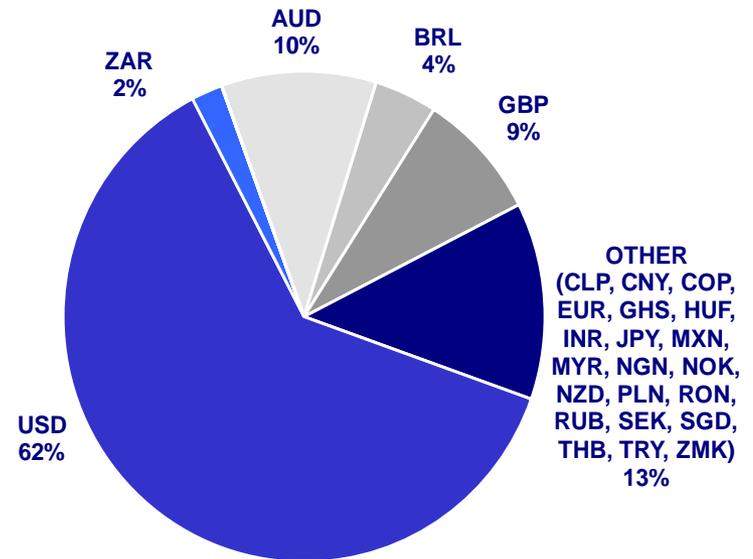
(Uridashi and local / non-core currency (Australian Dollar, Brazilian Reais, Botswana Pula, Chilean Peso, Chinese Renminbi, Colombian Peso, Czech Koruna, Ghanaian Cedi, Hong Kong Dollar, Hungarian Forint, Indian Rupee, Japanese Yen, Malaysian Ringgit, Mexican Peso, Nigerian Naira, New Romanian Leu, New Turkish Lira, New Zealand Dollar, Norwegian Krone, Polish Zloty, Russian Ruble, Saudi Riyal, Singapore Dollar, Slovak Koruna, South African Rand, South Korean Won, Swedish Krona, Swiss Franc, Thai Baht, Turkish Lira, Zambian Kwacha)

- **Structured Notes:**

Callable and puttable, floating rate with caps, floors or collars, step-up and step-down coupons, and others



Fiscal Years ending June 30, 2011



Currency Distribution FY2011
Total amount: US\$29 billion

World Bank Global Bonds

- **The World Bank offers global bonds in a variety of currencies and maturities through strategic offerings designed to meet investor demand**
- **Global bonds provide investors with liquidity and strong dealer commitment to secondary market support**
- **They provide diversification among triple-A holdings and benefit from a rarity value in the marketplace**
- **Global Bond characteristics:**
 - Issue size is typically USD 2-4 billion, or benchmark size for each market
 - Maturities generally range between 2-10 years
 - Denominated in a variety of currencies, including Australian Dollars, Canadian Dollars, Euros, New Zealand Dollars, South African Rand, Turkish Lira, and US Dollars
- **World Bank bonds are represented in the following major indices:**
 - Barclays Capital Global Aggregate Index
 - Bank of America Merrill Lynch Global Broad Market Quasi-Govt Index
 - Citigroup World Broad Investment-Grade (WorldBIG) Bond Index
- **Pricing and other bond details**
 - Bloomberg: IBRD <Govt> <Go> or IBRD <Go>

World Bank Discount Notes

- **The World Bank offers flexible and customized short-term debt instruments through its US\$ Discount Notes Program**
- **Discount Notes are offered in the United States and Eurodollar markets**
- **Discount Notes characteristics:**
 - maturities of 360 days or less
 - aggregate face amounts of US\$50,000 and higher per maturity date
- **Sold through a group of dealers consisting of:**
 - Banc of America Securities LLC
 - Barclays Capital Inc.
 - FTN Financial Capital Markets
 - Goldman, Sachs & Co.
 - Jefferies & Company, Inc.
 - Nomura Securities International, Inc.
 - UBS Securities LLC (the Dealers)
- **Rates for World Bank Discount Notes are posted on Bloomberg's “ADN” page under the World Bank option (“WBDN”)**
- **Simple documentation governed by an Offering Circular**

World Bank Green Bonds

- World Bank Green Bonds support mitigation and adaptation projects selected by World Bank climate change and sector specialists
- The investment product was developed in partnership with SEB for investors concerned about the impacts of climate change
- Investors benefit from AAA/Aaa World Bank (IBRD) rating and World Bank's "due diligence" for projects
- Investors select financial terms like currency, size and maturity
- World Bank green bonds help mobilize funds from the private sector for climate change projects in member countries
- World Bank green bonds act as catalyst for larger green bond market



World Bank Green Bonds and Funds

Since the inaugural issue in 2008, almost USD 2.5 billion has been raised with 40+ World Bank green bonds issued in 16 different currencies. Nikko Asset Management set up diversified currency World Bank Green Bond funds that won an ESG (“Environment, Social, Governance”) award in Europe.



List of Select Investors

AP2 - Second Swedish National Pension Fund
 AP3 - Third Swedish National Pension Fund
 Adlerbert Research Foundation
 California State Treasurer's Office
 Church of Sweden
 CalSTRS
 Calvert Investments
 FMO (Netherlands Development Finance Co.)
 LF Liv
 MISTRA
 Everence Financial
 New York Common Retirement Fund
 Rathbone Greenbank
 SEB Ethos rantefund
 SEB Fonden
 SEB Trygg Liv
 Sarasin
 Skandia Liv
 Trillium Asset Management, LLC
 UN Joint Staff Pension Fund
 WWF-Sweden (Världsnaturfonden)
 ZKB (Zürcher Kantonalbank)

Amount	Coupon	Issue Date	Maturity Date
USD 300 million	Floating	2009	2012
USD 180 million	2%	2009	2013
SEK 2.850 billion	3.5%	2008	2014
AUD 30 million	5.4%	2010	2015
MXN 40 million	6.15%	2010	2015
MYR 12 million	1.375%	2010	2015
ZAR 25 million	7.2%	2010	2015
NZD 150 million	5.23%	2010	2015
USD 10 million	2%	2010	2016
USD 10 million	2.34%	2011	2016
USD 20 million	2.30%	2011	2016
USD 10 million	2.20%	2011	2016
USD 10 million	2.18%	2011	2016
AUD 255 million	6%	2010	2017
BRL 160 million	9.5%	2010	2017
EUR 2 million	2.5%	2010	2017
HUF 5.7 billion	5.5%	2010	2017
NOK 400 million	3.75%	2010	2017
NZD 50 million	5.625%	2010	2017
RUB 2.4 billion	7.5%	2010	2017
SEK 700 million	3.25%	2010	2017
TRY 50 million	10%	2010	2017
ZAR 750 million	8.75%	2010	2017
COP 172.5 billion	8%	2010	2020
JPY 125 million	.875%	2010	2020
MXN 1.250 billion	7.5%	2010	2020
SEK 100 million	3.5%	2010	2020
USD 5 million	3.32%	2011	2021
USD 2.143 million	3.5%	2011	2021

Summary

- The World Bank provides its members with financial solutions to reduce poverty and improve standards of living.
- World Bank bonds are sustainable investment opportunities that fund its development activities.
- IBRD's AAA/Aaa rating is based on its strong balance sheet and capital, the backing from 187 countries and its conservative financial management.
- The World Bank offers investors a broad range of products in various currencies and maturities and for bonds ranging from benchmark bonds to tailor-made notes designed to suit specific investor needs.
- Investors and clients are increasingly showing interest in the World Bank's climate-themed investment and risk management products



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- **Pricing Sources:**
 - Bloomberg:
 - IBRD <Govt> <Go> or IBRD <Go>; for Discount Notes: WBDN <Go>

ANNEX: WORLD BANK PROJECTS

Social Protection in Brazil

● Bolsa Familia Project

The Bolsa Familia project has innovative features that are expected to provide far reaching benefits by contributing to the reduction of poverty and inequality in Brazil in short and long-term. First, the project provides for transfers conditional on investments in education and health. Second, it supports an existing Brazilian government's flagship social protection program, the Bolsa Família Program (BFP), through a partnership of co-financing and technical assistance. The BFP's conditional cash transfer program provides grants to poor families, who in return must ensure that their children attend school regularly and receive adequate health care. In coordination with other government programs, this project is also expected to help Brazil achieve other key Millennium Development Goals, such as reducing malnutrition, achieving universal education, reducing child mortality, and improving maternal health.

PROJECT SUMMARY

- **Purpose:**
Social Protection
- **Term:** 2004 – 2008
- **IBRD Financing:**
US\$572 million



Education in Chile

● Tertiary Education Finance for Results

Despite Chile's economic advances, one of the challenges the country currently faces is sustaining its economic growth, social development, and maintaining its competitive edge in the context of an open economy. The Government of Chile determined that improving and expanding access to university education is key to its country's continued progress.

In response to the Government of Chile's strategy to improve its university education, the World Bank funded Tertiary Education Finance for Results Project is revamping the financing system for tertiary education in favor of a performance-based system. This will enhance the quality and relevance of its courses, as well as provide incentives for improved quality assurance. The project is also ensuring equal access to higher learning institutions despite financial and/or gender based disparity through expansive course selection, and improving quality of teaching through basic and higher learning teaching instruction, preparation, and progressive teaching methodologies.

PROJECT SUMMARY

- **Purpose:**
Education
- **Term:** 2005 – 2009
- **IBRD Financing:**
US\$25 million



Education in Philippines

● Basic Education Project

The National Program Support for Basic Education project aims to improve quality and equity in teaching for all Filipino children in basic education.

The project will help enhance the quality and equity of basic education, improve teaching effectiveness by refining current standards for the hiring and promotion of teachers, develop and further strengthen the management of schools, and help restructure the Education Department's budget.

PROJECT SUMMARY

- **Purpose:**
Education
- **Term:** 2006 – 2011
- **IBRD Financing:**
US\$200 million



Climate Change in Mexico

● Mexico – Climate Change Development Policy Loan

In Mexico, changes in temperature and precipitation have been increasing flood, drought and hurricane frequencies.

The government of Mexico has taken the lead in addressing climate change. In March 2007, it formalized its commitment to mitigate and adapt to climate change through the National Climate Change Strategy.

With the financial and technical support of World Bank, they will do the following:

- Scale up the ProÁrbol program by reforesting 642,000 hectares (estimated climate benefit is a reduction of approximately 6 million tons of CO₂).
- Introduce new alternative energy resources through hydro and wind power initiatives.

PROJECT SUMMARY

- **Purpose:**
Mainstream climate change policies
- **Term:** 2008 – 2011
- **IBRD Financing:**
US\$ 501 million



Energy Efficiency in Montenegro

● Montenegro Energy Efficiency Project

Montenegro currently must import about one-third of its power to feed its fast growing electricity demands and to make-up for diminishing electricity production from the run-down plants and assets of the state-owned electricity company. In addition, a legacy of highly inefficient buildings and other facilities contribute to the drain on energy supplies in Montenegro.

The World Bank funded **Energy Efficiency Project** will mainly finance energy efficiency investments in the public sector, reducing energy consumption and improving environmental quality in public schools and health centers—and promoting new energy efficiency and supply technologies in targeted public buildings across the country. It is designed to be a model for positive energy efficiency activities in rest of the country's public sector and private companies, reducing national greenhouse gas emissions

PROJECT SUMMARY

- **Purpose:**
Energy Efficiency
- **Term:** 2008 – 2012
- **IBRD Financing:**
US\$9 million



Renewable Energy in China

● Renewable Energy Scale-up Program

The Renewable Energy Scale-up program for China aims to create a legal, regulatory, and institutional environment conducive to large-scale, renewable-based electricity generation, and to demonstrate early success in large-scale, renewable energy development with participating local developers in two provinces. The Project has different components designed to meet national priorities and the needs of the pilot provinces (Fujian and Rudong) to initiate the scale-up of renewable energy. It also includes market research, implementation support, technology improvement for wind and biomass, and long-term capacity building.

PROJECT SUMMARY

- **Purpose:**
Renewable Energy
- **Term:** 2005 – 2010
- **IBRD Financing:**
US\$87 million



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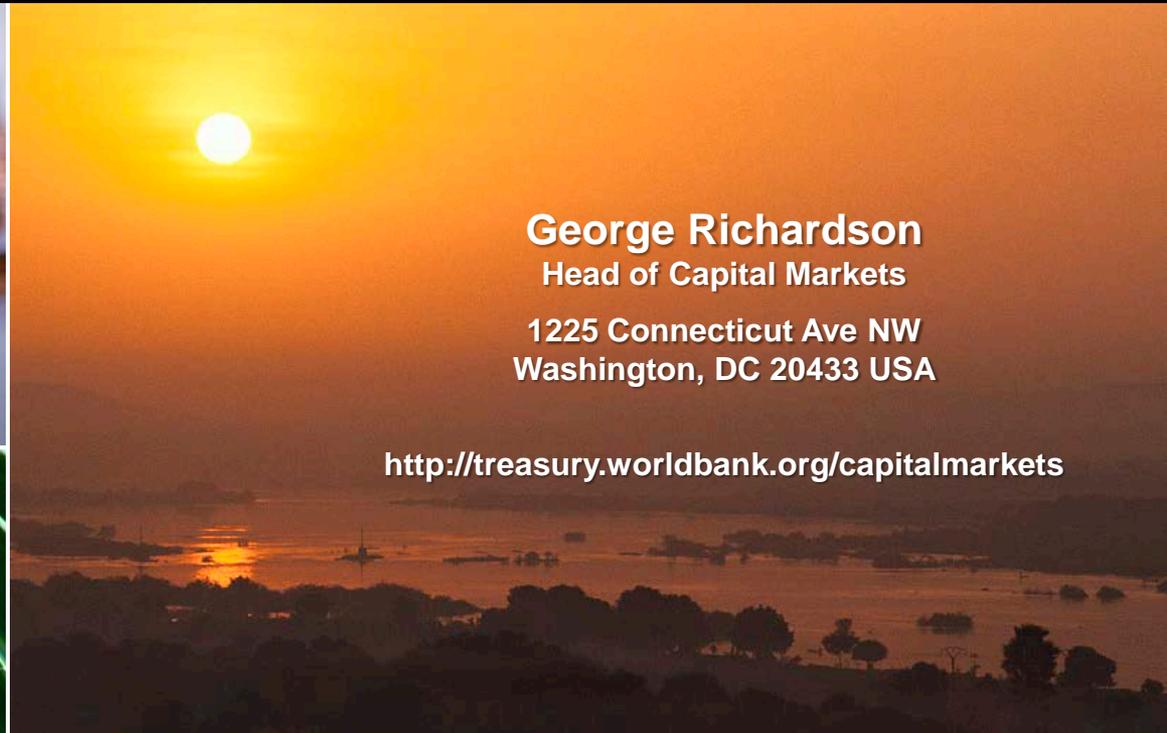
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