SWISS OFFERING PROSPECTUS

EXECUTION VERSION

DATED

9 MARCH 2015

These Notes Linked to the Ethical Europe Equity Index due May 12, 2023 (the "**Notes**" or the "**Green Growth Bonds**") are unsecured debt securities issued by International Bank for Reconstruction and Development. As used in this Swiss Offering Prospectus, "**Issuer**", "**IBRD**" or "**World Bank**" refers to International Bank for Reconstruction and Development.

SELLING RESTRICTIONS

United States of America and U.S. Persons

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the «**Securities Act**»). Under the provisions of Section 15(a) of the Bretton Woods Agreements Act, as amended, the Notes are exempted securities within the meaning of Section 3(a)(2) of the Securities Act and Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended.

For further information and the full text of the selling restriction, which is solely relevant, please refer to the Prospectus of the Global Debt Issuance Facility (the «**Prospectus**») dated 28 May 2008 (enclosed as Annex A).

United Kingdom, Japan and France

For further information and the full text of the selling restrictions, which is solely relevant, please refer to the Prospectus (enclosed as Annex A).

TABLE OF CONTENTS

GENERAL INFORMATION

Notice to Investors

This issue of USD 300’000’000 Notes is made under the Global Debt Issuance Facility of the Issuer (the “Facility”).

The specific terms and conditions of these Notes are contained in the Final Terms dated March 9, 2015 (the «**Final Terms**») set forth herein on page 8, and must be read in conjunction with the Terms and Conditions contained in the Prospectus of the Facility dated 28 May 2008.

Investors are advised to familiarise themselves with the entire content of this Swiss Offering Prospectus (the «**Offering Prospectus**»).

All annexes to this Offering Prospectus form an integral part of this Offering Prospectus and must be read in conjunction with each other.

Documents available

Copies of this Offering Prospectus are available at the website link:
http://switzerland.greengrowthbond.com/terms/

Offering Prospectus

This Offering Prospectus is available in English language only and provides information about the Issuer and the Notes. This Offering Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

No person has been authorized to give any information or make any representation in connection with the offering of the Notes other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or any of the Dealers (as defined in the Prospectus). Neither the delivery of this Offering Prospectus, nor the issue of the Notes nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

References herein to «Swiss Francs» or «CHF» are to the lawful currency of Switzerland.

INFORMATION ON THE ISSUER

The Issuer (IBRD) is an international organization established in 1945 and owned by its member countries. As a global development cooperative owned by 188 member countries, IBRD's purpose is to work with its borrowing members so that they can achieve equitable and sustainable economic growth in their national economies and find effective solutions to pressing regional and global problems in economic development and environmental sustainability, all with a view to overcoming poverty and improving standards of living. It pursues this goal primarily by providing financing, risk management products, and other financial services, access to experts and a pool of knowledge in development-related disciplines, so that borrowing members can pool, administer and prioritize resources they dedicate to development-related objectives. The five largest of IBRD's 188 shareholders are the United States (with 15.02% of the total voting power), Japan (8.13%), China (5.25%), Germany (4.56%), and France and the United Kingdom (with 4.06% each).

The financial strength of IBRD is based on the support it receives from its shareholders and on its array of financial policies and practices. Shareholder support for IBRD is reflected in the capital backing it has received from its members and in the record of its member country borrowers in meeting their debt service obligations to IBRD. To enhance IBRD's financial capacity following its response to the global economic crisis, on March 16, 2011, three resolutions increasing IBRD's authorized capital were approved by the Board of Governors. Under the terms of the resolutions, subscribed capital is expected to increase by $87 billion, of which $5.1 billion will be paid-in over a five year period starting in FY 2011. As of June 30, 2014, $2.5 billion has been paid in. In addition to the resources provided by shareholders, IBRD's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a large portfolio of liquid investments and to limit market and credit risk.

Dividends: no dividends have been paid during the last five years.

For further information on the Issuer, please refer to Annex A, Annex B, Annex C and Annex D of this Offering Prospectus.

Auditors

For fiscal year 2014 and fiscal year 2013, KPMG LLP (KPMG) served as IBRD's independent external auditors. The external auditor is appointed to a five-year term of service and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board of Executive Directors. In fiscal year 2014, KPMG began a second five-year term as IBRD's external auditor.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the purchase, beneficial ownership, and disposition of the Notes.

Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes

For further information regarding the taxation, please refer to Schedule II to the Final Terms below.

European Union Savings Tax Directive

On June 3, 2003, the Council of the European Union adopted a directive (Directive 2003/48/EC) on the taxation of savings income (the «EU Savings Tax Directive»). Pursuant to the EU Savings Tax Directive, a member state of the European Union (the «EU») is required to provide to the tax authorities of other EU member states information regarding payments of interest (or other similar income) paid by a person within its jurisdiction to individual residents of such other EU member states, except that Belgium, Luxembourg and Austria will instead operate a withholding tax system for a transitional period in relation to such payments.

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income by way of a withholding tax system and voluntary declaration in the case of transactions between parties in the EU member states and Switzerland. On the basis of such agreement, Switzerland has introduced a withholding tax on interest payments or other similar income paid by a paying agent within Switzerland to EU resident individuals as of July 1, 2005. The withholding tax is to be withheld at a rate of 15% for the first three years of the transitional period, 20% for the subsequent three years and 35% thereafter. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding if certain conditions are met. The agreement with Switzerland has been approved by the European Council of Economics and Finance Ministers.

Prospective purchasers of these Notes should consult their advisors concerning the impact of the EU Savings Tax Directive. Notwithstanding the above, for the avoidance of doubt, should a withholding tax be applied on any payments under the Notes, the holders of the Notes shall not be entitled to receive any additional amounts from the Issuer or the Paying Agent.

FINAL TERMS

Warning: the final Aggregate Nominal Amount will be known once the Offer Period is closed. The results of the offer of the Notes and the final Aggregate Nominal Amount will be published as soon as possible after the closing of the Offer Period on the following website: www.GreenGrowthBond.com. For the avoidance of doubt, all the other terms and conditions are and will remain as disclosed in the below Final Terms.

FINAL TERMS dated March 9, 2015

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(the "Issuer")
Issue of up to USD 300,000,000 Notes Linked to the Ethical Europe Equity Index
due May 12, 2023
(the "Notes" or the "Green Growth Bonds")
under the Issuer's Global Debt Issuance Facility

The Prospectus dated May 28, 2008 referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any person making or intending to make an offer of the Notes may only do so in:

(i) circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus or to distribute the Prospectus or any amendment or supplement thereto issued in connection with the offering of any of the Notes or any other offering material, or in any jurisdiction where there are no requirements for such purpose to be complied with; or

(ii) those Public Offer Jurisdictions mentioned in the Terms and Conditions of the Public Offer set out below, provided such person is one of the persons mentioned in the Terms and Conditions of the Public Offer set out below and that such offer is made during the Offer Period specified for such purposes therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Issuer's Global Debt Issuance Facility Prospectus dated May 28, 2008 (the "**Prospectus**").

THIS DOCUMENT CONSTITUTES THE FINAL TERMS OF THE NOTES DESCRIBED HEREIN AND MUST BE READ IN CONJUNCTION WITH SUCH PROSPECTUS.

SUMMARY OF THE NOTES

1.	Issuer:	International Bank for Reconstruction and Development ("**IBRD**")
2.	(i) Series Number:	4367
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies (Condition 1(d)):	United States Dollar ("**USD**")
4.	Aggregate Nominal Amount:	
	(i) Series:	Up to USD 300,000,000
	(ii) Tranche:	Up to USD 300,000,000
5.	(i) Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii) Net Proceeds:	Means the Aggregate Nominal Amount, as determined after the closing of the Offer Period
6.	(i) Specified Denominations (Condition 1(b)):	USD 1,000
	(ii) Calculation Amount (Condition 5(j)):	USD 1,000
7.	Issue Date:	April 30, 2015
8.	Maturity Date (Condition 6(a)):	May 12, 2023 unless the Final Observation Date is postponed pursuant to Term 18(a) in which case the Maturity Date shall be postponed as described therein. For the avoidance of doubt, no additional amounts shall be payable by IBRD in the event that the Maturity Date is postponed due to postponement of any Final Observation Date due to the operation of Term 18(a).
9.	Interest Basis (Condition 5):	Zero Coupon (further particulars specified below)
10.	Redemption/Payment Basis (Condition 6):	Index Linked Redemption (further particulars specified below)
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Call/Put Options (Condition 6):	None
13.	Status of the Notes (Condition 3):	Unsecured and unsubordinated
14.	Listing:	Luxembourg Stock Exchange (Regulated Market). The settlement and issuance of the Notes are however not

		subject to a successful application for such listing.
15.	Method of distribution:	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Zero Coupon Note Provisions (Condition 5(c)):		Applicable for the purpose of Condition 5(c) only provided that the Early Redemption Amount of the Notes shall be calculated as set out in Term 21
	(i)	Amortization Yield (Condition 6(c)(ii)):	Solely for purposes of calculating the Rate of Interest for any overdue principal under Condition 5(c), the Amortization Yield shall equal 2.22 per cent. per annum.
	(ii)	Day Count Fraction (Condition 5(l):	Solely for purposes of calculating the Rate of Interest for any overdue principal under Condition 5(c), the Day Count Fraction shall be 30/360.
	(iii)	Any other formula/basis of determining amount payable:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

17.	Final Redemption Amount of each Note (Condition 6):	If no Amendment Event has occurred on or prior to the Maturity Date, the Final Redemption Amount, calculated per Calculation Amount, payable on the Maturity Date will be an amount in USD calculated by the Calculation Agent in accordance with the following: USD 1,000 x (100% + Premium). If an Amendment Event has occurred on or prior to the Maturity Date, the Final Redemption Amount payable per Calculation Amount on the Maturity Date will be equal to the Specified Denomination. Whereby: "**Amendment Event**" has the meaning given to it in Term 19 below. "**Closing Level**" on any Trading Day means the official closing level of the Index or any Successor Index published by the Index Sponsor at the Scheduled Closing Time as determined by the Calculation Agent. "**Index**" means the Ethical Europe Equity Index (Bloomberg code: SOLEEE). The Index is a composite index that is further described on the Index Sponsor website http://www.solactive.com/en/?s=ethical%20europe%20e

quity&index=DE000SLA5EE6

"**Premium**" means a percentage as determined by the Calculation Agent in accordance with the following formula:

$$Max[0\%; 100\% * (Sf/S0 - 1)]$$

"$\mathbf{S_f}$" means the Closing Level (as defined above) of the Index on the Final Observation Date, as calculated by the Calculation Agent.

"**Final Observation Date**" means April 28, 2023 (the "**Scheduled Final Observation Date**"), subject to postponement in the event such Trading Day is a Disrupted Day as per Term 18(a) below.

"$\mathbf{S_0}$" means the Closing Level (as defined above) of the Index on the Initial Observation Date as calculated by the Calculation Agent.

"**Initial Observation Date**" means the Issue Date (the "**Scheduled Initial Observation Date**"), subject to postponement in the event such Trading Day is a Disrupted Day as per Term 18(a) below.

18. Index-Related Events:

(a) Scheduled Final Observation Date or Scheduled Initial Observation Date, as applicable, is a Disrupted Day:

If in the opinion of the Calculation Agent the Scheduled Final Observation Date or Scheduled Initial Observation Date, as applicable, occurs on a day that is a Disrupted Day, then the Final Observation Date or Initial Observation Date, as applicable, will be postponed until the first following Trading Day that is not a Disrupted Day, unless each of the eight consecutive Trading Days immediately following the Scheduled Final Observation Date or Scheduled Initial Observation Date, as applicable, is a Disrupted Day. In that case, (i) the eight such consecutive Trading Day shall be deemed to be the Final Observation Date or Initial Observation Date, as applicable, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the relevant S_f or S_0, as applicable, by determining the Closing Level of the Index on such Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the exchange traded or quoted price as of the official Closing Time on the last such consecutive Trading Day of each Component Security (or, if an event giving rise to a Disrupted Day has occurred in respect of a Component Security on such eight consecutive Trading Day, its good faith estimate of the value for the relevant security as of the official closing time on such eight consecutive Trading Day).

If the Final Observation Date is postponed as set forth above, then the Maturity Date will be postponed by an equal number of Trading Days; provided, however, that no interest or other payment will be payable because of any such postponement of the Maturity Date.

(b) Successor Index and Index Cancellation:

If the Index Sponsor discontinues publication of the Index (an "**Index Cancellation**") and another entity (the "**Successor Index Sponsor**") publishes a successor or substitute Index that the Calculation Agent determines, in its sole discretion, to be comparable to the Index (a "**Successor Index**"), then, the Calculation Agent will substitute the Successor Index as calculated by the Successor Index Sponsor for the Index.

In the event of an Index Cancellation and:

- the Calculation Agent does not select a Successor Index, or
- the Successor Index is no longer published on any of the relevant Trading Days,

the Calculation Agent will (but without prejudice to the occurrence and the consequences of the occurrence of an Amendment Event pursuant to Term 19) compute a substitute level for the Index in accordance with the procedures last used to calculate the level of the Index before any discontinuation but using only those securities that composed the Index prior to such discontinuation until such time as a Successor Index is selected or the Final Observation Date, whichever is earlier.

If in accordance with the previous paragraphs, a Successor Index is selected or the Calculation Agent calculates a level as a substitute for the Index as described above the Successor Index or level will be used as a substitute for the Index for all purposes after such selection or substitution, including for purposes of determining whether a Market Disruption Event exists, even if the Index Sponsor elects to begin republishing the Index, unless the Calculation Agent in its sole discretion decides to use the republished Index.

(c) Index Modification:

If at any time the method of calculating the level of the Index or the level of the Successor Index, changes in any material respect, or if the Index or Successor Index is in any other way modified so that the Index or Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the Index had those changes or modifications not been made, then, from and after that time, the Calculation Agent will on each date that the closing level of the Index is to be calculated, make any adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a calculation of a level of a stock index comparable to the Index or such Successor Index, as the case may be, as if those changes or modifications had not been made, and calculate the Closing Level with reference to the Index or such Successor Index, as so adjusted. Accordingly, if the method of calculating the Index or a Successor Index is modified and has a dilutive or concentrative effect on the level of such index (including, but not limited to a share or stock split), then the Calculation Agent will adjust such index in order to arrive at a level of such index as if it had not been modified (including, but not limited to, as if a share or stock split had not occurred).

(d) Correction of the Index:

With the exception of any corrections published after the day which is three Trading Days prior to the Maturity Date, if the level of the Index published on a given day and used or to be used by the Calculation Agent to make any determination under the Notes is subsequently corrected and the correction is published by the relevant Index Sponsor or (if applicable) the relevant Successor Index Sponsor, no later than five Trading Days following the date of the original publication, the level to be used shall be the level of the Index as so corrected. Corrections published after the day which is three Trading Days prior to the Maturity Date will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

19. Amendment Event / Early Premium Amount:

In the event of the occurrence of an Amendment Event, the Issuer shall be required to pay an amount (which may be zero), calculated per Calculation Amount, equal to the Early Premium Amount as soon as practicable after the Amendment Event occurs. For the avoidance of doubt, the occurrence of an Amendment Event shall not alter the Issuer's obligation to pay an amount equal to the Specified Denomination per Calculation Amount on the Maturity Date.

The term “**Amendment Event**” means the occurrence of either of the following events:

(i) an Index Cancellation occurs on or before the Final Observation Date and the Calculation Agent determines, in its sole and absolute discretion, that the application of the provisions of Term 18(b) does not achieve a commercially reasonable result; or

(ii) the Calculation Agent determines that a Hedging Event has occurred.

The Calculation Agent shall forthwith give notice (the “**Notice**”) to the Issuer and the Global Agent of a determination made under paragraph (i) or (ii) above.

The Issuer shall give notice to the Noteholders as soon as practicable in accordance with Condition 12(c), stating the receipt of the Notice, giving details of the relevant determination made by the Calculation Agent and the date on which the Early Premium Amount will be paid.

“**Early Premium Amount**” means the fair market value of the equity option embedded in each Note less the cost to the Issuer of unwinding any hedging arrangements related to such embedded equity option, as determined by the Calculation Agent in its sole and absolute discretion. The Early Premium Amount could be zero, but shall not be less than zero.

The Early Premium Amount will be determined by the Calculation Agent on or as soon as reasonably practicable after the Amendment Event occurs.

“**Hedging Event**” means each of Change in Law, Hedging Disruption and Increased Cost of Hedging.

“**Change In Law**” means that, on or after the Trade Date, (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law, solvency or capital requirements), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority or financial authority), or the combined effect thereof if occurring more than once, the Issuer determines in its sole and absolute discretion that:

(a) it has become illegal for it to hold, acquire or dispose of any relevant hedge positions relating to the Index; or

(b) it would incur a materially increased cost (including, without limitation, in respect of any tax, solvency or capital requirements) in maintaining the Notes in issue or in holding, acquiring or disposing of any relevant hedge position relating to the Index.

"**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) (including swap transactions) or asset(s) or any futures or options contract(s) it deems necessary to hedge the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer or issuing and performing its obligations with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s) or futures or option contract(s) or any relevant hedge positions relating to the Index.

"**Increased Cost of Hedging**" means that the Issuer would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) (including swap transactions) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), *provided that* any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its respective affiliates shall not be deemed an increased cost of hedging.

The Issuer shall be entitled to determine the Early Premium Amount and to make all determinations under "Hedging Disruption" and "Increased Cost of Hedging" in lieu of the Calculation Agent, in the event the Calculation Agent is unable to fulfil its obligations hereunder due to its bankruptcy, insolvency (or other similar proceedings), or it becoming subject to the appointment of an administrator or other similar official, with insolvency, rehabilitative or regulatory jurisdiction over it.

20. Additional Definitions: "**Calculation Agent**" means BNP Paribas or such successor calculation agent as may from time to time be appointed by the Issuer. All determinations made by the Calculation Agent will be at the sole discretion of the

Calculation Agent and, absent a determination of a manifest error, will be conclusive for all purposes and binding on the holders and beneficial owners of the Securities. Neither the Calculation Agent nor the Issuer will have any responsibility for good faith errors or omissions in calculating or disseminating information regarding the Index or any Successor Index or as to modifications, adjustments or calculations by the Index Sponsor or any Successor Index Sponsor in order to arrive at the level of the Index or any Successor Index.

"**Component Security**" means any security comprised in the Index.

"**Disrupted Day**" means a Trading Day in respect of which the Calculation Agent has determined a Market Disruption Event has occurred or is continuing.

"**Exchange**" means in respect of each Component Security the principal stock exchange on which such Component Security is principally traded.

"**Early Closure**" means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its normally Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange system for execution at the close of trading on such Exchange Business Day.

"**Exchange Business Day**" means any Trading Day on which the Index Sponsor publishes the level of the Index, each Exchange and Related Exchange is open for business during its regular trading session, notwithstanding any such Exchange or Related Exchange closing prior to its scheduled weekday closing time and the Issuer determines in its sole and absolute discretion that it is able to hedge its obligations in respect of the Index.

"**Exchange Disruption**" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent in its sole discretion) the ability of market participants in general to effect transactions in or obtain market values for (A) any Component Security on the Exchange in respect of such Component Security or (B) futures or options contracts relating to the Index on the Related Exchange.

"**Index Sponsor**" means Solactive AG

"**Market Disruption Event**, as determined by the Calculation Agent in its sole discretion, means in respect of any Trading Day:

(i) that the Index Sponsor fails to publish the level of the Index, or

(ii) in respect of any Component Securities, that an Exchange or any Related Exchange fails to open for trading during its regular trading session or

(iii) the occurrence or existence of any of the following events:

• a Trading Disruption in respect of such Component Security, if the Calculation Agent determines it is material, at any time during the one hour period that ends at the close of trading for an Exchange or Related Exchange on which such Component Security is principally traded; or

• an Exchange Disruption in respect of such Component Security, if the Calculation Agent determines it is material, at any time during the one hour period that ends at the close of trading for an Exchange or Related Exchange on which such Component Security is principally traded; or

• an Early Closure in respect of such Component Security

and

• the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at any time, then the relevant percentage contribution of that security to the level of the Index will be based on a comparison of (i) the portion of the level of the Index attributable to that Component Security and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

Notwithstanding the occurrence of a Market Disruption Event in respect of any Trading Day as described above, if such Market Disruption Event occurs solely as a result of the failure of the Index Sponsor to publish a level for the Index, the Calculation Agent may (but is not obliged to) disregard such Market Disruption Event in respect of such day and determine the level of the Index for such day as described under Term 18(b) "Index Related Events – Successor Index and Index Cancellation".

"**Related Exchange**" means each exchange or quotation system on which futures or options contracts relating to the Index are traded and where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the Index, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the futures or options contracts relating to such Index has temporarily relocated (*provided* that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index on such temporary substitute exchange or quotation system as on the original related exchange).

"**Scheduled Closing Time**" means the scheduled closing time of an Exchange or the Related Exchange, as applicable, on any Trading Day, without regard to after hours or any other trading outside of the regular trading hours.

"**Trade Date**" means March 9, 2015

"**Trading Day**" means any day on which the Index Sponsor is scheduled to publish the level of the Index, the Exchange and Related Exchange is scheduled to be open for trading during its regular trading sessions and the Issuer determines in its sole and absolute discretion that it is able to hedge its obligations in respect of the Index.

"**Trading Disruption"** means any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise, whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise, (i) relating to any Component Security on the Exchange or in respect of such Component Security or (ii) in options contracts or futures contracts relating to the Index on the Related Exchange.

21. Early Redemption Amount (Condition 6(c)):	The Early Redemption Amount per Calculation Amount shall be the fair market value of the Notes taking into account the event leading to the early redemption less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion.

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes (Condition 1(a)):	Registered Notes Global Registered Certificate available on Issue Date
23.	New Global Note:	No
24.	Financial Centre(s) or other special provisions relating to payment dates (Condition 7(h)):	London and New York and TARGET2
25.	Governing law (Condition 14):	English
26.	Additional Risk Factors:	AN INVESTMENT IN THE NOTES IS SUBJECT TO THE RISKS DESCRIBED BELOW, AS WELL AS THE RISKS DESCRIBED UNDER "RISK FACTORS" IN THE ACCOMPANYING PROSPECTUS. THE NOTES ARE A RISKIER INVESTMENT THAN ORDINARY FIXED RATE NOTES OR FLOATING RATE NOTES. INVESTORS SHOULD CAREFULLY CONSIDER WHETHER THE NOTES ARE SUITED TO THEIR PARTICULAR CIRCUMSTANCES. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSULT THEIR FINANCIAL AND LEGAL ADVISERS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN THE NOTES AND THE SUITABILITY OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES. **Suitability of Investment** An investment in the Notes is only suitable for investors who have the requisite knowledge and experience in financial and business matters to evaluate the information contained in the Prospectus and the Final Terms, who have made their own independent decision to invest in the Notes and as to whether the Notes are appropriate for them, and who are capable of bearing the economic risk of an investment in the Notes. **An investment in the Notes is not the same as an investment in the securities underlying the Index** The payment of dividends on the Component Securities has no effect on the calculation of the Index level. Therefore, the return on the Noteholders' investment based on the percentage change in the Index is not the same as the total return based on the purchase of those underlying securities held for a similar period. As investors in the Notes, Noteholders will not have voting rights or any right to receive dividends or other distributions or any other rights with respect to the

Component Securities.

The market price of the Notes may be influenced by many factors

The Notes are not designed to be short-term trading instruments. Many factors, most of which are beyond IBRD's control, will influence the value of the Notes and the price at which the Dealer may be willing to purchase or sell the Notes in the secondary market, including: the current level of the Index, interest and yield rates in the market, the volatility of the Index, economic, financial, political and regulatory or judicial events that affect the securities underlying the Index or stock markets generally and which may affect the appreciation of the Index, the time remaining to the maturity of the Notes, the dividend rate on the securities underlying the Index, and IBRD's creditworthiness. Some or all of these factors may influence the price that Noteholders will receive if they choose to sell their Notes prior to maturity. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors.

Noteholders have no recourse to the Index Sponsor or to the issuers of the "Component Securities"

The Notes are not sponsored, endorsed, sold or promoted by the Index Sponsor or by any issuer of the Component Securities. Neither the Index Sponsor nor any such issuer has passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to, the Notes. Neither the Index Sponsor nor any such issuer makes any representation or warranty, express or implied, to prospective investors in the Notes or any member of the public regarding the advisability of investing in the Component Securities generally or the Notes particularly, or the ability of the Index to track general stock performance. The Index Sponsor has no obligation to take the needs of IBRD or the needs of the Noteholders into consideration in determining, composing or calculating the Index. Neither the Index Sponsor nor any issuer of the Component Securities comprising the Index is responsible for, and none of them has participated in the determination of, the timing, prices or quantities of the Notes to be issued. Neither the Index Sponsor nor any such issuer has any liability in connection with the administration, marketing or trading of the Notes.

Historical performance of the Index is not indicative of future performance

The future performance of the Index cannot be predicted based on its historical performance. IBRD cannot guarantee that the level of the Index will increase. The Index was created on 10 April 2013.

The Index Sponsor may discontinue publication of the Index

If the Index Sponsor discontinues or suspends the calculation of the Index, it may become difficult to determine the market value of the Notes or the amount payable in respect of the Notes. The Calculation Agent may designate a successor index selected in its sole discretion. If the Calculation Agent determines in its sole discretion that no successor index comparable to the discontinued or suspended Index exists, the amount Noteholders receive may be determined by the Calculation Agent in its sole discretion. Any of these actions could adversely affect the value of the Notes. Adjustments to the Index could adversely affect the Notes

The Index Sponsor can add, delete or substitute the securities underlying the Index or make other methodological changes that could change the value of the Index at any time. The Index Sponsor may discontinue or suspend calculation or dissemination of the Index. The Index Sponsor has no obligation to consider the interests of the Noteholders in calculating or revising its Index.

27. Other final terms:

Disclaimers and Agreements

(a) The issue of the Notes is not sponsored, promoted, sold or supported in any other manner by Solactive AG (the "**Index Sponsor**") nor does the Index Sponsor offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade mark or the Index price at any time or in any other respect. The Index is calculated and published by the Index Sponsor. The Index Sponsor uses its best efforts to ensure that the Index is calculated correctly. The Index Sponsor has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the Notes. Neither publication of the Index by the Index Sponsor nor the licensing of the Index or Index trade mark for the purpose of use in connection with the Notes constitutes a recommendation by the Index Sponsor to invest capital in said Notes nor does it in any way represent an assurance or opinion of the Index Sponsor with regard to any investment in these Notes.

(b) The Issuer shall have no liability for any act or failure to act by an Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. The Issuer does not have any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. A description of the Index is attached to these Final Terms as Schedule I. All information contained in these Final Terms regarding the Index, including, without limitation, the information set forth in Schedule I, its make-up, method of calculation and changes in components, is derived from, and based solely upon, information obtained from publicly available sources it believes reliable, and in particular the Index Sponsor's website above mentioned, and is for informational purposes only and should not be relied upon by the Noteholder or prospective investor. As such, neither the Calculation Agent nor Issuer will have any responsibility for errors or omissions in calculating or disseminating information regarding the Index or any Successor Index or as to modifications, adjustments or calculations by the Index Sponsor or any Successor Index Sponsor in order to arrive at the level of the Index or any Successor Index. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index or Successor Index.

(c) By investing in the Notes, each investor represents and agrees that:

(i) it has made its own independent decision to invest in the Notes based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Index Sponsor, the Calculation Agent, or the Dealer as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes. No communication (written or oral) received from the Issuer, the Calculation Agent, the Index Sponsor or the Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes;

(ii) it is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes, including but not limited to the risks set out in this Final Terms (which are not, and do not intend to be, exhaustive). It is also capable of assuming, and assumes, the risks of the investment in the Notes;

(iii) it has fully considered the market risk associated with an investment linked to the Index. Each Noteholder and investor in the Notes understands that none of the Issuer, the Calculation Agent, the Dealer or the Index Sponsor purports to be a source of information on market risks with respect to the Index; and

(iv) it understands and acknowledges that the value of the Index is calculated based on the rules of the Index as set out in the Index conditions. The Index conditions may be amended by the Index Sponsor at any time, and such amendments may be prejudicial to the Noteholder.

(d) The Annex hereto is to be read in conjunction with and forms part of the Prospectus and this Final Terms

DISTRIBUTION

28.	(i) If syndicated, names of Managers and underwriting commitments:	Not Applicable
	(ii) Stabilizing Manager(s) (if any):	Not Applicable
29.	If non-syndicated, name of Dealer:	BNP Paribas
30.	Total commission and concession:	The Issuer will not pay any commission for the offering of the Notes. For more information on the commissions borne by the investors, see “Offer Price” under “Terms and Conditions of the Public Offer” set forth below.
31.	Additional selling restrictions:	With respect to offering of the Notes, the first sentence of “Sales Restrictions” appearing under Plan of Distribution on page 55 of the Prospectus shall be deleted and replaced with the following sentence: “Save in respect of the Public Offering Jurisdictions no action has been or will be taken in any jurisdiction by any Dealer or IBRD that would permit a public offering of any of the Notes, or that would give rise to an obligation

		for the Issuer or any Dealer to publish a prospectus or to distribute the Prospectus or any amendment or supplement thereto issued in connection with the offering of any of the Notes or any other offering material. **The Prospectus does not constitute a prospectus for the purpose of the Luxembourg Law of 10 July 2005 on prospectuses for securities (the "Luxembourg Prospectus Law") or for the purpose of article L412-1 of the French Monetary and Financial Code. The Prospectus or any other offering material relating to the Notes has not been and will not be approved by the Luxembourg *Commission de Surveillance du Secteur Financier* or by any other authority. The Prospectus relating to the Notes has not been and will not be approved by the French *Autorité des Marchés Financiers*.** THE NOTES MAY NOT BE OFFERED OR SOLD AND INVESTMENT ADVICE SHOULD NOT BE PROVIDED IN MONACO IN RESPECT THERETO, OTHER THAN BY AN INTERMEDIARY DULY AUTHORIZED UNDER MONACO FINANCIAL ACTIVITIES LAWS".

OPERATIONAL INFORMATION

32.	ISIN Code:	XS1201913651
33.	Common Code:	120191365
34.	Valor:	27443250
35.	Delivery:	Delivery against payment
36.	Registrar and Transfer Agent:	Citibank N.A., London Branch
37.	Intended to be held in a manner which would allow Eurosystem eligibility:	No
38.	Paying Agent :	Citibank N.A., London Branch

GENERAL INFORMATION

The following documents of IBRD are incorporated by reference in this Final Terms: (i) Global Debt Issuance Facility Prospectus dated May 28, 2008 (the "**Prospectus**"); (ii) IBRD's most recent Information Statement dated September 16, 2014, and (iii) IBRD's Quarterly Financial Statements (unaudited) dated December 31, 2014. These documents have been filed with the U.S. Securities and Exchange Commission ("**SEC**") and are available on the SEC's website as well as on the following website of IBRD: http://treasury.worldbank.org/cmd/htm/index.html.

Alternatively, to obtain copies of these documents, contact one of the Authorized Offerors (as defined below) or your financial advisor.

During the Offer Period the Notes will be offered simultaneously to investors in France, Luxembourg, Monaco and Switzerland as more fully described below under "TERMS AND CONDITIONS OF THE PUBLIC OFFER".

SPECIAL ACCOUNT

Special Account

An amount equal to the net proceeds of the issue of the Notes will be credited to a special account that will support IBRD's lending for Eligible Projects. So long as the Notes are outstanding and the special account has a positive balance, periodically and at least at the end of every fiscal quarter, funds will be deducted from the special account and added to IBRD's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Projects.

Eligible Projects

"Eligible Projects" means all projects funded, in whole or in part, by IBRD that promote the transition to low-carbon and climate resilient growth in the recipient country, as determined by IBRD. Eligible Projects may include projects that target (a) mitigation of climate change, including investments in low-carbon and clean technology programs, such as energy efficiency and renewable energy programs and projects ("Mitigation Projects") or (b) adaptation to climate change, including investments in climate-resilient growth ("Adaptation Projects").

Examples of Mitigation Projects include, without limitation:

- Rehabilitation of power plants and transmission facilities to reduce greenhouse gas emissions
- Solar and wind installations
- Funding for new technologies that permit significant reductions in GHG emissions
- Greater efficiency in transportation, including fuel switching and mass transport
- Waste management (methane emission) and construction of energy-efficient buildings
- Carbon reduction through reforestation and avoided deforestation

Examples of Adaptation Projects include, without limitation:

- Protection against flooding (including reforestation and watershed management)
- Food security improvement and stress-resilient agricultural systems which slow down deforestation
- Sustainable forest management and avoided deforestation

The above examples of Mitigation Projects and Adaptation Projects are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by IBRD during the term of the Notes.

CONFLICT OF INTEREST

BNP Paribas, of which the Dealer is a subsidiary, will be Calculation Agent under the Notes and will also be IBRD's counterparty in a related swap transaction entered into by IBRD in order to hedge its obligations under the Notes. The existence of such multiple roles and responsibilities for BNP Paribas creates possible conflicts of interest. For example, the amounts payable by BNP Paribas to IBRD under the related swap transaction are expected, as of the Issue Date, to be calculated on the same basis as the amounts payable by IBRD under the Notes. As a result, the determinations made by BNP Paribas in its discretion as Calculation Agent for the Notes may affect the amounts payable by BNP Paribas under the related swap transaction, and, in making such determinations, BNP Paribas may have economic interests adverse to those of the Noteholders. The Noteholder understands that although IBRD will enter into the related swap transaction with BNP Paribas as swap counterparty in order to hedge its obligations under the Notes, IBRD's rights and obligations under the related swap transaction will be independent of its rights and obligations under the Notes, and Noteholders will have no interest in the related swap transaction or any payment to which IBRD may be entitled thereunder.

TERMS AND CONDITIONS OF THE PUBLIC OFFER

The Issuer has agreed to allow the use of these Final Terms and the Prospectus by the Dealer and by any offerors authorised by the Issuer (the "**Authorised Offerors**") in connection with a possible offering of the Notes to the public in France, Luxembourg, Monaco and Switzerland (the "**Public Offer Jurisdictions**") during the Offer Period (as defined below). The list of the Authorised Offerors is published on the following website: www.GreenGrowthBond.com.

All offers of Notes will be made only in accordance with the selling restrictions set forth in the Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and regulations, provided that no such offer of Notes shall require the Issuer or the Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive (or supplement a prospectus pursuant to Article 16 of the Prospectus Directive) or to take any other action in any jurisdiction other than as listed above.

(i)	Offer Period:	From and including March 10, 2015 at 9.00 am CET time to and including April 23, 2015, at 4.00 pm CET time, subject to any early closing of the Offer Period as described under (iii) below
(ii)	Offer Price:	100% The Authorised Offerors will offer and sell the Notes to their customers by reference to the Offer Price and market conditions prevailing at the time. The Offer Price includes, per Specified Denomination, a commission for the distribution and promotion of the Notes, retained up-front and once by the Authorised Offerors of the Notes and borne by the investors, equivalent to a maximum annual amount of 0.25% (including VAT, if any) of the Specified Denomination.
(iii)	Early closing and cancellation:	The Offer Period may be closed early due to oversubscription or to changes in market conditions as determined by the Dealer or the Issuer in their sole discretion. In that case, allotment of the Notes will be made based on objective allotment criteria according to which the subscriptions will be served in the chronological order of their receipt by the Dealer and,

if required, the last subscriptions will be reduced proportionately in order to correspond with the total amount of Notes that will be issued. Any payments made in connection with the subscription of Notes and not alloted will be redeemed within 7 Luxembourg, Monaco, Paris and Zurich Business Days (i.e., days, other than a Saturday or Sunday, on which banks are open for general business in Luxembourg, Monaco, Paris and Zurich) after the date of payment and the holders thereof shall not be entitled to any interest in respect of such payments.

By subscribing to or otherwise acquiring the Notes, the holders of the Notes are deemed to have knowledge of all the Terms and Conditions of the Notes and to accept the said Terms and Conditions

ALSO, THE ISSUER RESERVES THE RIGHT, PRIOR TO THE ISSUE DATE, IN ITS ABSOLUTE DISCRETION TO CANCEL OR MODIFY THE OFFER OF THE NOTES ("**CANCELLATION**").

The Issuer will promptly and prior to the Issue Date notify the Dealer and the Authorised Offerors about such Cancellation so that they can inform in due time the prospective investors. In case of such Cancellation, no subscription monies shall be due by prospective investors to the Issuer (either directly or indirectly through the Authorized Offerors) in respect of the Notes. If relevant, prospective purchasers should contact their Authorised Offerors of choice for details of the arrangements for the return of application monies in such circumstances. The Issuer shall have no responsibility for, or liability arising out of, the relationship between prospective purchasers and their respective Authorised Offerors and clearing system operators, including, without limitation, in respect of arrangements concerning the return of monies by such persons to their clients.

(iv)	Conditions to which the offer is subject:	Offers of the Notes are conditional on their issue. As between Authorised Offerors and their customers, offers of the Notes are further subject to such conditions as may be agreed between them and/or as is specified in the arrangements in place between them.

(v)	Description of the application process:	A prospective Noteholder will purchase the Notes in accordance with the arrangements in place between the relevant Authorised Offeror and its customers, relating to the purchase of securities generally. Noteholders (other than the Dealer) will not enter into any contractual arrangements directly with the Issuer in connection with the offer or purchase of the Notes.
(vi)	Details of the minimum and/or maximum amount of application (whether in number of Notes or aggregate amount to invest):	Total amount of the offer: Maximum USD 300,000,000 based on the needs of the Issuer and on the demand from the investors. Minimum subscription amount per investor: USD 1,000
(vii)	Method and time limits for paying up the Notes and for delivery of the Notes:	The Notes will be sold by the Issuer to the Dealer on a delivery against payment basis on the Issue Date. Prospective Noteholders will be notified by the relevant Authorised Offeror of their allocations of Notes and the settlement arrangements in respect thereof.
(viii)	Manner and date in which results of the offer are to be made public:	The results of the offer of the Notes will be published as soon as possible on the following website www.GreenGrowthBond.com. as well as on the website of the Luxembourg Stock Exchange.
(ix)	Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Not Applicable
(x)	Details of any tranche(s) reserved for certain countries:	Not Applicable
(xi)	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:	Prospective Noteholders will be notified by the relevant Authorised Offeror in accordance with the arrangements in place between the Authorised Offerors and its customers. (See also above the manner and date in which results of the offer are to be made public). No dealings in the Notes on a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC may take place prior to the Issue Date.
(xii)	Amount of any expenses and taxes specifically charged to the Noteholders:	(A.) Selling and distribution commissions: see above Term 30 (B.) Administrative and other costs relating to the

		issue of the Notes and the holding of the Notes (service fees, custodians fees, brokerage fees, financial services etc): the prospective purchaser is invited to check those costs with its financial intermediary.
(xiii)	Name(s) and address(es), to the extent known to the Issuer, of the Authorised Offerors in the various countries where the offer takes place:	See on the following website : www.GreenGrowthBond.com

LISTING APPLICATION

These Final Terms comprise the final terms required for the admission to the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's regulated market of the Notes described herein issued pursuant to the Global Debt Issuance Facility of International Bank for Reconstruction and Development.

RESPONSIBILITY

IBRD accepts responsibility for the information contained in these Final Terms.

Signed on behalf of IBRD:

By: ....

Name:

Title: Duly authorized

ANNEX

This Annex is to be read in conjunction with and forms part of the Prospectus and the Final Terms and, although there is no legal obligation whatsoever, under any applicable law, for the Issuer or the Dealer to provide you with such information as mentioned herein, this Annex is meant to answer some practical questions that you might have regarding the Notes, however, in general terms only. It does not contain all the information which may be important to you. You should read the terms and conditions of the Notes included in the Prospectus and the Final Terms together with the more detailed information contained in the remainder of the Prospectus. You should carefully consider, amongst other things, the risks set out in the Prospectus and in the Final Terms. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Notes. The information contained in this section is subject in its entirety to the terms and conditions of the Notes included in the Prospectus and the Final Terms

What are the Notes?

The Notes are issued by the International Bank for Reconstruction and Development (the "**Issuer**"). The Notes are structured debt securities linked to the performance of an index, the Ethical Europe Equity Index. A Note entitles the holder to receive from the Issuer and at Maturity the USD 1,000 per Calculation Amount plus an amount equal to the Premium (if any – see below). There is no coupon payment at any time during the life of the Notes. As the Notes have a minimum payout of USD 1,000 per Calculation Amount on the Maturity Date, the Issuer is also the entity which protects the payment on the Maturity Date of no less than the Specified Denomination. The principal is therefore not at risk **if the Notes are held to maturity**, subject to Issuer credit risk (insolvency or payment default of the Issuer) and subject to the potential foreign exchange risk if the Noteholder converts into Euro the payout (nominal amount and Premium if any) it receives in USD.

Where does my money go?

An amount equal to the net proceeds of the issue of the Notes will be credited to a special account that will support IBRD's lending for Eligible Projects as described in the Final Terms.

Will I receive income?

Yes, but only if performance of the Index is positive as set out in the Final Terms. Positive performance of the Index is not guaranteed. The Notes do not entitle the investor to receive coupons at any time during the life of the Notes.

How is the Premium calculated?

The Premium will be equal to the performance of the Index multiplied by the Calculation Amount, or zero, whichever is greater. If the performance of the Index is equal to or below zero, the Premium will be zero. If the performance of the Index is positive, the Premium will be equal to such performance.

The performance of the Index is calculated the following way:

On the Initial Observation Date (which is the Issue Date), the closing level of the Ethical Europe Equity index (the "**Index**") is recorded as an initial observation of the Index. Two weeks prior to the Maturity Date (defined in the Final Terms as the Scheduled Final Observation Date), the closing level of the Index is recorded as the final observation of the Index. The performance of the Index will be the difference between the final observation of the Index, and the initial observation of the Index, divided by the initial observation of the Index:

$$\frac{\text{final observation of the Index - initial observation of the Index}}{\text{initial observation of the Index}}$$

Is there a limit on how much I can earn over the life of the Notes?
No. If the performance of the Index is positive, there is no cap on the potential Premium to be paid under the Notes. However, a positive performance of the Index is not guaranteed.

How does the Index link to the Notes?
The value of the potential Premium depends on the positive performance of the Index. However, in case of negative performance of the Index, the capital is guaranteed (which, nevertheless, remains subject to any applicable costs, tax, currency exchange difference).

Do I have any right to receive any of the assets in the Index?
No. Except for the calculation of the Premium, there is no link with the Index and the assets used as a reference for this Index. Noteholders have no right to the assets in the Index.

Can I redeem early?
No. There is no provision in the Notes for a holder's early redemption right, other than in accordance with Condition 9 ("*Default*") of the Terms and Conditions of the Notes. However, BNP Paribas Arbitrage SNC has informed the Issuer that, except in case of exceptional market circumstances, it will, on a best efforts basis, endeavour to make a secondary market during open business hours, with a bid-ask spread no larger than 1%. The Noteholder is invited to check with its financial intermediary if brokerage fees apply.

Can the Notes be redeemed early by the Issuer?
No. There is no provision in the Notes for the Issuer to redeem the Notes early. However, In the event of the occurrence of an Amendment Event the Issuer will be required to make a payment in respect of each Calculation Amount (which may be zero) equal to the Early Premium, as soon as possible after the occurrence of such Amendment Event, which may be earlier than the scheduled Maturity Date.

The occurrence of an Amendment Event shall not affect (i.e., will neither limit nor accelerate) the Issuer's obligation to pay the Specified Denomination on the Maturity Date. An Amendment Event is either an Index Cancellation or a Hedging Event (which includes a Change of Law, a Hedging Disruption or an Increased Cost of Hedging, each as described in Term 19 of the Final Terms ("*Amendment Event*")).

What are the fees?
The investors will subscribe the Notes at an offer price of 100%. This price includes, per denomination of USD 1,000, a commission for the distribution and promotion of the Notes retained up-front by the Authorised Offerors of the Notes, and therefore borne by the investors, equivalent to a maximum annual amount of 0.25% (including VAT, if any) of the USD 1,000 denomination.

How will the fees impact my investment?
The fees retained by the Authorised Offerors will not affect the amounts due in accordance with the terms and conditions of the Notes.

What is the Issuer's credit rating?
The Issuer's long-term senior debt rating is, as at the date hereof, Aaa (Moody's Investor Services) and AAA (S&P). Investors should note, however, that the ratings may not reflect the

potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

What are some of the risks in owning the Notes?
Investing in the Notes involves a number of risks. We have described the most significant risks relating to the Notes in the Prospectus (under the heading "Risk Factors" at page 14 and following) and the Final Terms (under Term 26 "Additional Risk Factors" under the heading "General provisions applicable to the Notes").

Is there Currency Risk?
Since the Notes are issued in USD, you incur a foreign exchange risk if you decide to convert the principal amount and the potential Premium that are paid to you at maturity into another currency (e.g. euro or Swiss franc). Indeed, such final return when so converted will be affected, not only by the amount of the principal and Premium received, but also by the evolution of the USD against the relevant currency. If, upon maturity, the USD has increased in value against such currency, the final return in such currency will be higher. Conversely, a decrease in value of the USD will have the opposite impact.

Are the Notes a suitable investment for me?
The Notes can only be offered to the investors by the Authorised Offerors (the distributors) if they are suitable and appropriate for the investors.

Should an investor decide to invest in the Notes, without getting any advice from its bank, its bank should in any case warn him/her if the Notes are not appropriate or suitable for him/her.

Will I always be able to sell my Notes in a secondary market prior to the Maturity Date?
There is no assurance as to the development or liquidity of any trading market for the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that would provide them with a yield comparable to similar investments that have a developed secondary market. BNP Paribas Arbitrage SNC has informed the Issuer that, except in the case of exceptional market circumstances, it will, on a best efforts basis, endeavour to make a secondary market during open business hours, with a bid-ask spread no larger than 1%. Also, a brokerage fee may be applied by the financial intermediaries. The Noteholder is invited to check with its financial intermediary if brokerage fees apply.

Who is the Calculation Agent and what is its role?
BNP Paribas is the Calculation Agent for the Notes. As Calculation Agent for the Notes, BNP Paribas makes all calculations and determinations under the Notes. BNP Paribas will also be the Issuer's counterparty in a related swap transaction entered into by the Issuer in order to hedge its obligations under the Notes. The existence of such multiple roles and responsibilities for BNP Paribas creates possible conflicts of interest, as set out in the Final Terms.

Are there any taxes payable by me in relation to the Notes?
Schedule II contains a summary with regard to certain tax aspects which are of significance in connection with the Notes for certain jurisdictions. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for individual potential investors. It is recommended that potential purchasers of the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes under the tax laws of the country of which they are resident for tax purposes.

Where and in which form are the Notes held?
The Notes will initially be held by Euroclear Bank N.V./S.A. and Clearstream Banking S.A. (the "**Clearing Systems**") in the form of a global note which will be exchangeable for definitive securities only in the exceptional circumstances described in the Prospectus. For as long as any Notes are held by the Clearing Systems, payments of the principal and Premium, if any, will be made through the Clearing Systems. Investors must therefore rely on the Clearing System to distribute all payments attributable to the Notes which are received from the Issuer. Accordingly, investors will be exposed to the credit risk of, and default risk in respect of, the Clearing Systems, as well as the Issuer. Investors should note that neither the Issuer nor the Paying Agent (Citibank, N.A., London Branch) shall be responsible for the acts or omissions of the Clearing Systems. Furthermore, investors should be aware of the fact that the Clearing Systems may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest, principal and other amounts or delivery of notes. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the Notes.

SCHEDULE I TO THE FINAL TERMS

The information contained in this Schedule I (including, website addresses and details of publication methods and dates) is stated as at the Issue Date of the Notes only, and is subject to change. This information has been compiled using publicly available sources. The Issuer makes no representation or warranty, whether express or implied, as to the completeness or accuracy of such information.

Ethical Europe Equity Index

The Notes as described in the present Final Terms and commercially named as "Green Growth Bonds", are issued by International Bank for Reconstruction and Development and are, linked to the performance of the Ethical Europe Equity Index (the" Index"). The Index tracks the price movements in shares of companies that have a high dividend, relatively low historical volatility and pass several corporate social responsibility screens applied by the Index Adviser (Vigeo) and the Index Certifier (Forum Ethibel).

This Index has been designed to provide investors with exposure to a selection of European companies meeting certain environmental, social and governance (ESG) standards as well as ethical criteria. The Index relies also on financial criteria to select the companies.
More information on the Index can be found on the following website: http://www.solactive.com/en/?s=ethical%20europe%20equity&index=DE000SLA5EE6.
The selection process is a 3-step process:

First step: Vigeo filter

Vigeo was founded in 2002 by Nicole Notat and has established itself as a European expert in the assessment of companies and organisations' Social Responsibility (companies, states, local communities, associations, etc…).

Vigeo delivers independent opinions and publishes indices on risks and performances of more than 3,000 issuers, taking into account a wide field of sustainable development themes, particularly the respect of Human Rights, the valorisation of human capital, business ethics, governance, environment protection and societal commitment.

Vigeo has developed a referential built around 330 indicators and 38 ESG criteria based on universally recognised objectives published by international organisations (UN, ILO, OECD…). This exclusive rating and research methodology and Vigeo rating's research satisfy high quality standard and benefit from the Arista certification, a recognised label of quality for responsible investment, since 2009.

The starting point of the selection is the Vigeo European Large Cap Universe, consisting of more than 700 companies. These companies are rated by Vigeo on 38 environmental, social and governance issues ("ESG") grouped in 6 domains with grades on a scale from 0 to 100.

The Index will only retain companies having a score that is higher than 40 on average and which have a better score than the average of their sector.

Second step: Forum Ethibel filter

Forum ETHIBEL asbl was founded in 1991 by several non governmental organisations (NGOs) operating in the most diverse social action domains, with a view to independent screenings of ethical investment funds. As an independent audit institute, Forum ETHIBEL is recognized as an expert in rating, verification and certification of other investment and saving products, according to client's proprietary ESG and ethical criteria.

The list of companies obtained after applying the VIGEO filter is screened to exclude companies involved in activities that are considered as unethical, among others weapon manufacturing, gambling, tobacco, nuclear activity or involved in serious environmental controversies. In addition, companies not respecting the ILO conventions ("ILO" means International Labour Organization) or the International Bill of Human Rights are also excluded.

Forum Ethibel operates a quarterly revision of the Index to certify its conformity with the non-financial aspects of the rulebook and the due diligence of the Index composition process.

Third step: financial filter
The list of companies obtained after applying the Vigeo and Forum Ethibel filters is further screened according to financial criteria:

-liquidity: only the companies having an average daily volume above 10M USD over the past 20 days are kept
-Dividend yield: only companies having a dividend yield above 115% of the average dividend yield of the 50 biggest free float European market capitalization are kept
-The final selection consists of the 30 most liquid stocks

The weighting of each stock will be inversely proportional to its volatility.

On January 19, 2015, the composition of the Index is the following:

Company	Sector	Country
OMV AG	ENERGY	AUSTRIA
Swiss Re AG	FINANCIAL	SWITZERLAND
Zurich Insurance Group AG	FINANCIAL	SWITZERLAND
Allianz SE	FINANCIAL	GERMANY
Muenchener RueckversicherungsGesellschaft AG in Muenchen	FINANCIAL	GERMANY
Enagas SA	UTILITIES	SPAIN
Repsol SA	ENERGY	SPAIN
Telefonica SA	COMMUNICATIONS	SPAIN
BNP Paribas SA	FINANCIAL	FRANCE
Casino Guichard Perrachon SA	CONSUMERNONCYCLICAL	FRANCE
AXA SA	FINANCIAL	FRANCE
GDF Suez	UTILITIES	FRANCE
Klepierre	FINANCIAL	FRANCE
Veolia Environnement SA	UTILITIES	FRANCE
Centrica PLC	UTILITIES	GREATBRITAIN
GlaxoSmithKline PLC	CONSUMERNONCYCLICAL	GREATBRITAIN
Legal General Group PLC	FINANCIAL	GREATBRITAIN
National Grid PLC	UTILITIES	GREATBRITAIN
Next PLC	CONSUMERCYCLICAL	GREATBRITAIN
Old Mutual PLC	FINANCIAL	GREATBRITAIN

SSE PLC	UTILITIES	GREATBRITAIN
Vodafone Group PLC	COMMUNICATIONS	GREATBRITAIN
Terna Rete Elettrica Nazionale SpA	UTILITIES	ITALY
Corio NV	FINANCIAL	NETHERLANDS
Delta Lloyd NV	FINANCIAL	NETHERLANDS
UnibailRodamco SE	FINANCIAL	NETHERLANDS
Telenor ASA	COMMUNICATIONS	NORWAY
Nordea Bank AB	FINANCIAL	SWEDEN
Sandvik AB	INDUSTRIAL	SWEDEN
TeliaSonera AB	COMMUNICATIONS	SWEDEN

How does the re-weighting of the Index work?
The composition of the Index is reviewed every quarter at the end of March, June, September and December. The methodology described above is used to determine the new composition of the Index.

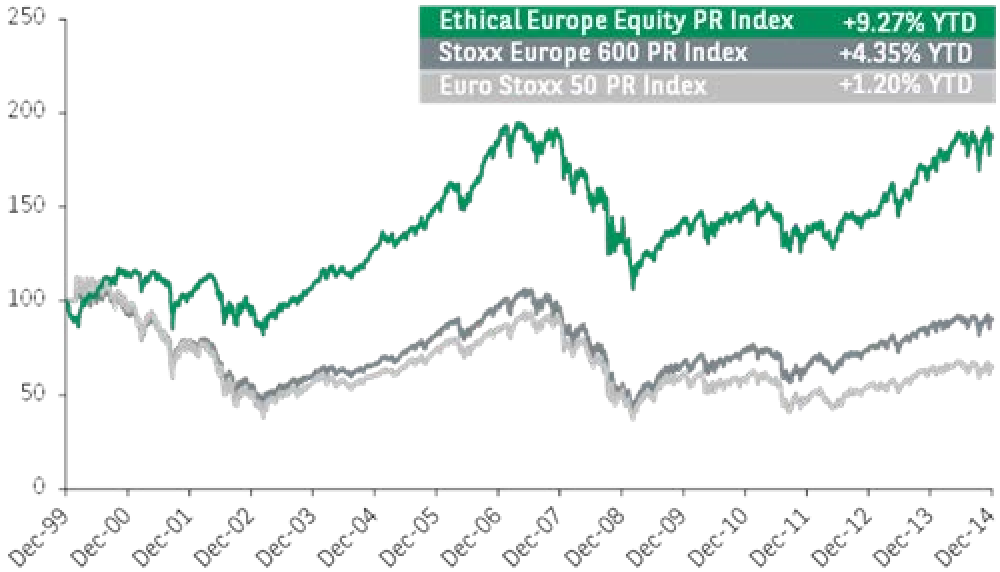
Who is the Index Sponsor and what is its role?
Solactive AG is the Index Sponsor. It calculates and publishes the Index.

What happens to distributions made by the Index Companies?
The Index is designed to reflect the price performance of the shares in the Index companies. This means that dividends and similar income distributed by the Index Companies will not be included in the calculation of the value of the Index.

How can I track the Index?
The performance of the Index can be tracked on the following web page:
http://www.solactive.com/en/?s=ethical%20europe%20equity&index=DE000SLA5EE6

What was the past performance of the Index?
The Index was launched on April 16, 2013.

Performance of the Ethical Europe Equity Index (Simulations until 15 April 2013)



return	Ethical Europe Equity PR Index	Stoxx Europe 600 PR index
2000	15,09%	-4,74%
2001	-9,63%	-16,97%
2002	-9,23%	-32,47%
2003	14,03%	13,68%
2004	18,63%	9,47%
2005	17,29%	23,51%
2006	22,56%	17,81%
2007	2,44%	-0,17%
2008	-29,34%	-45,60%
2009	7,98%	27,99%
2010	2,32%	8,63%

2011	-6,40%	-11,34%
2012	5,24%	14,37%
2013	18,70%	17,37%
2014	9.27%	4.35%

Warning: Performances are real from 16 April 2013 to 31 December 2014 only. Before 16 April 2013, they are simulated. In the simulation, the investment universe has been fixed and corresponds to the current Vigeo global universe, and only the financial filters (dividend and risk indicators) have been applied on each quarterly reshuffle. **Past performance is not a reliable indicator of future performance. Positive performance of the Index is not assured**.

Source: BNP Paribas, Bloomberg as of 31 December 2014. Performance simulations based on historical data from 31 December 1999 to 15 April 2013. Past performance is not a guide to future performance.

Further information in respect of the Index can be found on the website http://www.solactive.com/en/?s=ethical%20europe%20equity&index=DE000SLA5EE6.

Current price, past performance and the volatility of the Index are available from Bloomberg screen page: SOLEEE <Index>.

SCHEDULE II TO THE FINAL TERMS

TAXATION

You should carefully consider the matters set forth under "Tax Matters" in the accompanying Prospectus. This summary supplements the section "Tax Matters" in the accompanying Prospectus and is subject to the limitations and exceptions set forth therein.

The following is only a general description of certain tax considerations relating to the Notes with regard to a limited number of jurisdictions. It does not purport to be a complete analysis of all tax considerations relating to the purchase, beneficial ownership, and disposition of the Notes.

Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes.

This summary is based upon the law as in effect on the date of this Final Terms and is subject to any change in law that may take effect after such date (or even before with retroactive effect).

The Issuer makes no representation or warranty, whether express or implied, as to the completeness or accuracy of this summary.

EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

The EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State (hereinafter "**Disclosure of Information Method**"), except that Austria and Luxembourg will instead impose a withholding system (hereinafter "**Source Tax**") for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding tax system in the case of Switzerland). The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

FRENCH TAXATION OF THE FRENCH RESIDENT NOTEHOLDERS

The Bonds redemption will be done net from any withholdings tax that the United States tax legislation could charge on the Noteholders (see above).

Based on the law as currently in effect in France, the following tax regime should be applicable.

However, please be aware that the following information is only a summary of both the French personal income tax and the French corporate income tax applicable to French Noteholders and that it is consequently recommended to French Noteholders to consult their own professional tax advisers to obtain a more accurate description of the tax regime applicable to their specific situation. For example the consequences of the acquisition of the Notes for the French net wealth tax are not mentioned in this briefing note.

From a French tax perspective, the Savings Directive was transposed into French law under Article 212 ter of the French Tax Code (FTC) and under Articles 49 I ter to 49 I sexies of the Annex 3 of the FTC.

1) **French resident individual Noteholders holding bonds in their private assets and do not conduct stock market transactions under similar conditions to those which characterize an activity performed by a person who is a professional in that type of transactions.**

Please note that the Notes are not eligible for the French PEA.

a) Income taxation.

Under French tax law currently in force, the income from bonds (interest and/or redemption premiums as defined under Article 238 septies A of the FTC) are subject to the progressive rate of French income tax when received.

However, before being subject to the progressive rate of French income tax, this income is subject to a 24% withholding tax.

Noteholders belonging to a tax home whose income tax reference of the penultimate year is less than €25.000 (single taxpayers, divorced, or widower) or € 50.000 (taxpayers subject to joint taxation) may request to be exempted from this levy.

This 24% withholding tax is offsetable against the French income tax owed in respect of the year during which the levy was applied (for example, for income received(?) in 2014; the levy is owed in 2014 and will be offsetable against the income tax paid in 2015 concerning income received(?) in 2014). The possible surplus is recoverable.

Individuals belonging to a tax home whose the amount of fixed income investments does not exceed €2.000 for one year, can elect to be subject to income tax at the proportional rate of 24%.

This income is also subject to French social security contributions at the cumulative rate of 15.5 % distributed as follows:

(a) CSG at the rate of 8.2% whose 5.1% are deductible from the income tax basis in respect of the year of payment (articles 154 quinquies II FTC and L 136-7 CSS).
(b) The social contribution at the rate of 4.5 %
(c) The additional social contribution at the rate of 0.3% (Article L14-10-4, 2° CASF)
(d) CRDS at the rate of 0.5% (Articles 1600-0G and 1600-0 J FTC).
(e) The solidarity contribution at the rate of 2 %(Article 1600-0 S CSS)

Income from bonds, including redemption premiums, is also included in the notion of « income tax reference » which is the base of the « exceptional contribution of income tax » (Article 223 sexies FTC). This contribution is calculated by applying a rate of 3% to the fraction of the income tax reference between € 250.000 and € 500.000 for single taxpayers, widowed, separated or divorced, and the fraction between € 500.000 and € 1.000.000 for taxpayers subject to joint taxation) ; 4% to the fraction of the « income tax reference » exceeding € 500.000 for single taxpayers, widowed, separated or divorced and to the fraction higher than € 1.000.000 for taxpayers subject to joint taxation.

Moreover, when the amounts received at the maturity date are lower than amounts paid at the subscription date or upon the acquisition of the security, the corresponding loss is considered as a capital loss, which cannot be deducted from the whole income of the Noteholder (BOI-RPPM-RCM-20-10-20-20 n°340 February 11 2014)

b) Capital gains.

The capital gains realized upon the transfer of the Notes are subject to the progressive rate of French income tax (art 200 A 2 of the FTC).

The capital gains are also subject to the 15.5 % social security contributions distributed as follows:

(a) CSG at the rate of 8.2% whose 5.1% are deductible from the base of the income tax of the year of payment (articles 154 quinquies II FTC and L 136-7 CSS).

(b) The social contribution at the rate of 4.5 %

(c) The additional social contribution at the rate of 0.3% (Article L14-10-4, 2° CASF)

(d) CRDS at the rate of 0.5% (Articles 1600-0G and 1600-0 J CGI).

(e) The solidarity contribution at the rate of 2 % (Article 1600-0 S FTC).

Capital nets gains on the sale are included in the notion of « income tax reference » which is the base of the « exceptional contribution of income tax » (Article 223 sexies of the FTC).

c) Capital losses

Capital losses can be offset able against capital gains of the same nature realized during the same or the next ten years by the taxpayer himself, or in the case of married people or linked by a civil solidarity pact (PACS), by the two spouses or partners and children or other people recognized as dependent.

2) French resident corporate Noteholders

a) Income

Income from the Notes (interests and/ redemption premiums as defined under Article 238 sexies of the FTC) held by legal persons who are French tax residents are in principle taken into account for the purposes of their taxable result determination.

Under certain conditions redemption premiums are subject to a specific regime of actuarial spread as provided for by section 238 septies E of the FTC (or, if appropriate, based on the specific regime applicable to banks and insurance companies).

Interests and/or redemption premiums are subject to the French corporate tax at the standard rate of 33 1/3 % (or at the reduced rate of 15 % in the limit of € 38.120 of taxable profit per 12 month period, by companies fulfilling the turnover and capital conditions of Article 219 I b of the FTC).

A social contribution of 3.3% is also applicable under the provisions of article 235 ter C of the FTC: it is based on the corporate tax amount reduced by a discount that cannot exceed € 763.000 for a 12 month period. However companies which realized a turnover of less than € 7.630.000 and fulfilling the capital conditions of Article 235 ter ZC of the FTC are exempt.

Companies with a turnover exceeding € 250.000.000 are subject to an additional taxation of 10.7% of their corporate income tax (Article 235 ter ZAA of the FTC).

In addition, when the amounts perceived at maturity are lower than amounts paid upon subscription or acquisition, the loss is deductible from the taxable result.

b) Capital gains or losses.

Under current French tax legislation, capital gains or losses incurred upon a sale or transfer of the Notes by companies tax resident in France are taken into account for the purposes of their taxable result determination.

Please note that Credit institutions and investment companies have to evaluate the Bonds they hold at the end of the financial tax year, at their most recent market value. The difference resulting from this evaluation is taxable under the ordinary law conditions (article 38 bis A of the FTC).

In case of realization of capital gain, this capital gain is taxable at the corporate tax as described above. In case of a realization of capital loss, it is deductible from taxable income.

LUXEMBOURG TAXATION OF THE NOTEHOLDERS

Based on Art.4 of the Luxembourg law regarding withholding tax on certain interests realized on savings (loi de la retenue à la source libératoire sur certains interest produits par l'épargne mobilière du 23 décembre 2005, "**RELIBI**") in connection with the law of 25 November 2014 and the law of 21 June 2005 transposing the EU Savings Directive 2003/48/CE, any accrued or capitalized coupons received upon sale, redemption or repurchase of bonds will be considered as interest. According to Art.6 RELIBI, interest payments from a Luxembourg paying agent to a Luxembourg resident individual will be subject to 10% withholding tax. This is a lump-sum payment and therefore constitutes the final taxation of the interest amount.

Under the law of 25 November 2014 and the law of 21 June 2005 (Art.6, 1b) transposing the EU Savings Directive 2003/48/CE, any accrued or capitalized coupons received upon sale, redemption or repurchase of bonds will be considered as interest. Consequently, the coupons paid by a Luxembourg paying agent and received by an individual investor who is resident of another EU member state at maturity will be considered as interest and will therefore be within the scope of the above mentioned law. As from January 1, 2015 the former withholding tax of 35% applicable to interest is replaced by the exchange of information with the competent authority of the country where the beneficiary is resident.

Please note that in case a paying agent who is resident in another EU member state makes the interest payments to a Luxembourg individual beneficiary, the individual beneficiary can opt for the withholding tax of 10% under certain conditions.

Finally, interest payments from a Luxembourg paying agent, to a Luxembourg company or a company in another EU member state will not be within the scope of the Luxembourg law transposing the EU Savings Directive and the RELIBI.

As a result, any coupon payments from a Luxembourg paying agent at maturity to a Luxembourg resident individual beneficiary will be subject to a 10% withholding tax based on the domestic RELIBI. In case the interest is paid by BP2S to an individual beneficiary resident in another EU member state these payments will be submitted to the exchange of information between the competent

Tax Administrations. Neither an exchange of information nor a withholding tax will apply on interest payments to Luxembourg companies under the above mentioned laws.

SWISS TAXATION OF THE NOTEHOLDERS

The following Swiss tax summary is valid at the time of the issuance of the Notes. It is for general information only and does not purport to be a comprehensive description of all Swiss tax consequences that may be relevant to a decision to purchase, own or dispose of the Notes. Swiss tax laws and the practice of the Swiss tax authorities may change, possibly with retroactive effect. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of purchasing, holding and disposing of the Notes in the light of their particular circumstances.

a) Swiss Withholding Tax

The Notes are not subject to Swiss withholding tax.

However, on December 17, 2014 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a security to an individual resident in Switzerland. If this legislation or similar legislation were enacted and a payment in respect of a Note were to be made or collected through Switzerland and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer, nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

b) Swiss Stamp Duties

For Swiss stamp duty purpose, the Notes are treated as analogous to a foreign bond. Therefore, the issuance of the Notes is not subject to Swiss stamp duty (primary market). However, secondary market transactions of the Notes are subject to Swiss stamp duty ("*Umsatzabgabe*") if a Swiss securities dealer is a party or an intermediary to the transaction and no exemption applies.

c) Swiss Income Tax

The following income tax treatment is only applicable for private investors with tax domicile in Switzerland holding the Notes as part of their private assets.

For Swiss income tax purpose the Notes are transparent structured financial products composed of a bond and one or more option and classify as "bonds with a predominant one-time interest payment" (*Obligationen mit überwiegender Einmalverzinsung; IUP*). For private investors with tax domicile in Switzerland the increase of the value of the bond part (according to the "*Modifizierte Differenzbesteuerung*") at sale or at redemption is subject to Swiss federal as well as cantonal and communal income tax. Such an investor is taxed on the difference between the value of the bond part at purchase* and the value of the bond part at sale* or redemption*. However, any gain derived from the option is considered as capital gain and is therefore for such investors in general subject to neither Swiss federal nor cantonal and communal income tax.
*each to be converted into CHF at the prevailing exchange rate at purchase and sale or redemption (if applicable).

d) EU Savings Tax
For Swiss paying agents, the Notes are not subject to EU savings tax (TK 2).

e) Foreign Final Withholding Tax

Swiss paying agents may be required to deduct final foreign withholding tax on payments on the Notes held by an individual resident in Austria or the United Kingdom on an account or deposit with a Swiss paying agent. Similar treaties with other European countries may follow.

MONACO TAXATION OF THE NOTEHOLDERS

The statements herein regarding taxation are based on the laws and regulations in force in the Principality of Monaco. The following tax overview does not purport to be a comprehensive description of all the tax considerations, which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its own tax advisor as to the Monaco tax consequences of any investment in or ownership and disposition of the Notes. French nationals domiciled in Monaco should also consult their own French tax advisor further to the acquisition, ownership and/or disposal of Notes as they will be deemed to be French tax residents for taxation purposes (except French nationals able to prove five years of habitual residence in the Principality of Monaco on 13 October 1962 or those who have maintained this residence since that date).

EU Savings Withholding Tax

Pursuant to European Council Directive 2003/48/EC dated 3 June 2003 on the taxation of savings income and as regards to the Monegasque Sovereign Order n°101 of 20 June 2005 and the Monegasque Sovereign Order n°4.841 of 6 April 2014, a withholding tax is levied on savings income in the form of interest payments to beneficial owners residing in a EU member state.

Under the EU Savings Directive and further to the agreement signed between the Principality of Monaco and the European Community on 7 December 2004, a Monaco based paying agent is required since 1st July 2005 to withhold tax on interest and other similar income paid to an individual resident in another member state, unless the beneficiary of the interest payments elects for an exchange of information.

The current effective withholding tax rate is 35%.

If the beneficiary of such an interest payment in the Principality of Monaco elects for an exchange of information, the tax will not be withheld on interest paid in the Principality of Monaco and the beneficiary of such interests shall instruct the paying agent based in the Principality of Monaco to disclose the relevant and corresponding information on received or credited interest payments to the Monaco tax administration. The corresponding information is then sent by the Ministry of Finance and Economy of the Principality of Monaco to the competent authority of the State of residence of the beneficiary of that income.

Pursuant to article 7 of the Sovereign Order n°101 of 20 June 2005, the withholding tax declaration, along with payment, must be submitted to the Monaco tax administration before 31st March of the year following the interest payments.

Pursuant to article 8 of the Sovereign Order n°101 of 20 June 2005, the declaration authorizing information disclosure to the country of residence must be submitted to the Monaco tax administration before 31st March of the year following the interest payments.

Taxation on Income and Capital Gains

Non-residents

A Noteholder, that is not deemed to be and has not elected to be treated as resident in the Principality of Monaco for tax purposes will not be subject to Monaco taxation on income and capital gains derived or deemed to be derived from a Note, unless, and under specific circumstances deriving from the activity carried out as below mentioned, the income or capital gain is attributable to a corporate entity or an enterprise, which is either carried out through a permanent establishment or a permanent representative in the Principality of Monaco or effectively managed in the Principality of Monaco.

Residents

Resident corporate entities

A corporate entity holding a Note, which is, or is deemed to be, resident in the Principality of Monaco for corporate tax purposes and, which is not tax exempt, will generally be subject to corporate income tax in respect of income and capital gains derived or deemed to be derived from a Note at the prevailing statutory rates.

Only corporate entities or enterprises carrying out an industrial or commercial activity and generating for more than 25% of their turnover outside the Principality of Monaco are subject to corporate income tax.

Interest and/or redemption premiums are subject, under the abovementioned conditions, in principle, to the standard corporate income tax rate at 33.33%. Any loss deriving from a negative difference at the maturity date will be deductible from the taxable result basis.

A specific reduced tax rate is applied pursuant to a business start-up scheme.

Corporate entities and enterprises incorporated in the Principality of Monaco and falling within the scope of corporate income tax, that carry on a complete new business, are exempt from said tax for a period of two years and subsequently benefit from a favourable regime for the three following years at reduced tax rates (the tax applies to 25 % of profits for the 3rd financial year; to 50% of profits for the 4th financial year; to 75% of profits for the 5th financial year and the normal standard corporate tax rate applies as from the 6th financial year).

Capital gains on transfer of deemed fixed assets are, in principle, included in taxable profits except only if the corporate entity or enterprise undertakes to reinvest in fixed assets an amount equal to the cost price of the assets transferred, plus the amount of capital gain within a period of three years.

Capital gains are taxed at the standard corporate income tax rate at 33.33% (except businesses subject to business start-up scheme as above). Capital losses are deductible from taxable results.

Resident individuals

An individual holding a Note, who is or is deemed to be, or has elected to be treated as resident in the Principality of Monaco for income tax purposes, will not be subject to personal income tax in the Principality of Monaco in respect of income or capital gain derived from a Note.

French Nationals, who are Monaco domiciled

French Nationals, who are Monaco domiciled, will remain treated as French tax residents for taxation purposes pursuant to the Bilateral Convention between France and Monaco dated 18 May 1963 and will be taxed to French personal income tax at a progressive tax rate under the specific conditions raised by the French regulations and the French Tax Code.

Any natural or legal person, that pays interests, investment income and similar income, to natural or legal persons domiciled or established in France or to persons of French nationality domiciled in Monaco, who do not hold a certificate of residence, must within the first quarter of the year declare to the Monaco tax administration the income or revenue earned by the beneficiaries in the preceding year.

Gift and Inheritance Taxes

Monaco gift or inheritance taxes will be levied on the transfer of assets located in the Principality of Monaco and held by banks and financial institutions established in the Principality of Monaco by way of gift or by death. Gift and inheritance taxes are not charged in the Principality of Monaco on transfers between husband and wife or in direct line (between parents and children, grandparents and grandchildren).

Residence

A holder of a Note will not be and will not be deemed to be resident in the Principality of Monaco for tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Monaco taxation, by reason only on investing in, acquiring, holding or disposing of a Note or the execution, performance, delivery, and/or enforcement of a Note.

Value added tax

There is no Monaco value added tax payable by a holder of a Note in respect of the payment of interest or principal under the Note, or the transfer of the Note.

Other Monaco taxes and duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Principality of Monaco by a holder in respect or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

ANNEX A

PROSPECTUS DATED 28 MAY 2008

PROSPECTUS

International Bank for Reconstruction and Development

Global Debt Issuance Facility for issues of Notes with maturities of one day or longer

Under the Global Debt Issuance Facility described in this Prospectus (the "Facility"), International Bank for Reconstruction and Development ("IBRD"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes with maturities of one day or longer from the date of the original issue (the "Notes") in an unlimited aggregate nominal amount. Notes will be sold through one or more Dealers appointed by IBRD, or directly by IBRD itself.

Application has been made for Notes issued under the Facility to be admitted to the official list of the Luxembourg Stock Exchange (the "Official List") and to trading on the regulated market of the Luxembourg Stock Exchange. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Facility provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between IBRD and the relevant Dealer(s) in relation to each issue. Unlisted Notes may also be issued pursuant to the Facility. The applicable Final Terms in respect of the issue of any Notes will specify whether and on which exchange such Notes will be listed or whether such Notes will be unlisted. This Prospectus replaces the prospectus dated October 7, 1997 in relation to the Facility, except in relation to Notes issued prior to the date hereof.

Notes of any particular issue will be in registered form, bookentry form or bearer form, as specified in the applicable Final Terms. Notes in bearer form may not be offered, sold or delivered within the United States or to U.S. persons as part of their primary distribution. Notes will be issued in the denominations specified in the applicable Final Terms.

Each particular issue of Notes will initially be represented by a global note or global certificate or, in the case of Notes cleared and settled through the Federal Reserve Bank of New York, by uncertificated bookentry notes. Global Notes may be issued in new global note form if they are intended to be eligible collateral for Eurosystem monetary policy, or in classic global note form.

The Facility has been rated AAA by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and Aaa by Moody's Investors Service, Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

The date of this Prospectus is May 28, 2008.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Availability of Information and Incorporation by Reference" below).

NOTES ISSUED UNDER THE GLOBAL DEBT ISSUANCE FACILITY ARE NOT REQUIRED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED. ACCORDINGLY, NO REGISTRATION STATEMENT HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"). THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

IBRD, having made all reasonable inquiries, confirms that all information in this Prospectus (as defined under "Availability of Information and Incorporation by Reference") is true and accurate in all material respects and is not misleading, and that there are no other facts the omission of which, in the context of the issue of Notes, makes this Prospectus or any information in it misleading in any material respect. In addition, IBRD confirms that each Final Terms, when read together with this Prospectus, will at the date thereof be true and accurate in all material respects and not misleading, and that there will be no other facts the omission of which would, in the context of the issue and offering of the Notes referred to in such Final Terms, make the Final Terms, when read together with this Prospectus, or any information therein misleading in any material respect.

No person has been authorized to give any information or to make any representation other than those contained in this Prospectus and the applicable Final Terms in connection with the offering or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by IBRD or any Dealer (as defined in "Summary and Overview of the Facility"). Neither the delivery of this Prospectus or any applicable Final Terms nor any offering or sale made in connection herewith or therewith shall, under any circumstances, create any implication that there has been no change in the financial condition or affairs of IBRD since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial condition or affairs of IBRD since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Facility is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus or any Final Terms and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by IBRD and any Dealer to inform themselves about and to observe any such restriction. For a description of certain restrictions on offers and sales of the Notes and on the distribution of this Prospectus or any Final Terms, see "Plan of Distribution".

Neither this Prospectus nor any Final Terms constitutes an offer of, or an invitation by or on behalf of, IBRD or any Dealer to subscribe for, or purchase, any Notes. Neither this Prospectus nor any other information supplied in connection with the Facility should be considered as a recommendation by IBRD or any of the Dealers that any potential investor should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of IBRD.

THE NOTES ARE NOT OBLIGATIONS OF ANY GOVERNMENT.

In connection with the issue of any Tranche (as defined herein) of Notes, the Dealer or Dealers (if any) named as the stabilizing manager(s) (the "Stabilizing Manager(s)") (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "EUR" and "euro" are to the currency introduced on 1 January 1999 pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union, references to "pounds", "sterling", "£" and "GBP" are to the lawful currency of the United Kingdom, references to "yen" are to the lawful currency of Japan and references to "U.S. dollars", "$" and "U.S.$" are to United States dollars.

TABLE OF CONTENTS

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Availability of Information

IBRD publishes:

(a) generally in September in each year, an information statement (the "Information Statement") which describes IBRD, its capital, operations, administration, Articles of Agreement ("Articles") and legal status. The Information Statement includes IBRD's audited annual financial statements;

(b) annual audited financial statements;

(c) an annual report; and

(d) unaudited quarterly financial statements.

IBRD is subject to certain information requirements of Regulation BW, promulgated by the Commission under Section 15(a) of the Bretton Woods Agreements Act, and in accordance therewith files its regular unaudited quarterly and audited annual financial statements, its annual report and other information with the Commission.

IBRD's latest Information Statement, annual report and unaudited quarterly financial statements (the "IBRD Information") will be filed with the Commission and the Luxembourg Stock Exchange, and will be filed with any other stock exchange on which Notes are listed from time to time and which requires such a filing. IBRD Information may be inspected and copies may be obtained (without charge other than for IBRD Information obtainable from the Commission, which must be paid for at prescribed rates) at the following addresses, and at any other address specified in the applicable Final Terms:

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

BNP Paribas Securities Services,
Luxembourg Branch
33, rue de Gasperich, Howald-Hesperange
L-2085 Luxembourg

Citibank, N.A., London Branch
21st Floor, Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB

Bank Information is filed with the Commission electronically through the EDGAR system and may be obtained at the Internet address http://www.sec.gov/edgarhp.htm.

In addition, copies of the Articles and decisions made by the Executive Directors of IBRD on questions of interpretation of the Articles and copies of the Fiscal Agency Agreement, the Global Agency Agreement and the Deed of Covenant (each as defined under "Terms and Conditions of the Notes") may be inspected at the above offices of Citibank, N.A., London Branch (the "Global Agent").

IBRD will provide without charge copies of IBRD Information upon written or telephone request to the office of IBRD at the following address:

1818 H Street, NW
Washington, DC 20433
Tel: 1-202-458-0746

Incorporation by Reference

IBRD's latest Information Statement, any unaudited quarterly financial statements or audited annual financial statements filed with the Commission or any stock exchange on which Notes are listed subsequent to the date of such Information Statement and any supplements (other than Final Terms) or amendments to this Prospectus circulated by IBRD from time to time shall be deemed to be incorporated in, and to form part of, this Prospectus, and references to "this Prospectus" shall mean this document and any documents incorporated by reference in, and forming part of, this document, except, and to the extent, any such document is superseded or modified by any subsequent document incorporated by reference in, and forming part of, this Prospectus. Documents incorporated by reference in, and forming part of, this document may not have been submitted to the same review and clearance procedures to which this Prospectus has been submitted as of the date hereof by any stock exchange or regulatory authority referred to herein.

IBRD will, in the event of any material change in the financial position of IBRD which is not reflected in this Prospectus, prepare an amendment or supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue and listing of Notes by IBRD.

If the terms of the Facility are modified or amended in a manner which would make this Prospectus inaccurate or misleading in any material respect, IBRD will prepare a new prospectus.

Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of IBRD, the website of the Luxembourg Stock Exchange at www.bourse.lu, and the website of IBRD (www.worldbank.org).

FINAL TERMS

IBRD will prepare in respect of each particular issue of Notes a final terms document (each a "Final Terms") which will contain the terms of, pricing details for, and settlement and clearance procedures relating to, such issue of Notes and such other information or disclosure as IBRD considers appropriate. A Final Terms may set out the full text of the terms and conditions of a particular issue of Notes if IBRD and the relevant Dealer(s) consider it necessary or appropriate.

USE OF PROCEEDS

The net proceeds from the sale of Notes will be used by IBRD in its general operations.

SUMMARY AND OVERVIEW OF THE FACILITY

This summary must be read as an introduction to this Prospectus. Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference, by any investor. Words and expressions defined or used in "Terms and Conditions of the Notes" shall have the same meaning in this Summary.

IBRD

The International Bank for Reconstruction and Development is an international organization established in 1945 and owned by 185 member countries. As a global development cooperative, IBRD's purpose is to help its members achieve equitable and sustainable growth in their economies and find solutions to pressing regional and global problems in economic development and environmental sustainability, all with a view to reducing poverty and improving standards of living. It pursues these goals by providing financing, risk management products, and other financial services, specialized expertise and strategic and convening services as requested by its member countries.

IBRD's principal office is located at The World Bank, 1818 H Street, NW, Washington, DC 20433 USA.

The financial strength of IBRD is reflected in the capital backing it has received from its members and in the record of its member country borrowers in meeting their debt service obligations to IBRD. IBRD's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a large portfolio of liquid investments and to limit market and credit risk. IBRD has achieved consistent profitability, earning profits every year since 1948.

Overview of the Facility

The following overview is qualified in its entirety by the remainder of this Prospectus.

Issuer	International Bank for Reconstruction and Development
Dealers	The Dealers will consist of any one or more dealers becoming a party to the Standard Provisions (as defined in "Plan of Distribution") from time to time for a specific issue of Notes.
Fiscal Agent	Federal Reserve Bank of New York
Global Agent	Citibank, N.A., London Branch
Paying Agents	Citibank N.A., London Branch or such other paying agent specified in the applicable Final Terms.
Specified Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency, unit or commodity agreed between IBRD and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued with any maturity of one day or longer.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Method of Issue.............................	Notes will be issued through dealers acting as principal on a syndicated or non-syndicated basis, or on an agency basis. Additional Notes may be issued as part of an existing issue of Notes. IBRD may itself directly issue and sell Notes to the extent permitted by applicable law. The Notes will be issued in series (each a "Series" or "Series of Notes"). Each Series comprises the original tranche (a "Tranche") and any additional Tranches expressed to form a single series with the original Tranche and that comply with the provisions of Condition 11. The specific terms of each Tranche will be set out in the applicable Final Terms.
Description of Notes	Notes may be either interest bearing at fixed or floating rates or non-interest bearing, with principal repayable at a fixed amount or by reference to one or more indices or formulae or any combination of the above, as specified in the applicable Final Terms.
Fixed Rate Notes....................	Fixed Rate Notes will bear interest at the rate or rates specified in the applicable Final Terms.
Floating Rate Notes………....	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to a benchmark as specified in the applicable Final Terms as adjusted for any applicable margin, or as otherwise specified in the applicable Final Terms. Interest periods will be specified in the applicable Final Terms.
Zero Coupon Notes................	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Index Linked Notes................	Payments of principal in respect of Notes where the final redemption amount is described as being index-linked in the applicable Final Terms and payments of interest in respect of Notes which are described as Index Linked Interest Notes in the applicable Final Terms will be calculated by reference to such Index and/or Formula (each as defined herein) as may be specified in the applicable Final Terms.
Fixed Redemption Amount Notes………………	Notes which have a fixed redemption amount will be redeemable at par or at a specified amount above or below par.
Redemption by Instalments…………………	The applicable Final Terms in respect of each Series of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be

	redeemed.
Optional Redemption……….	The applicable Final Terms will state whether Notes may be redeemed prior to their stated maturity in whole or in part at the option of IBRD and/or the holders, and, if so, the terms applicable to such redemption. Any limitations imposed by applicable law relating to the redemption of Notes denominated in any Specified Currency will be specified in the applicable Final Terms.
Other Notes	Terms applicable to variable redemption amount Notes, high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes, Partly-paid Notes and any other type of Notes that IBRD and any Dealer or Dealers may agree to issue under the Facility will be set out in the applicable Final Terms.
Status of Notes	Notes will constitute direct, unsecured obligations of IBRD ranking *pari passu* with all its other unsecured and unsubordinated obligations. Notes will not be obligations of any government.
Negative Pledge	Notes will contain a negative pledge clause pursuant to which IBRD will not cause or permit to be created on any of its property or assets any security for any evidences of indebtedness issued, assumed or guaranteed by IBRD for money borrowed (other than any purchase money mortgage, pledge or lien, on property purchased by IBRD as security for all or any part of the purchase price thereof, any lien arising in the ordinary course of business, or any extension or renewal of any of the foregoing), unless the Notes shall be secured by such security equally and ratably with such other evidences of indebtedness.
Default (including Cross Default)………..	Notes will contain a cross default in respect of bonds, notes or similar obligations issued, assumed or guaranteed by IBRD. If IBRD defaults on payments under the Notes or under its cross default, and such default continues for 90 days, a Noteholder may accelerate its Notes for payment 30 days after notice of acceleration is delivered to IBRD, unless prior to that time all such defaults have been cured.
Tax Status......................................	Notes and payments thereon will not be exempt from taxation generally. Under IBRD's Articles, the Notes and payments thereon are not subject to any tax by a member (a) which tax discriminates against the Notes solely because they were issued by IBRD or (b) if the sole jurisdictional basis for the tax is the place or currency in which the Notes are issued, made payable or paid, or the location of any office or place of business maintained by IBRD. Also, under the Articles, IBRD is not under any obligation to withhold or pay any tax imposed by any member country on payments on the Notes. Accordingly, payments on the Notes will be made to the Federal Reserve Bank of New York (the "Fiscal Agent") and the Global Agent

	without deduction in respect of any such tax. However, tax withholding requirements may apply to payments made by financial intermediaries acting in any capacity other than as IBRD's Fiscal Agent or Global Agent.
Form of Notes	The Notes may be issued in bookentry form, bearer form ("Bearer Notes") or in registered form ("Registered Notes"). Fed Bookentry Notes, which are Notes denominated and payable in U.S. dollars cleared through the bookentry system of the Federal Reserve Banks (the "Federal Reserve"), will be in bookentry form and may not be exchanged for Notes in registered form or for Notes in bearer form. Unless the issuance is intended to qualify as a targeted bearer issuance described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii) (a "targeted bearer issuance"), each Tranche of Bearer Notes will be represented upon initial issuance by a temporary Global Note (a "Temporary Global Note") which may be exchanged (i) after a period of not less than 40 days from the date of issue for either (a) a permanent Global Note (a "Permanent Global Note") upon certification of non-U.S. beneficial ownership in accordance with the applicable rules and regulations promulgated by the U.S. Treasury, or (b) definitive Bearer Notes upon certification of non-U.S. beneficial ownership in accordance with the applicable rules and regulations promulgated by the U.S. Treasury; or (ii) if the applicable Final Terms so provides, in certain circumstances, for certificates representing Registered Notes ("Certificates") representing the amount of Notes so exchanged, in each case as provided in the applicable Final Terms. Each Tranche of Bearer Notes issued as part of a targeted bearer issuance will be represented upon initial issuance by a Permanent Global Note or, if specified in the applicable Final Terms, Bearer Notes in definitive bearer form ("Definitive Bearer Notes"). Each Tranche of Registered Notes will be represented upon initial issuance by one or more Certificates, each evidencing an individual Noteholder's entire interest in such Registered Notes. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates".
Specified Denominations	The Specified Denomination(s) with respect to the relevant Notes will be specified in the Final Terms.
Listing	As specified in the applicable Final Terms, a Series of Notes may be admitted to the Official List and to trading on the Luxembourg Stock Exchange's regulated market. Unlisted Notes and Notes listed on other or additional stock exchanges may also be issued under the Facility. The applicable Final Terms will state whether the relevant issue of Notes will be listed on one or more stock exchanges or will be unlisted.

Ratings	The Facility has been rated AAA by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc ("S&P") and Aaa by Moody's Investors Service, Inc ("Moody's"). As defined by S&P, an "AAA" rating means that the ability of IBRD to meet its financial commitment on its obligations is extremely strong. As defined by Moody's, an "Aaa" rating means that IBRD's ability to meet its financial obligations is judged to be of the highest quality, with minimal credit risk. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	Notes will be governed by the laws of the State of New York, English law or the laws of any other jurisdiction, as specified in the applicable Final Terms. Fed Bookentry Notes will be governed by the laws of the State of New York. Sterling denominated Notes will be governed by English law. Notes may be governed by the laws of any other jurisdiction, as specified in the applicable Final Terms, with such consequential amendments to the form of the Notes as may be specified in the applicable Final Terms, and subject to the receipt of such legal opinions as may be specified in the Standard Provisions. The Standard Provisions and the Global Agency Agreement are governed by the laws of the State of New York. The Deed of Covenant is governed by English law. The Fiscal Agency Agreement is governed by United States Federal law, and to the extent not inconsistent with such Federal law, the laws of the State of New York.
Redenomination, Renominalization and/or Consolidation…………………….	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalization and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalization and/or consolidation will be as specified in the applicable Final Terms.
Selling Restrictions	The sale and delivery of Notes, and the distribution of offering material relating to the Notes, are subject to certain restrictions in the United States and in certain other jurisdictions as set forth in this Prospectus and as may be set forth in the applicable Final Terms. In particular, the Notes are not required to be registered under the United States Securities Act of 1933. Bearer Notes may not be offered, sold or delivered within the United States or to U.S. persons in connection with their primary distribution. See "Plan of Distribution".
Clearing Systems…………………	It is expected that Notes will be accepted for clearance through one or more clearing systems as specified in the applicable Final Terms. These systems will include, in the United States, the system operated by The Depository Trust Company ("DTC")

	and, for Fed Bookentry Notes, the Federal Reserve and, outside the United States, those operated by Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), and in relation to any Series, such other clearing system as specified in the applicable Final Terms.
Initial Delivery of Notes…………	On or before the issue date for each Tranche of Bearer Notes, if the relevant Global Note is intended to be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations, such Global Note will be delivered to a common safekeeper (the "Common Safekeeper") for Euroclear and Clearstream, Luxembourg (such Global Notes are issued in new global note ("NGN") form). On or before the issue date for each Tranche of Bearer Notes, if the relevant Global Note is not intended to be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations, unless otherwise agreed among IBRD, the Global Agent and the relevant Dealer, IBRD will deposit (i) a Temporary Global Note representing Bearer Notes (except in the case of a targeted bearer issuance) or (ii) a Permanent Global Note or Definitive Bearer Notes in the case of a targeted bearer issuance with a common depositary for Euroclear and Clearstream, Luxembourg, or any other clearing system specified in the applicable Final Terms (such Global Notes are issued in classic global note ("CGN") form). On or before the issue date for each Tranche of Registered Notes, unless otherwise agreed among IBRD, the Global Agent and the relevant Dealer, the Global Agent will deposit a Global Certificate representing Registered Notes with a custodian for Euroclear, Clearstream, Luxembourg, DTC or any other clearing system specified in the applicable Final Terms, which Global Certificates will be registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg or for DTC or such other clearing system.

RISK FACTORS

The following section does not describe all the risks (including those relating to each prospective investor's particular circumstances) with respect to an investment in the Notes of a particular series, including the interest rate, exchange rate or other indices, relevant specified currencies, calculation formulae, and redemption, option and other rights associated with such Notes or when the investor's currency is other than the Specified Currency of issue or in which the payment of such Notes will be made. Prospective investors should refer to and carefully consider the applicable Final Terms for each particular issue of Notes, which may describe additional risks associated with such Notes. The risks in the following section and the applicable Final Terms are provided as general information only. IBRD disclaims any responsibility to advise prospective investors of such risks as they exist at the date of this Prospectus or Final Terms or as such risks may change from time to time. Prospective investors should consult their own financial and legal advisors about risks associated with an investment in an issue of Notes. Certain Notes are complex financial instruments and may not be suitable for all investors. Prospective investors should have the financial status and sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Prospectus and the applicable Final Terms and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Prospective investors should have the ability and expertise, and/or access to the appropriate analytical resources, to analyze such investment, to evaluate the sensitivity of such investment to changes in economic conditions, interest rate, exchange rate or other indices, the relevant calculation formulae, the redemption, option and other rights associated with such investment, and other factors which may have a bearing on the merits and risks of such investment, and the suitability of such investment in such investor's particular circumstances. In addition, prospective investors should have the financial capacity to bear the risks associated with any investment in such Notes and should review, among other things, the most recent audited and unaudited financial statements of IBRD incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes. Words and expressions defined or used in "Terms and Conditions of the Notes" shall have the same meaning in this section.

Notes linked to the performance of interest rate indices are subject to risks not associated with a conventional debt security and which may result in the reduction of the interest, principal and/or premium payable on Notes

An investment in Notes, the principal or premium of which is determined by reference to one or more interest rate indices, either directly or inversely, may entail significant risks not associated with similar investments in a conventional debt security, including the risk that the resulting interest rate will be less than that payable on a conventional debt security issued by IBRD at the same time and that the investor could lose all or a substantial portion of the principal of its Note or that no premium may be payable thereon. The secondary market for such Notes will be affected by a number of factors independent of the creditworthiness of IBRD and the value of the applicable interest rate index or indices, including the volatility of such interest rate index or indices, the method of calculating the index, principal or premium, the time remaining to the maturity of the Notes, the outstanding nominal amount of the Notes and market interest rates. The value of any applicable interest rate indices should not be taken as an indication of the future performance of such interest rate indices during the term of any Note.

Notes are subject to exchange rate and exchange control risks if the investor's currency is different from the Specified Currency

Notes may be denominated or payable in one of a number of currencies. For investors whose financial activities are denominated principally in a currency (the "Investor's Currency") other than the Specified Currency or where principal of, premium (if any) or interest on Notes is payable by reference to a Specified Currency index other than an index relating to the Investor's Currency, an investment in the Notes entails significant risks that are not associated with a similar investment in a security denominated in that Investor's Currency.

Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the Specified Currency and the Investor's Currency and the possibility of the imposition or modification of exchange controls by the country of the Specified Currency or the Investor's Currency. Such risks generally depend on economic and political events over which IBRD has no control. In recent years, rates of exchange have been volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of the Specified Currency against the Investor's Currency would result in a decrease in the Investor's Currency equivalent yield on a Note denominated in that Specified Currency, in the Investor's Currency equivalent value of the principal payable at maturity of such Note and generally in the Investor's Currency equivalent market value of such Note. An appreciation of the Specified Currency against the Investor's Currency would have the opposite effect. In addition, depending on the specified terms of a Note denominated in, or the payment of which is related to the value of, one or more currencies, changes in exchange rates relating to any of the currencies involved may result in a decrease in such Note's effective yield and, in certain circumstances, could result in a loss of all or a substantial portion of the principal of a Note to the investor.

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a Specified Currency at the time of payment of principal, premium (if any) or interest in respect of a Note. Even if there are no actual exchange controls, it is possible that the Specified Currency for payment on any particular Note may not be available when payments on such Note are due.

Structured Notes are subject to risks that are not associated with a conventional debt security including changes in interest rates and exchange rates which may result in reduction in the interest, principal and/or premium payable on Structured Notes

An investment in a Structured Note issued by IBRD entails risks (which may be significant) not associated with an investment in a conventional debt security issued by IBRD. A "Structured Note" is a Note with principal, premium (if any) or interest determined by reference to one or more interest rate indices or currency or currency units (including exchange rates and swap indices between currencies or currency units), or one or more stock market, commodities or other indices or formulae (each an "Applicable Index") (other than a single conventional interest rate index or formula, such as LIBOR) or features such as embedded options, caps or floors. Such risks may include, without limitation, the possibility that an Applicable Index may be subject to significant changes, that changes in an Applicable Index may not correlate with changes in interest rates or exchange rates generally or with changes in other indices, that two or more indices or formulae that may be expected to move in tandem or in any other relation to each other may unexpectedly converge or diverge or otherwise not move as expected, that the resulting interest rate may be less than that payable on a conventional debt security issued by IBRD at the same time or that no interest may be payable, that the repayment of principal may occur at times other than that expected by the investor, that the investor may lose a substantial portion of the principal of its Note (whether payable at maturity, upon redemption or otherwise), that the amount of premium based on appreciation rights payable may be substantially less than anticipated or that no such premium is payable, that Structured Notes may have more volatile performance results, and that the effects of currency devaluations and (as discussed under "Risk Factors — Notes are subject to exchange rate and exchange control risks if the investor's currency is different from the Specified Currency") the imposition or modification of exchange controls by authorities with jurisdiction over a relevant currency may be greater for Structured Notes than for conventional debt securities issued by IBRD. Such risks generally depend on a number of factors, including financial, economic and/or political events over which IBRD has no control. In addition, if an Applicable Index used to determine the amount of interest payable contains a spread or margin multiplier or if the Applicable Index used to determine the principal, premium (if any) or interest payable is subject to some other leverage factor, the effect of any change in such Applicable Index on the principal, premium (if any) or interest may be magnified. If an Applicable Index includes, or is subject to, a maximum ("cap") or minimum ("floor") interest rate limitation, the interest or principal payable on such Structured Note may be less than that payable on a conventional debt security issued by IBRD at the same time. Two issues of Structured Notes issued at the same time and with interest rates determined by reference to the same Applicable Index and otherwise comparable terms may have different interest rates and yields when issued and thereafter if the frequency of interest rate adjustments for each issue is different. In recent years, certain interest rates, currencies, currency units, exchange rates and stock market, commodities or other indices have been highly volatile and such volatility may continue in the future. Fluctuations in any particular interest rate, currency, currency unit, exchange rate or such other index that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

The timing of changes in the level of an Applicable Index may affect the actual yield to an investor, even if the average level is consistent with the investor's expectation. In general, the earlier a change in the level of an Applicable Index occurs, the greater the effect on an investor's yield. This is especially the case with Structured Notes providing for repayment of principal at one or more times prior to maturity. As a result, the effect on an investor's yield of an Applicable Index level that is lower (or higher) during earlier periods than the rate anticipated by the investor may not be offset by a later equivalent increase (or reduction).

Any optional redemption feature of Notes is likely to affect the market value of such Notes. During any period in which such Notes are subject to redemption at the option of IBRD, their market value generally will not rise substantially above the redemption price because of the increased likelihood of redemption by IBRD, and this also may be true prior to any such period. IBRD may be expected to redeem such Notes in circumstances where IBRD's cost of borrowing is lower than the interest rate on such Notes. At such times, an investor generally would not be able to reinvest redemption proceeds at an effective interest rate which is as high as the interest rate on such Notes, and such reinvestment might only be at a significantly lower rate. Investors should consider the related reinvestment risk in light of other investments that may be available to such investors. A partial redemption of an issue of Notes also may adversely affect liquidity for the remaining outstanding Notes of such issue.

Prospective investors should consult their own financial and legal advisors about risks associated with an investment in an issue of Structured Notes. Structured Notes may be complex financial instruments and may not be suitable for all investors.

There may be no secondary market for Notes and, even if there is, the value of Notes will be subject to changes in market conditions

Notes may not have an established trading market when issued. There can be no assurance of a secondary market for any Notes or the liquidity of such market if one develops. Consequently, investors may not be able to sell their Notes readily or at prices that will enable them to realize a yield comparable to that of similar instruments, if any, with a developed secondary market. This is particularly the case for Structured Notes that are especially sensitive to interest rate, currency or other market risks, that are designed for specific investment objectives, or strategies or that have been structured to meet the investment requirements of limited categories of investors, which may have a more limited secondary market and less or no liquidity and may experience more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Structured Notes.

Depending upon the type of Notes, market conditions and other factors, investors seeking to sell relatively small or relatively large amounts of Notes may not be able to do so at prices comparable to those that may be available to other investors.

The secondary market for an issue of Notes also will be affected by a number of other factors independent of the creditworthiness of IBRD and the value of any Applicable Index. These factors may include the complexity and volatility of such Applicable Index, the method of calculating the principal, premium (if any) or any interest to be paid in respect of such Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any amortization or optional redemption features of such Notes, the amount of other securities linked to such Applicable Index, the amount of such Notes being sold in the secondary market from time to time, any legal restrictions limiting demand for such Notes, the availability of comparable securities, and the level, direction and volatility of market interest rates generally. Such factors will also affect the market value of the Notes.

No investor should purchase Notes unless such investor understands and is able to bear the risk that certain Notes may not be readily saleable, that the value of Notes will fluctuate over time, and that such fluctuations may be significant and could result in significant losses to such investor. This is particularly the case for investors whose circumstances may not permit them to hold the Notes until maturity.

In addition to the foregoing considerations, the following additional considerations, among others, relate to the Notes indicated below.

The market value of Notes bearing interest at a Floating Rate with caps or floors generally is more volatile than that of Notes bearing interest at a Floating Rate linked to the same Applicable Index without caps or floors, especially when the Applicable Index approaches the cap or floor. Similarly, the prices of Notes bearing interest at a Floating Rate with an Applicable Index containing a rate multiplier or other leverage factor greater than one generally are more volatile than those for Notes bearing interest at a Floating Rate linked to the same Applicable Index without such a rate multiplier or other leverage factor.

In the case of Notes bearing interest at a Floating Rate with an interest rate equal to a fixed rate less a rate based upon the Applicable Index, the interest rate will vary in the opposite direction of changes in such Applicable Index. The prices of such Notes typically are more volatile than those of conventional floating rate debt securities issued by IBRD based on the same Applicable Index (and with otherwise comparable terms). This increased volatility is due to the fact that an increase in the Applicable Index not only decreases the interest rate (and consequently the value) of such Note, but also reflects an increase in prevailing interest rates, which further adversely affects the value of such Note.

In the case of Notes that bear interest at a rate that IBRD may elect to convert from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate, the ability of IBRD to convert the interest rate will affect the secondary market and the value of such Notes since IBRD may be expected to elect such conversion when it would be expected to produce a lower overall cost of borrowing to IBRD. If IBRD elects to convert from a Fixed Rate to a Floating Rate, the Margin may be lower (if being added to the Applicable Index) or higher (if being subtracted from the Applicable Index) than prevailing spreads or margins at the time of such conversion on other floating rate securities issued by IBRD with comparable maturities using the same Applicable Index, and the interest rate at any time may be lower than that payable on other securities of IBRD. Conversely, if IBRD elects to convert from a Floating Rate to a Fixed Rate, the Fixed Rate may be lower than prevailing interest rates on other securities of IBRD.

The prices at which zero coupon instruments, such as Zero Coupon Notes, interest components and, in certain cases, principal components, trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than do such prices for conventional interest-bearing securities with comparable maturities. This also is generally true in the case of other instruments issued at a substantial discount or premium from the nominal amount payable on such instruments, such as Notes issued at a substantial discount to their nominal amount or Notes issued with significantly above-market interest rates. Generally, the longer the remaining term of such instruments, the greater their price volatility as compared to that for conventional interest-bearing securities with comparable maturities.

Investment in Notes may not be legal for all investors

Investors should consult their own legal advisors in determining whether and to what extent Notes constitute legal investments for such investors and whether and to what extent Notes can be used as collateral for various types of borrowings. In addition, financial institutions should consult their legal advisors or regulators in determining the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities, which may include Notes. Investors should review and consider such restrictions prior to investing in Notes.

Changes in creditworthiness of IBRD's borrowers may affect the financial condition of IBRD

IBRD makes loans directly to, or guaranteed by, its member countries. Changes in the macroeconomic environment and financial markets in these member countries may affect their creditworthiness and repayments made to IBRD. IBRD's Articles limit its outstanding loans, equity investments and guarantees to the total amount of its subscribed capital, reserves and surpluses.

Investors may need to purchase more Notes to ensure that they hold an amount equal to one or more Specified Denominations

In relation to any issue of Bearer Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Bearer Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions (the "Conditions" and each a "Condition") that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms, will apply to the Notes referred to in such Final Terms. If Notes are to be printed in definitive form, these Conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions) shall be endorsed on the Definitive Bearer Notes (as defined below) or on the Certificates (as defined below) relating to such Registered Notes (as defined below). All capitalized terms used and not defined in these Conditions will have the meaning ascribed to them in the Final Terms.

The Registered Notes (as defined in Condition 1(a)) and the Bearer Notes (as defined in Condition 1(a)) are issued in accordance with an amended and restated global agency agreement dated as of May 28, 2008 (as amended and supplemented from time to time, the "Global Agency Agreement") and made between IBRD and Citibank, N.A., London Branch (the "Global Agent", which expression shall include any successor global agent under the Global Agency Agreement) and, in the case of Registered Notes and Bearer Notes governed by English law, with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "Deed of Covenant") dated as of May 28, 2008 executed by IBRD in relation to the Notes. The original executed Deed of Covenant is held by the Global Agent. The Global Agency Agreement includes forms of the Notes (other than Fed Bookentry Notes (as defined in Condition 1(a)) and the receipts (if any) for the payment of instalments of principal (the "Receipts") relating to Notes in bearer form of which the principal is payable in instalments, the coupons (if any) attaching to interest-bearing Notes in bearer form (the "Coupons") and the talons (if any) for further Coupons relating to such Notes (the "Talons"). Copies of the Global Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Global Agent and Calculation Agent, the Exchange Agent, the Registrar, the Transfer Agents and the Paying Agents (each as defined below). The Global Agency Agreement provides for the appointment of other agents, including a calculation agent (the "Calculation Agent", which expression shall mean in respect of any issue of Notes any other calculation agent appointed in respect of such issue pursuant to the Global Agency Agreement or another agreement and designated as such on such Notes), an exchange agent (the "Exchange Agent"), one or more paying agents (together with the Global Agent, the "Paying Agents"), one or more transfer agents (together, the "Transfer Agents") and a registrar (the "Registrar"). The Global Agent, the Calculation Agent, the Exchange Agent, the Registrar, the Transfer Agents, the Paying Agents and the Federal Reserve Bank of New York are together referred to herein as the "Agents". The Noteholders (as defined below) and the holders of the Coupons (if any) and, where applicable, Talons (the "Couponholders") and the holders of the Receipts are bound by and deemed to have notice of, and are entitled to the benefit of, all of the provisions of the Global Agency Agreement, the Deed of Covenant and the Final Terms, which are applicable to them.

The Fed Bookentry Notes are issued in accordance with a uniform fiscal agency agreement dated as of July 20, 2006 (as amended and supplemented from time to time, the "Fiscal Agency Agreement") and made between IBRD and the Federal Reserve Bank of New York, as fiscal and paying agent (the "Fiscal Agent"). Copies of the Fiscal Agency Agreement are available for inspection at the specified offices of the Fiscal Agent.

In these Conditions, "Noteholder" means the bearer of any Bearer Note and the Receipts relating to it or the Federal Reserve Bank of New York for Fed Bookentry Notes or the person in whose name a Registered Note is registered, and "holder" (in relation to a Bearer Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or, in relation to a Fed Bookentry Note, the Federal Reserve Bank of New York or, in relation to a Registered Note, the person in whose name a Registered Note is registered, as the case may be.

For Notes which are not Definitive Bearer Notes, Fed Bookentry Notes or individually certificated Registered Notes represented by Certificates (each as defined in Condition 1(a)), references in these Conditions to terms specified on a Note or specified hereon shall be deemed to include references to terms specified in the applicable final terms issued in respect of a particular issue of Notes of which such Note forms a part (each a "Final Terms") and which will be attached to such Note. For Notes which are Fed Bookentry Notes, references in these Conditions to terms specified on a Fed Bookentry Note or specified hereon shall be deemed to be references to the Final Terms applicable to such Fed Bookentry Note.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the applicable Final Terms in relation to such Series. All capitalized terms that are not defined in these Conditions will have the meanings given to them in the applicable Final Terms.

1. Form, Denomination, Title and Specified Currency

(a) *Form:* Each issue of Notes of which this Note forms a part (the "Notes") is issued as:

(i) registered notes (other than those registered notes issued in exchange for Fed Bookentry Notes (as defined in Condition 1(a)(ii)) ("Registered Notes") in the nominal amount of a Specified Denomination (as defined in Condition 1(b));

(ii) uncertificated bookentry notes ("Fed Bookentry Notes") in the nominal amount of a Specified Denomination; and/or

(iii) bearer notes ("Bearer Notes") in the nominal amount of a Specified Denomination,

as specified on such Note, and these Conditions must be read accordingly. An issue of Notes may comprise either Bearer Notes only, Registered Notes only, Registered Notes and Bearer Notes only, or Fed Bookentry Notes only (except as provided in Condition 2(b)).

Bearer Notes may be issued in global form ("Global Notes") and/or definitive bearer form ("Definitive Bearer Notes"). Bearer Notes in definitive form are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, except in the case of Notes that do not bear interest, in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Any Bearer Note the nominal amount of which is redeemable in instalments is issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("Certificates") in global and/or definitive form. Except as provided in Condition 2(c), one Certificate (including Certificates in global form) representing the aggregate nominal amount of Registered Notes held by the same holder will be issued to such holder, unless more than one Certificate is required for clearance and settlement purposes. Each Certificate will be numbered serially with an identifying number, which will be recorded in the register (the "Register") kept by the Registrar.

(b) *Denomination:* "Specified Denomination" means the denomination or denominations specified on such Note.

(c) *Title:*

(i) Title to Registered Notes shall pass by registration in the Register in accordance with the provisions of the Global Agency Agreement, or otherwise in accordance with applicable law.

(ii) IBRD may deem and treat the Federal Reserve Bank of New York, in respect of all Fed Bookentry Notes, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary and all payments to or on the order of the Federal Reserve Bank of New York and such registered owner, respectively, shall be valid and effective to discharge the liability of IBRD with respect to such Fed Bookentry Notes to the extent of the sum or sums so paid. As custodian of Fed Bookentry Notes, the Federal Reserve Bank of New York may deem and treat other Federal Reserve Banks and Branches and Holding Institutions (as defined below) located in the Second Federal Reserve District holding any Fed Bookentry Notes as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to or on the order of such Federal Reserve Banks or Branches or Holding Institutions, as the case may be, shall be valid and effective to discharge the liability of IBRD with respect to such Fed Bookentry Notes to the extent of the sum or sums so paid. A "Holding Institution" is a depositary or other designated institution that has an appropriate bookentry account with a Federal Reserve Bank or Branch.

(iii) Title to Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery.

(iv) IBRD, the Global Agent, the Paying Agents, the Registrar and the Transfer Agents shall be entitled to deem and treat the registered holder of any Registered Note, or the Federal Reserve Bank of New York for Fed Bookentry Notes, or the bearer of any Bearer Note, Receipt, Coupon or Talon, to be the absolute owner thereof for the purpose of making payments and for all other purposes, whether or not such Registered Note, Fed Bookentry Note, or Bearer Note, Receipt, Coupon or Talon is overdue and regardless of any notice of ownership, trust or an interest therein, any writing thereon (or on the Certificate representing it) or any notice of any previous theft or loss thereof (or of the related Certificate), and all payments on a Note or Coupon to such holder shall be deemed valid and effectual to discharge the liability of IBRD in respect of such Note or Coupon to the extent of the sum or sums so paid.

(d) *Specified Currency:* The Specified Currency of any Note is as specified hereon. All payments of principal and interest in respect of a Note shall be made in one or more Specified Currencies.

2. Transfers of Registered Notes and Exchanges of Registered Notes and Bearer Notes

(a) *Transfer and Exchange of Registered Notes:*

(i) Subject as provided in Condition 2(g), a Registered Note may be transferred in whole or in part in a Specified Denomination upon the surrender of the Certificate representing such Registered Note to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of only part of such a Registered Note represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate shall be issued to the transferor in respect of the balance not transferred. Each new Certificate to be issued upon transfer of such a Registered Note represented by such Certificate will be mailed to such address as may be specified in such form of transfer at the risk of the holder entitled to the new Certificate in accordance with the customary procedures of such Registrar or Transfer Agent.

(ii) Registered Notes may not be exchanged for Bearer Notes.

(b) *Transfer of Fed Bookentry Notes:* Fed Bookentry Notes may be transferred between Holding Institutions, in Federal Reserve Districts where the respective Federal Reserve Banks have adopted appropriate procedures, in accordance with such procedures. Fed Bookentry Notes may not be exchanged for Registered Notes or Bearer Notes.

(c) *Partial Exercise of Options or Partial Redemption in Respect of Registered Notes:* In the case of a partial redemption (in respect of an exercise of IBRD's or the Noteholder's option or otherwise) of Registered Notes represented by a single Certificate, a new Certificate in respect of the balance of the interest in any such Registered Notes not redeemed shall be issued to the holder to reflect the exercise of such option. In the case of a partial exercise of an option (other than in respect of optional redemption), one or more new Certificates may be issued to the relevant holders reflecting such exercise. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(d) *Exchange of Bearer Notes:* Subject as provided in Condition 2(g), and if so provided hereon, Bearer Notes may be exchanged for the same aggregate nominal amount of Registered Notes of the same Series at the request in writing of the relevant Noteholder and upon surrender of each Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where such Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(a)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

(e) *Delivery of New Certificates and Notes:* New Certificate(s) or Note(s) issued upon any transfer, exchange, partial redemption or partial exercise of options in accordance with this Condition 2 shall be mailed by uninsured post at the risk of the holder entitled to the new Certificate or Note to such address as may be so specified in the request for transfer or exchange, or in the redemption exercise notice delivered by the holder requesting such transfer, exchange or partial redemption, to the relevant Transfer Agent or Registrar, as the case may be (in respect of Registered Notes), or (if no address is so specified) as appears in the Register, or otherwise in accordance with the customary procedures of the relevant Transfer Agent, the Registrar or the Fiscal Agent, as the case may be, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify.

(f) *Exchange Free of Charge:* Exchanges of Bearer Notes for Registered Notes and registrations of transfers of Certificates shall be effected without charge by or on behalf of IBRD, the Registrar or the Transfer Agents, provided that the transferor or holder shall bear the expense of the issue and delivery of any Registered Note and shall make any payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(g) *Closed Periods:* No transfer of a Registered Note or the exchange of a Bearer Note for one or more Registered Note(s) will be effected (i) in the case of a transfer of a Registered Note or exchange of a Bearer Note, during the period of 15 days immediately preceding the due date for any payment of principal, redemption amount or premium (if any) in respect of that Note, or, in the case of a transfer of a Fed Bookentry Note, during the period of 10 days immediately preceding the due date for any payment of principal, redemption amount or premium (if any) in respect of that Note, (ii) during the notice period immediately preceding any date on which Notes may be called for redemption by IBRD at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of 7 days ending on (and including) any Record Date (as defined in Condition 7(a)). If specified hereon that Bearer Notes may be exchanged for Registered Notes, then any such Bearer Note called for redemption may be exchanged for one or more Registered Note(s) not later than the relevant Record Date, provided that the Certificate in respect of such Registered Note(s) is simultaneously surrendered.

(h) *Provisions Concerning Transfers:* All transfers of Registered Notes and entries on the Register will be made in accordance with the relevant procedures of the Registrar. A copy of the relevant procedures will be made available by the Registrar to any holder of a Registered Note upon request.

3. Status

The Notes constitute direct, unsecured obligations of IBRD ranking *pari passu*, without any preference among themselves, with all its other obligations that are unsecured and unsubordinated.

THE NOTES ARE NOT OBLIGATIONS OF ANY GOVERNMENT.

4. Negative Pledge

As long as any of the Notes shall be outstanding and unpaid, but only up to the time all amounts of principal and interest have been paid to the Global Agent or the Fiscal Agent, as the case may be, IBRD will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any bonds, notes or other evidences of indebtedness at any time issued, assumed or guaranteed by IBRD for money borrowed (other than any purchase money mortgage, or other pledge or lien, on property purchased by IBRD as security for all or any part of the purchase price thereof, any lien arising in the ordinary course of business, or any extension or renewal of any of the foregoing), unless the Notes shall be secured by such mortgage, pledge or other lien or charge equally and ratably with such other notes, bonds or evidences of indebtedness.

5. Interest

(a) *Interest on Fixed Rate Notes*: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(j). Such Interest Payment Date(s) is/are specified hereon. If a Fixed Coupon Amount or Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and, in the case of the Broken Amount, will be payable on the particular Interest Payment Date(s) specified hereon.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes:*

(i) Interest Payment Dates:

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(j). Such Interest Payment Date(s) is/are either specified hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified hereon, Interest Payment Date shall mean each date which falls the number of months or other period specified hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Rate of Interest for Floating Rate Notes:

(A) The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon. If either ISDA Determination or Screen Rate/Reference Bank Determination are specified hereon, the provisions below relating to either ISDA Determination or Screen Rate/Reference Bank Determination shall apply.

(B) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (B), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (B), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(C) Screen Rate/Reference Bank Determination for Floating Rate Notes

Where Screen Rate/Reference Bank Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will be determined by the Calculation Agent at or about the Relevant

Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(x) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

(I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page;

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro, in the Euro-zone as selected by the Calculation Agent (the "Principal Financial Centre") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(iii) Rate of Interest for Index Linked Interest Notes:

In the case of Index Linked Interest Notes where the Rate of Interest and/or the Interest Amount, as the case may be (whether on any Interest Payment Date, early redemption, maturity or otherwise), falls to be determined by reference to an index and/or a formula, the Rate of Interest and/or the Interest Amount, as the case may be, shall be determined in accordance with such index and/or formula in the manner specified hereon (the "Index" and/or the "Formula", respectively).

(c) *Zero Coupon Notes:* Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortization Yield (as described in Condition 6(c)(ii)).

(d) *Dual Currency Notes:* In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) *Partly-paid Notes:* In the case of Partly-paid Notes (other than Partly-paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(g) *Accrual of Interest:* Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(h) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts:*

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(i) *Rounding:* For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), except in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.

(j) *Calculations:* The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply except that the Day Count Fraction shall be for the period for which interest is required to be calculated. If the Calculation Amount is not specified hereon, the Calculation Amount shall equal the minimum Specified Denomination.

(k) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:* The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Global Agent, Fiscal Agent, IBRD, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(f), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(l) *Definitions:* In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) either (a) in relation to Notes denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (b) in relation to Notes denominated in euro, a day on which the TARGET system is operating (a "TARGET Business Day"); and

(ii) a day on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in any Business Centre specified hereon.

"Day Count Fraction" means, in respect of the calculation of an Interest Amount on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual-ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(vii) if "Actual/Actual-ICMA" is specified hereon, a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, bylaws, rules and recommendations of the International Capital Market Association (the "ICMA Rule Book"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-U.S. dollar denominated straight and convertible bonds issued after December 31, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period in respect of which payment is being made;

(viii) in all other cases, such other basis as specified hereon.

"Effective Date" means, with respect to any Rate of Interest for Floating Rate Notes to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period or, in the case of Fixed Rate Notes, and unless otherwise specified hereon, the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Period" means the period specified as such hereon or, if none is so specified, the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon.

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"Page" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 (''Reuters'')) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organization providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified hereon or calculated in accordance with the provisions specified hereon.

"Reference Banks" means, the institutions specified as such hereon or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be the Euro-zone).

"Relevant Financial Centre'' means, with respect to any Floating Rate to be determined in accordance with a Screen Rate/Reference Bank Determination on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be the Euro-zone) or, if none is so connected, London.

"Relevant Rate" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

"Relevant Time" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition, ''local time'' means, with respect to the Euro-zone as a Relevant Financial Centre, Brussels time.

"Representative Amount" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate/Reference Bank Determination on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the relevant time.

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"Specified Duration" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate/Reference Bank Determination on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(f).

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

(m) *Calculation Agent and Reference Banks:* IBRD shall procure that, with respect to any Floating Rate Notes for which the Primary Source is Reference Banks, for so long as such Floating Rate Notes are outstanding (as defined in the Global Agency Agreement) there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them as specified hereon. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then IBRD shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, IBRD shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) *Final Redemption:* Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (b) below, its final Instalment Amount.

(b) *Redemption by Instalments:* Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(c) *Early Redemption Amounts*:

(i) Notes Other than Zero Coupon Notes:

The Early Redemption Amount payable in respect of any Note (other than Notes described in (ii) below), upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified hereon.

(ii) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon it becoming due and payable as provided in Condition 9, shall be the Amortized Face Amount (calculated as provided below) of such Note unless the Early Redemption Amount is linked to an index and/or a formula, or unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortized Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortization Yield (which, if none is specified hereon, shall be such rate as would produce an Amortized Face Amount equal to the Issue Price of the Notes if they were discounted back to their Issue Price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortized Face Amount in accordance with this sub-paragraph shall continue to be made (both before and, to the extent permitted by applicable law, after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified hereon.

(d) *Redemption at the Option of IBRD*: If Call Option is specified hereon, IBRD may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the Optional Redemption Date. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the Optional Redemption Date specified in such notice in accordance with this Condition.

In the case of a partial redemption of Notes other than Fed Bookentry Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Luxembourg Stock Exchange or any other stock exchange and the rules of that stock exchange so require, IBRD shall, once in each year in which there has been a partial redemption of the Notes, cause to be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a newspaper having general circulation in Luxembourg or as specified by such other stock exchange a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered. In the case of a partial redemption of Fed Bookentry Notes, each such Note will be redeemed in the amount of its *pro rata* share of the aggregate amount of such partial redemption and thereafter shall be treated as being outstanding as to its unredeemed balance.

(e) *Redemption at the Option of Noteholders*: If Put Option is specified hereon, IBRD shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to IBRD (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

In the case of a Note which is not a Fed Bookentry Note, to exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. In the case of a Fed Bookentry Note, if the holder wishes to exercise such option, the holder must give notice thereof to IBRD through the relevant Holding Institution. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement or the Global Agency Agreement) without the prior consent of IBRD.

(f) *Partly-paid Notes*: Partly-paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) *Purchases*: IBRD may at any time purchase or otherwise acquire Notes in the open market or otherwise. Notes purchased or otherwise acquired by IBRD may be held or resold or, at the discretion of IBRD, surrendered to the Global Agent for cancellation (together with (in the case of Definitive Bearer Notes) any unmatured Coupons, unexchanged Talons or Receipts attached thereto or purchased therewith) or (in the case of Fed Bookentry Notes) cancelled. If purchases are made by tender, tenders must be made available to all Noteholders of the same Series alike.

(h) *Cancellation*: All Notes purchased by or on behalf of IBRD may be cancelled, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar, and in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Global Agent and, in each case, if so surrendered, shall, together with all Notes redeemed by IBRD, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith) and, in the case of Fed Bookentry Notes, by cancellation by IBRD. Any Notes so surrendered for cancellation or cancelled may not be reissued or resold and the obligations of IBRD in respect of any such Notes shall be discharged.

7. Payments

(a) *Registered Notes:*

(i) Payments of principal (which for the purposes of this Condition 7(a) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the same manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(a) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “Record Date”). Payments of interest on each Registered Note shall be made in the relevant currency by check drawn on a Financial Institution and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Financial Institution. “Financial Institution” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(iii) Registered Notes held through The Depository Trust Company (“DTC”) will be paid as follows:

(A) if the Specified Currenc(y/ies) for payment is(are) U.S. dollars, payments of principal, premium (if any), and/or interest will be made in accordance with Conditions 7(a)(i) and (ii).

(B) if the Specified Currenc(y/ies) for payment is(are) a currency other than U.S. dollars, payments of principal and interest will be made by the Global Agent in the relevant currency to the Exchange Agent who will make payments in such currency by wire transfer of same day funds to the designated account in such currency of DTC participants entitled to receive the relevant payment who have made an irrevocable election prior to 5:00 p.m. New York City time on the third day on which banks are open for business in New York City (a “DTC Business Day”) following the applicable Record Date in the case of interest and the twelfth calendar day prior to the payment date for the payment of principal to receive that payment in such currency. In the case of DTC participants entitled to receive the relevant payments but who have not elected to receive payments in such currency, the Exchange Agent, after converting amounts in such currency into U.S. dollars as necessary to make payments in U.S. dollars, will deliver U.S. dollar amounts in same day funds to DTC for payment through its settlement system to such DTC participants. The Global Agency Agreement sets out the manner in which such conversions or such elections are to be made.

(iv) Noteholders will not be entitled to any interest or other payment for any postponed payment resulting from the application of Condition 7(i), if the Noteholder is late in surrendering its Certificate (if required to do so), or if its Certificate cannot be surrendered to a Transfer Agent that is open for business on the day of such surrender or if a check mailed in accordance with this Condition 7(a) arrives after the due date for payment.

(b) *Fed Bookentry Notes*:

(i) Payments of principal and interest on the Notes will be payable at a designated office or agency of IBRD in New York City in U.S. dollars to the holder on the Fed Bookentry Record Date (as defined below), provided that, at IBRD's option, principal and interest in respect of Fed Bookentry Notes may be paid by credit to a Federal Reserve Bank or branch account of Holding Institutions holding such Fed Bookentry Notes. The Federal Reserve Bank of New York, 33 Liberty Street, New York, New York 10045, will act as the Fiscal Agent for the Notes pursuant to the Fiscal Agency Agreement. The "Fed Bookentry Record Date" for the purpose of payment of interest or principal on the Fed Bookentry Notes shall be as of the close of business at the Fiscal Agent on the day preceding the due date for payment thereof. If any such day is not a day on which the Fiscal Agent is open for business, the Fed Bookentry Record Date shall be the next preceding day on which the Fiscal Agent is open for business.

(ii) Noteholders will not be entitled to any interest or other payment for any delay after the due date if any date for payment is not a day on which the Fiscal Agent is open for business, and the Noteholder will not be entitled to payment until the next following day on which the Fiscal Agent is open for business.

(c) *Bearer Notes:*

(i) Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, except as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a check payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Financial Institution.

(ii) Notwithstanding the foregoing, if the Specified Currency of any Bearer Notes or payments thereunder are otherwise to be made in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (A) IBRD shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (B) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts, and (C) such payment is then permitted by United States law.

(iii) Payments of principal, premium (if any) and interest in respect of Bearer Notes represented by a Global Note in CGN (as defined in the Global Agency Agreement) form will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent. A record of which payment made against presentation or surrender of such Global Note in CGN form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made. If the Global Note is in NGN (as defined in the Global Agency Agreement) form, IBRD shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the Global Note in NGN form will be made to its holder. Each payment so made will discharge IBRD's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

(d) *Payments Subject to Law:* All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Appointment of Agents:* The Fiscal Agent, the Global Agent, the Paying Agent, the Registrar, the Transfer Agent and the Calculation Agent initially appointed by IBRD and their respective specified offices are listed below. The Fiscal Agent, the Global Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of IBRD and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. IBRD reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Global Agent, any other Paying Agent, the Registrar, any Transfer Agent, any Calculation Agent or any other agent and to appoint a substitute Fiscal Agent or Global Agent and/or additional or other Paying Agents, Registrars, Transfer Agents, Calculation Agents or any other agent provided that IBRD shall at all times maintain (i) a Fiscal Agent with respect to Fed Bookentry Notes, (ii) a Global Agent with respect to Bearer Notes and Registered Notes, (iii) for Registered Notes, a Registrar and one or more Transfer Agents, at least one of which has its specified office in a major European city, (iv) for Bearer Notes, at least one Paying Agent in a major European city, (v) one or more Calculation Agent(s) if specified hereon, and (vi) a Paying Agent in such city as may be required by any stock exchange on which the Notes may be listed, which shall, in the case of Notes listed on the Luxembourg Stock Exchange and in the relevant circumstances in which a Paying Agent is required to be appointed, be Luxembourg. Any such variation, termination or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12 and *provided further* that neither the resignation nor removal of any Agent shall take effect, except in the case of insolvency as aforesaid, until a new Agent replacing such Agent has been appointed.

In addition, IBRD shall appoint a Paying Agent in New York City in respect of any Bearer Notes the Specified Currency of which is U.S. dollars or payments in respect of which are otherwise to be made in U.S. dollars in the circumstances described in Condition 7(c)(ii).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 12.

(f) *Unmatured Coupons and Receipts and Unexchanged Talons:*

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, any unmatured Coupon relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupon.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, any Receipt relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of such Receipt.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as IBRD may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons:* On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Global Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(h) *Non-Business Days:* If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) *Currency of Payment*: If any payment in respect of this Note is payable in a Specified Currency other than U.S. dollars that is no longer used by the government of the country issuing such currency for the payment of public and private debts or used for settlement of transactions by public institutions in such country or within the international banking community, or in a Specified Currency that is not expected to be available, when any payment on this Note is due as a result of circumstances beyond the control of IBRD, IBRD shall be entitled to satisfy its obligations in respect of such payment by making such payment in U.S. dollars on the basis of the noon buying rate in U.S. dollars in the City of New York for wire transfers for such Specified Currency as published by the Federal Reserve Bank of New York on the second Business Day prior to such payment or, if such rate is not available on such second Business Day, on the basis of the rate most recently available prior to such second Business Day. Any payment made under such circumstances in such other currency or U.S. dollars, will constitute valid payment, and will not constitute a default in respect of this Note. For the purpose of this Condition 7(i), "Business Day" means a day on which the Federal Reserve Bank of New York is open for business in New York City.

8. Prescription

Other than for Notes, Receipts and Coupons governed by the laws of the State of New York, claims against IBRD for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof. As used in these Conditions, "Relevant Date" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or surrender of the relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortized Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it and (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it.

9. Default

If IBRD shall default in the payment of the principal of, or interest on, or in the performance of any covenant in respect of a purchase fund or sinking fund in, any bonds, notes (including the Notes), or similar obligations which have been issued, assumed or guaranteed by IBRD, and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default any Noteholder may deliver or cause to be delivered to IBRD at its principal office in Washington, District of Columbia, United States of America, written notice that such Noteholder elects to declare all Notes held by it (the serial or other identifying numbers and denominations of which shall be set forth in such notice) to be due and payable, and on the thirtieth day after such notice shall be so delivered to IBRD the Notes shall become due and payable at their Early Redemption Amount specified on such Notes plus accrued interest calculated in accordance with Condition 5, unless prior to that time all such defaults previously existing shall have been cured.

10. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, and the rules and regulations of relevant stock exchanges and clearing systems, at the specified office of the Global Agent in London (in the case of Bearer Notes, Receipts, Coupons or Talons), and of the Transfer Agent in London (in the case of Certificates), or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by IBRD for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia,* that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to IBRD on demand the amount payable by IBRD in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as IBRD may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Further Issues

IBRD may from time to time without the consent of the Noteholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and the first payment of interest thereon) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as IBRD may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a further Tranche of Notes of the same Series as the Notes.

12. Notices

(a) *Notices to Holders of Registered Notes:* Notices to holders of Registered Notes will be mailed to them at their respective addresses in the Register. Any such notice shall be deemed to have been validly given to the holders of such Registered Notes on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of such mailing.

(b) *Notices to Holders of Bearer Notes:* Unless otherwise specified hereon, notices to the holders of Bearer Notes shall be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or Luxembourg (which is expected to be the *Luxemburger Wort*) or if published on the Luxembourg Stock Exchange's Website (www.bourse.lu). Any such notice shall be deemed to have been validly given on the date of such publication. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such source as provided above. Holders of Coupons, Receipts and Talons shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 12.

(c) *Delivery to Clearing System:* Until such time as any definitive Notes are issued, there may, so long as all the Notes or certificate(s) representing the Notes is or are held in its or their entirety on behalf of DTC or Euroclear and Clearstream, Luxembourg or any other applicable clearing system, be substituted, in relation only to the relevant Series of Notes, for such notification as set out in (a) and (b) above, the delivery of the relevant notice to DTC or to Euroclear and Clearstream, Luxembourg or to any other applicable clearing system for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the Noteholders on the day (or such other period thereafter as may be specified hereon) on which such notice was given to DTC or to Euroclear and Clearstream, Luxembourg or to any other applicable clearing system.

(d) *Listing Requirements:* In addition to (a), (b) and (c) above, if and for so long as any Notes are listed on a stock exchange, all notices to Noteholders will be published in accordance with the rules of such stock exchange. If such Notes are listed on the Luxembourg Stock Exchange, such notices shall be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

(e) *Notices via Agents:* Except as set out in Condition 9, notices to be given by any holder of the Notes (other than Fed Bookentry Notes) shall be in writing and given by lodging the same, together with the relative Note or Certificate, with the Global Agent or the Fiscal Agent, as the case may be. In the case of Bearer Notes, so long as any of such Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Global Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Global Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13. Contracts (Rights of Third Parties) Act 1999

In respect of any Notes, Receipts and Coupons governed by English law, unless specified otherwise in the Notes, no person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

14. Governing Law, Jurisdiction and Service of Process

(a) *Governing Law:* The Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of the State of New York or English law, or such other governing law, as specified hereon. The governing law of Partly-paid Notes shall not be the laws of the State of New York.

(b) *Jurisdiction:* With respect to any legal action or proceedings ("Proceedings") in the courts of England arising out of or in connection with any Notes, Receipts, Coupons or Talons, IBRD irrevocably submits to the non-exclusive jurisdiction of the courts of England.

(c) *Service of Process:* IBRD irrevocably appoints its special representative at Millbank Tower, 12th Floor, 21-24 Millbank, London SW1P 4QP, England as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. If IBRD no longer maintains a special representative in England or if for any reason such process agent ceases to be able to act as such or no longer has an address in London, IBRD irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 12. Nothing shall affect the right to serve process in any manner permitted by law.

FORM OF NOTES AND SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Words and expressions defined or used in "Terms and Conditions of the Notes" shall have the same meaning in this section.

IBRD and the relevant Dealer(s) shall agree on the form of Notes to be issued in respect of any issue of Notes. The form may be either registered, bookentry (for Notes denominated and payable in U.S. dollars to be cleared and settled through the Federal Reserve Banks) or bearer and will be specified in the applicable Final Terms. Notes payable in certain Specified Currencies may only be issued in global form.

Registered Notes

Each Series of Registered Notes sold in primary distribution entirely to investors in the United States may, unless otherwise specified in the applicable Final Terms, initially be represented by a single Certificate in registered global form (a "Global Certificate") deposited on its Issue Date with Citibank, N.A., London Branch (the "Custodian") as custodian for, and registered in the name of a nominee of, DTC (a "DTC Global Certificate").

Each Series of Registered Notes sold in primary distribution entirely to investors outside the United States may, unless otherwise specified in the applicable Final Terms, initially be represented by one or more Global Certificates deposited on its or their Issue Date with, and registered in the name of a nominee of, the Custodian as depositary for whichever clearing system(s) is agreed between IBRD and the relevant Dealer(s) and is specified in the applicable Final Terms.

Each Series of Registered Notes sold in primary distribution both within the United States and outside the United States may, unless otherwise specified in the applicable Final Terms, initially be represented by one or more Global Certificates. A DTC Global Certificate in respect of Notes sold within the United States or Notes sold both within the United States and outside the United States may be deposited on its Issue Date with the Custodian as custodian for, and registered in the name of a nominee of, DTC. The same or one or more other Global Certificates in respect of Notes sold outside the United States may be deposited on its or their Issue Date with the Custodian as depositary for, and registered in the name of a nominee of, DTC or with, and registered in the name of a nominee of, the Custodian as depositary for the relevant clearing system(s) agreed between IBRD and the relevant Dealer(s) and specified in the applicable Final Terms. One or more Global Certificates in respect of Notes sold both within the United States and outside the United States may be deposited on its or their Issue Date with, and registered in the name of a nominee of, the Custodian as depositary for Euroclear or Clearstream, Luxembourg or the relevant clearing system(s) agreed between IBRD and the relevant Dealer(s) and specified in the applicable Final Terms.

Registered Notes may, if so specified in the applicable Final Terms, initially be issued in definitive registered form represented by Certificates registered in the names of the beneficial owners thereof. Otherwise, Certificates registered in the names of beneficial owners will only be available (i) in the case of Notes initially issued as Bearer Notes, as described under "Bearer Notes" below; or (ii) in the case of Registered Notes initially represented by Global Certificates (other than Notes in certain Specified Currencies), in certain circumstances described below. Certificates to be issued at the request of a beneficial owner in respect of such owner's Notes will be issued at the expense of such owner.

Unless otherwise specified in the applicable Final Terms, interests in a Global Certificate will be exchangeable for Registered Notes represented by Certificates registered in the names of the beneficial owners thereof only if such exchange is permitted by applicable law and (i) in the case of a DTC Global Certificate, DTC notifies IBRD that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the DTC Global Certificate, or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is at any time no longer eligible to act as such and IBRD is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or (ii) in the case of any other Global Certificate, if the clearing system(s) through which it is cleared and settled is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or (iii) if principal in respect of any Note is not paid when due, by the Noteholder giving notice to the Global Agent of its election for such exchange. In such circumstances, IBRD will cause sufficient Certificates to be executed and delivered as soon as practicable (and in any event within 45 days of the occurrence of such circumstances) to the Registrar for completion, authentication and delivery to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as IBRD and the Registrar may require to complete, execute and deliver such Certificates. Registered Notes shall not be exchangeable for Bearer Notes.

If so specified in the applicable Final Terms, interests in a Global Certificate may be exchanged for, or transferred to transferees who wish to take delivery thereof in the form of, interests in a DTC Global Certificate, and interests in a DTC Global Certificate may be exchanged for, or transferred to transferees who wish to take delivery thereof in the form of, interests in a Global Certificate. Any such exchange or transfer shall be made in accordance with the rules and operating procedures of DTC, Euroclear, and Clearstream, Luxembourg, and in compliance with the provisions of Clauses 5 and 7 of the Global Agency Agreement.

DTC has advised IBRD that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant DTC Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Global Certificates in exchange for Certificates registered in the name(s) of beneficial owners of Registered Notes.

Except as described above, so long as a DTC Global Certificate is deposited with DTC or its custodian, Certificates registered in the name(s) of beneficial owners of Registered Notes will not be eligible for clearing or settlement through DTC or any other clearing system.

Fed Bookentry Notes

On initial issue, all Notes denominated and payable in U.S. dollars which will be cleared and settled through the Federal Reserve Banks will be issued in uncertificated bookentry form only through the Federal Reserve Bank of New York and held by Holding Institutions designated by the relevant Dealer(s). After initial issue, all Fed Bookentry Notes will continue to be held by such Holding Institutions unless an investor arranges for the transfer of its Fed Bookentry Notes to another Holding Institution.

Bearer Notes

Except as provided below, each Tranche of Bearer Notes with a maturity at issue of more than one year will initially be represented by a Temporary Global Note without Coupons, which (i) in the case of Bearer Notes in NGN form, will be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg on or prior to the relevant Issue Date or (ii) in the case of Bearer Notes in CGN form, will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg on the relevant Issue Date. Interests in a Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note without Coupons or, if and to the extent specified in the applicable Final Terms, for Bearer Notes in definitive form, for interests in a Global Certificate or for Certificates registered in the name(s) of beneficial owners of Registered Notes. Bearer Notes may be exchanged for Registered Notes if and to the extent specified in the applicable Final Terms. If so provided in the applicable Final Terms, Definitive Bearer Notes will be issued to a holder upon request in exchange for such holder’s interest in the Permanent Global Notes at the expense of such holder. Bearer Notes that are issued as part of a targeted bearer issuance will initially be represented by a Permanent Global Note or, if specified in the applicable Final Terms, Definitive Bearer Notes.

Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during which the Notes are outstanding. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original Issue Date of the Tranche to a Common Depositary.

If the Global Note is in CGN form upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is in NGN form, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the applicable Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Summary of Provisions relating to Bearer Notes while in Global Form

Each Temporary Global Note and each Permanent Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which supplement the Conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

Exchange A Temporary Global Note is exchangeable in whole or in part (free of charge to the holder) either (i) after a period of not less than 40 days from the Issue Date, for either interests in a Permanent Global Note representing Bearer Notes (if the Global Note is in CGN form, or if the Global Note is in NGN form, IBRD will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system) or, if and to the extent specified in the applicable Final Terms, Definitive Bearer Notes, in each case upon certification as to non-U.S. beneficial ownership by the relevant clearing system in the form set out in the Global Agency Agreement; or (ii) in certain circumstances, if the applicable Final Terms so provides, for interests in a Global Certificate or for Certificates registered in the names of beneficial owners of Registered Notes. If one or more Temporary Global Notes are exchanged for Definitive Bearer Notes under (i) above, such Definitive Bearer Notes shall be issued in Specified Denominations of the minimum Specified Denomination only.

A Permanent Global Note (other than for Notes denominated in certain Specified Currencies) is exchangeable in whole (free of charge to the holder) for Definitive Bearer Notes if the Permanent Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by such holder giving notice to the Global Agent. A Permanent Global Note is also exchangeable in whole or in part (free of charge to the holder) for interests in a Global Certificate or for Certificates registered in the name(s) of the beneficial owners on or after the Exchange Date (as defined below), if and to the extent specified in the applicable Final Terms. On or after any Exchange Date, the holder of a Permanent Global Note may surrender the Permanent Global Note to or to the order of the Global Agent. In exchange for the Permanent Global Note, IBRD will deliver, or cause the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Bearer Notes (having attached to them all Coupons and Talons in respect of interest which has not already been paid on the Permanent Global Note and security-printed in accordance with any applicable legal and stock exchange requirements), Global Certificate(s) or Certificates registered in the names of the beneficial owners of Registered Note(s), as the case may be, each in or substantially in the form attached to the Global Agency Agreement. On exchange in full of the Permanent Global Note, IBRD will, if the holder so requests, ensure that it is cancelled and returned to the holder.

"Exchange Date" means a day falling, in the case of exchange of a Temporary Global Note for a Permanent Global Note or Definitive Bearer Notes, not less than 40 days from the Issue Date, and, in the case of exchange of any Global Note, Definitive Bearer Notes or Global Certificates for Certificates registered in the names of the beneficial owners of Registered Notes or interests in a Global Certificate, not less than five days after the day on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Global Agent is located and, if applicable, in the cities in which the relevant clearing systems are located.

Payments Prior to the Exchange Date, payments on a Temporary Global Note will be made only against certification of non-U.S. beneficial ownership by the relevant clearing system. On or after the Exchange Date, no payments will be made on the Temporary Global Note unless exchange for interests in a Permanent Global Note (or, if specified in the applicable Final Terms, for Definitive Bearer Notes, or for individual Certificates) is improperly withheld or refused. Payments under the Permanent Global Note in CGN form will be made to its holder against presentation for endorsement and, if no further payment is to be made, surrender of the Permanent Global Note to or to the order of the Global Agent or such other Paying Agent as shall have been provided in a notice to the Noteholders for such purpose. If the Permanent Global Note is in CGN form, a record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Note, which endorsement will be prima facie evidence that such payment has been made. If the Permanent Global Note is in NGN form, IBRD shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Permanent Global Note will be reduced accordingly. Payments under the Permanent Global Note in NGN form will be made to its holder. Each payment so made will discharge IBRD's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

Notices So long as Bearer Notes are represented by a Permanent Global Note and the Permanent Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders, except that if and so long as a Series of Bearer Notes is listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

Prescription Other than for Notes governed by the laws of the State of New York, claims against IBRD for principal and interest in respect of a Permanent Global Note will become prescribed unless the Permanent Global Note is presented for payment within the number of years from the appropriate Relevant Date (as described in Condition 8) as specified in the applicable Final Terms.

Purchase and cancellation Cancellation of any Bearer Note which IBRD elects to be cancelled following its purchase will be effected by reduction in the nominal amount of the Permanent Global Note.

Default The holder of a Permanent Global Note may cause the Permanent Global Note or a portion of it to become due and repayable in circumstances described in Condition 9 by stating in the notice to IBRD the nominal amount of Notes which is being declared due and repayable. Following the giving of notice of an event of default, the holder of a Permanent Global Note which is governed by English law and executed as a deed poll may elect that the Permanent Global Note becomes void as to a specified portion and that the persons entitled to such portion as accountholders with a clearing system acquire direct enforcement rights against IBRD under the Deed of Covenant.

Redemption at the option of IBRD No drawing of Notes will be required under Condition 6(d) in the event that IBRD exercises its call option set forth in that Condition while an issue of Bearer Notes is represented by a Permanent Global Note in respect of less than the aggregate nominal amount of such Bearer Notes then outstanding. In these circumstances, the relevant clearing systems will allocate the redemption of Bearer Notes as between holders.

Redemption at the option of a Noteholder Any Noteholder's option set out in Condition 6(e) to require IBRD to redeem Notes may be exercised by the holder of a Permanent Global Note giving notice to the Global Agent of the nominal amount of Bearer Notes in respect of which the option is exercised and, where the Permanent Global Note is in CGN form, presenting the Permanent Global Note for endorsement of exercise within the time limits specified in Condition 6(e). Where the Permanent Global Note is in NGN form, IBRD shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN nominal amount Where the Permanent Global Note is in NGN form, IBRD shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Partly-paid Notes

The provisions relating to partly-paid Notes ("Partly-paid Notes") are not set out in this Prospectus, but will be contained in the applicable Final Terms and thereby in the Global Notes. Partly-paid Notes governed by the laws of the State of New York will not be issued. While any instalments of the subscription moneys due from the holder of Partly-paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Bearer Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly-paid Notes within the time specified, IBRD may forfeit such Notes and shall have no further obligation to their holder in respect of them.

CLEARANCE AND SETTLEMENT

Introduction

The Facility has been designed so that Notes may be held through one or more international and domestic clearing systems, principally, the bookentry systems operated by the Federal Reserve and by DTC in the United States, and by Euroclear and Clearstream, Luxembourg in Europe. Electronic securities and payment transfer, processing, depositary and custodial links have been established among these systems and others, either directly or indirectly through custodians and depositaries, which enable Notes to be issued, held and transferred among the clearing systems across these links. Special procedures have been established among the Global Agent and these clearing systems to facilitate clearance and settlement of certain Notes traded across borders in the secondary market. Cross-market transfers of Notes denominated in certain currencies and issued in global form (as described below) may be cleared and settled using these procedures on a delivery against payment basis. Cross-market transfers of Notes in other than global form may be cleared and settled in accordance with other procedures established for this purpose among the Global Agent and the relevant clearing systems.

The relationship between IBRD and the holder of a Registered Note, a Fed Bookentry Note or a Bearer Note is governed by the terms and conditions of that Note. The holder of a Global Note or a Global Certificate will be one or more clearing systems. The beneficial interests in Notes held by a clearing system will be in bookentry form in the relevant clearing system or a depositary or nominee on its or their behalf. Each clearing system has its own separate operating procedures and arrangements with participants or accountholders which govern the relationship between them and the relevant clearing system and to which IBRD is not and will not be a party. IBRD will not impose fees payable by any holder with respect to any Notes held by one or more clearing systems; however, holders of beneficial interests in Notes may incur fees payable in respect of the maintenance and operation of the bookentry accounts in which Notes are held.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg, or any other specified clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to such clearing system for his share of each payment made by IBRD to the bearer of such Global Note or the registered holder of the Registered Notes represented by such Global Certificate, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of such clearing system. Such persons shall have no claim directly against IBRD in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of IBRD will be discharged by payment to the bearer of such Global Note or the registered holder of the Registered Notes represented by such Global Certificate, as the case may be, in respect of each amount so paid.

Citibank, N.A., London Branch ("Citibank") is the Global Agent for Notes held through DTC, Euroclear, Clearstream, Luxembourg and such other clearing systems as may be specified in the applicable Final Terms. The Federal Reserve Bank of New York is the fiscal and paying agent for U.S. dollar denominated Notes issued in the United States and held through the bookentry system operated by the Federal Reserve Banks.

The Global Agent and Paying Agents

Citibank will act as the Global Agent for Notes issued under the Facility. Citibank has direct custodial and depositary linkages with, and (unless otherwise provided in the applicable Final Terms) will act as custodian for Global Notes or Global Certificates held by, DTC, Euroclear and Clearstream, Luxembourg to facilitate issue, transfer and custody of Notes in these clearing systems. As necessary (and as more fully described below), Citibank will act as Registrar, Transfer Agent, Exchange Agent and Paying Agent and, from time to time, Calculation Agent for the Notes as may be specified in the applicable Final Terms.

The Clearing Systems

Federal Reserve Bookentry System

The Federal Reserve Banks operate the Federal bookentry system which provides bookentry holding and settlement for all U.S. dollar denominated securities issued by the U.S. government, certain of its agencies and international organizations (including IBRD) in which the United States is a member. The system enables specified depositaries and other institutions with an appropriate account with a Federal Reserve Bank or Branch ("Holding Institutions") to hold, make payments and transfer securities and funds through the Federal Reserve Bank's Fedwire electronic funds transfer system.

DTC

DTC is a limited-purpose trust company organized under the laws of the State of New York, and is a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic bookentry changes in accounts of DTC participants.

Euroclear

Euroclear is incorporated in Belgium and has branch offices in Amsterdam, Paris and London. Euroclear holds securities for participating organizations and facilitates multicurrency clearance and settlement of securities transactions between its and Clearstream, Luxembourg accountholders through electronic bookentry changes in accounts of its accountholders.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depositary. Clearstream, Luxembourg holds securities for its participating organizations and facilitates multicurrency clearance and settlement of securities transactions between its and Euroclear's accountholders through electronic bookentry changes in accounts of its accountholders.

Other Clearing Systems

Any other clearing system which IBRD, the Global Agent and the relevant Dealer(s) agree shall be available for a particular issue of Notes will be described in the applicable Final Terms, together with the clearance and settlement procedures for such clearing system.

Clearance and Settlement Procedures – Primary Distribution

Introduction

Distribution of Notes will be through one or more of the clearing systems described above or any other clearing system specified in the applicable Final Terms. Payment for Notes will be on a delivery versus payment or free delivery basis, as more fully described in the applicable Final Terms.

Registered Notes and Fed Bookentry Notes

IBRD and the relevant Dealer(s) shall agree whether global clearance and settlement procedures or specific clearance and settlement procedures should be available for any issue of Notes, as specified in the applicable Final Terms. Clearance and settlement procedures may vary according to the Specified Currency of issue. The customary clearance and settlement procedures are described under the specific clearance and settlement procedures below. Application will be made to the relevant clearing system(s) for the Notes of the relevant issue to be accepted for clearance and settlement and the applicable clearance numbers will be specified in the applicable Final Terms.

Unless otherwise agreed between IBRD and the Global Agent, Citibank, N.A., acting through its relevant office, will act as the custodian or depositary for all Notes in global form.

(i) Global Clearance and Settlement – Specified Currencies

Global clearance and settlement of Notes denominated in certain Specified Currencies will take place through those clearing systems specified in the applicable Final Terms. The procedures expected to be followed are those which relevant clearing systems have established to clear and settle single global issues in the Specified Currency and will be set out in the applicable Final Terms.

(ii) Specific Clearance and Settlement – Federal Reserve Bank of New York

The Federal Reserve Bank of New York will take delivery of and hold Fed Bookentry Notes as record owner and custodian for other Federal Reserve Banks and for Holding Institutions located in the Second Federal Reserve District. Holding Institutions located in other Federal Reserve Districts can hold Fed Bookentry Notes through their respective Federal Reserve Banks or Branches.

The aggregate holdings of Fed Bookentry Notes of each Holding Institution will be reflected in the bookentry account of such Holding Institution with its Federal Reserve Bank or Branch. The Notes may be held of record only by Holding Institutions, which are entities eligible to maintain bookentry accounts with the Federal Reserve Banks. A Holding Institution may not be the beneficial holder of a Note. Beneficial holders will ordinarily hold the Notes through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. Each Holding Institution, and each other intermediate holder in the chain to the ultimate beneficial holder, will have the responsibility of establishing and maintaining accounts for its customers having interests in Fed Bookentry Notes.

Federal Reserve Banks will be responsible only for maintaining the bookentry accounts of Holding Institutions, effecting transfers on their books and ensuring that payments from IBRD, through the Federal Reserve Bank of New York, are credited to appropriate Holding Institutions. With respect to Fed Bookentry Notes, Federal Reserve Banks will act only on the instructions of Holding Institutions for which they maintain such Fed Bookentry Notes. The Federal Reserve Banks will not record pledges of Fed Bookentry Notes.

(iii) Specific Clearance and Settlement – DTC

Registered Notes which are to be cleared and settled through DTC will be represented by a DTC Global Certificate. DTC participants acting on behalf of DTC investors holding Registered Notes through DTC will follow the delivery practices applicable to DTC's Same-Day Funds Settlement System. Registered Notes will be credited to DTC participants' securities accounts following confirmation of receipt of payment to IBRD on the relevant Issue Date.

(iv) Specific Clearance and Settlement – Euroclear and Clearstream, Luxembourg

Registered Notes which are to be cleared and settled through Euroclear and Clearstream, Luxembourg will be represented by one or more Global Certificates registered in the name of a nominee of the Euroclear and Clearstream, Luxembourg depositaries. Investors holding Registered Notes through Euroclear and Clearstream, Luxembourg will follow the settlement procedures applicable to conventional eurobonds. Registered Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts either on the Issue Date or on the settlement day following the relevant Issue Date against payment in same day funds (for value on the relevant Issue Date).

Bearer Notes

IBRD will make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective bookentry systems of any issue of Bearer Notes. Customary clearance and settlement procedures for each such clearing system applicable to bearer eurobonds denominated in the Specified Currency will be followed, unless otherwise specified in the applicable Final Terms.

Clearance and Settlement Procedures – Secondary Market Transfers

Transfers of Registered Notes

Transfers of interests in a Global Certificate within the various clearing systems which may be clearing and settling interests therein will be made in accordance with the usual rules and operating procedures of the relevant clearing system applicable to the Specified Currency and the nature of the transfer. Further details concerning such rules and procedures may be set forth in the applicable Final Terms.

For issues that are cleared and settled through both DTC and another clearing system, because of time zone differences, in some cases the securities account of an investor in one clearing system may be credited during the settlement processing day immediately following the settlement date of the other clearing system and the cash account will be credited for value on the settlement date but may be available only as of the day immediately following such settlement date.

The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a definitive security in respect of such interest.

Transfers of Fed Bookentry Notes

Transfers of Fed Bookentry Notes between Holding Institutions can be made through the Federal Reserve Communications System.

Transfer of Bearer Notes

Transfers of interests in a Temporary Global Note or a Permanent Global Note and of Definitive Bearer Notes held by a clearing system will be made in accordance with the normal euromarket debt securities operating procedures of the relevant clearing system.

General

Although DTC, Euroclear and Clearstream, Luxembourg have established procedures to facilitate transfers of beneficial interests in Notes in global form among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of IBRD, the Global Agent or any other agent will have responsibility for the performance by DTC, Euroclear and Clearstream, Luxembourg or their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

TAX MATTERS

United States Internal Revenue Service Circular 230 Notice: To ensure compliance with U.S. Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Prospectus or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the U.S. Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

The following is a summary of the provisions of the Articles concerning taxation of the Notes and of certain anticipated United States federal income, withholding and estate tax consequences resulting from the ownership of the Notes. This summary does not cover all of the possible tax consequences relating to the ownership of the Notes and the receipt of interest thereon, and it is not intended as tax advice to any person. It addresses only holders who are initial purchasers of the Notes at the initial offering price and hold the Notes as capital assets, and does not address special classes of holders, such as dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, banks, tax-exempt entities, life insurance companies, persons holding Notes as a hedge or hedged against interest rate or currency risks or as part of a straddle or conversion transaction, or holders whose functional currency is not the U.S. dollar. Investors who purchase Notes at a price other than the offering price should consult their tax advisor as to the possible applicability to them of the amortizable bond premium or market discount rules. This summary is based upon the United States federal income, withholding and estate tax laws as currently in effect and as currently interpreted and does not include any description of the tax laws of any state, local or foreign government that may apply.

Prospective purchasers of Notes should consult their own tax advisors concerning the application of the United States federal income, withholding and estate tax laws, as well as the possible application of the tax laws of any other jurisdiction, to their particular situation.

This summary is only a general description of certain U.S. federal income, withholding and estate tax considerations associated with ownership of the Notes and does not discuss any special anticipated United States federal income, withholding or estate tax consequences associated with any particular issue of Notes, including, for example, Notes issued at a discount, Notes issued at a premium, Notes with a maturity of one year or less, Notes with variable maturities or interest payment dates, instalment Notes, reverse dual currency Notes, optional dual currency Notes, Partly-paid Notes, or Notes providing for principal or interest payments that are variable or contingent for United States federal income tax purposes. Prospective purchasers of such Notes should consult with their own tax advisors concerning the application of the United States federal income, withholding and estate tax laws with respect to their investment in such Notes. Any special anticipated United States federal income, withholding or estate tax consequences associated with a particular issue of Notes may be discussed in the applicable Final Terms.

Taxation of the Notes in General

The Notes and the interest thereon generally will be subject to taxation, including United States federal income taxation. Under the Articles, however, the Notes and the interest thereon are not subject to any tax by a member country of IBRD (i) which tax discriminates against the Notes solely because they were issued by IBRD, or (ii) if the sole jurisdictional basis for the tax is the place or currency in which the Notes are issued, made payable or paid, or the location of any office or place of business maintained by IBRD. The imposition of United States federal income tax in the manner described herein is not inconsistent with the Articles.

United States Federal Income Taxation

Bearer Notes

Notes issued as Bearer Notes under this Facility may, in certain circumstances, be treated by the U.S. Internal Revenue Service as registered notes and not as bearer notes for U.S. federal income tax purposes. Any reference to "Bearer Notes" in this section assumes that such Bearer Notes will be treated as bearer notes for U.S. federal income tax purposes.

Treatment of Qualified Stated Interest

Under the Internal Revenue Code of 1986, as amended (the "Code"), a holder of a Note who or which is (i) a United States citizen or resident alien individual, (ii) a United States domestic corporation, (iii) an estate otherwise subject to United States federal income taxation on a net income basis in respect of a Note or (iv) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust (a "U.S. Holder") will be taxable on the qualified stated interest accrued or received on such Note in accordance with such U.S. Holder's method of accounting for United States federal income tax purposes. Qualified stated interest is interest that is payable at a single fixed rate at least annually. Notes bearing interest other than qualified stated interest and Notes issued at a discount may be subject to the original issue discount provisions of the Code.

If an interest payment is denominated in or determined by reference to a currency other than the U.S. dollar (a "foreign currency"), the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Accrual basis U.S. Holders may determine the amount of income recognized with respect to such interest payments in accordance with either of two methods, in either case regardless of whether the payments are in fact converted into U.S. dollars. Under the first method, the amount of income recognized will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year).

Under the second method, an accrual basis U.S. Holder may elect to translate interest income into U.S. dollars at the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, at the exchange rate in effect on the last day of the partial period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis U.S. Holder may instead translate such accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any election to use the second method will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by such U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, an accrual basis U.S. Holder will recognize ordinary income or loss measured by the difference between (x) the average exchange rate used to accrue interest income, or the exchange rate as determined under the second method described above if the U.S. Holder elects that method, and (y) the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

The United States Treasury Department has issued to IBRD rulings dated May 4, 1988 and May 5, 1989 (the "Rulings") regarding certain United States federal tax consequences of the receipt of interest on securities issued by IBRD. The Rulings provide that interest paid by IBRD on such securities, including payments attributable to accrued original issue discount, constitutes income from sources without the United States.

Because, under the Rulings, interest and original issue discount on the Notes is treated as income from sources without the United States, interest paid by IBRD would ordinarily not be subject to United States federal income tax, including withholding tax, if paid to a nonresident alien individual (or foreign estate or trust not subject to United States federal income tax on a net income basis on income or gain from a Note) or to a foreign corporation (a "non-U.S. Holder"), whether or not such person is engaged in trade or business in the United States. However, absent any special statutory or treaty exception, such income would be subject to United States federal income tax in the following cases: (a) such interest is derived by such person in the active conduct of a banking, financing or similar business within the United States, and such interest is attributable to an office or other fixed place of business of such person within the United States or (b) such person is a foreign corporation taxable as an insurance company carrying on a United States insurance business to which such interest is attributable.

Purchase, Sale and Retirement of the Notes

A U.S. Holder's initial tax basis in a Note will generally be its U.S. dollar cost. The U.S. dollar cost of Notes purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market (within the meaning of Treasury Regulation Section 1.988-2(a)(2)(iv)) purchased by a cash basis U.S. Holder (or an electing accrual basis U.S. Holder), on the settlement date for the purchase. A U.S. Holder's initial tax basis in a Note may be adjusted in certain circumstances, such as, in the case of an accrual basis U.S. Holder, the accrual of interest income.

A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the adjusted tax basis of the Note. The amount realized on a sale or retirement for an amount in a foreign currency will be the U.S. dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market (within the meaning of Treasury Regulation Section 1.988-2(a)(2)(iv)) sold by a cash basis U.S. Holder (or an electing accrual basis U.S. Holder), on the settlement date for the sale. Except to the extent described in the next succeeding paragraph or attributable to accrued but unpaid interest, gain or loss recognized on the sale or retirement of a Note will be capital gain or loss. Capital gain of a non-corporate U.S. Holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15 per cent. where the holder has a holding period greater than one year.

Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

A United States person generally will not be entitled to deduct any loss sustained on the sale or other disposition (including the receipt of principal) of Bearer Notes (other than Bearer Notes having a maturity of one year or less from the date of issue) and must treat as ordinary income any gain realized on the sale or other disposition (including the receipt of principal) of Bearer Notes (other than Bearer Notes having a maturity of one year or less from the date of issue).

A non-U.S. Holder generally will not be taxable on gain or loss on the sale or exchange of a Note unless ownership of the Note is effectively connected with the conduct of a trade or business in the United States or, in the case of a nonresident alien individual, such individual is present in the United States for 183 or more days in the taxable year of the sale or exchange and certain other conditions are met.

Exchange of Amounts in Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of such foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S dollars) generally will be ordinary income or loss.

United States Federal Withholding Tax

Under the Articles, IBRD is not under any obligation to withhold or pay any tax imposed by any member on the interest on the Notes. The Rulings confirm that neither IBRD nor an agent appointed by it as principal for the purpose of paying interest on securities issued by IBRD is required to withhold tax on interest paid by IBRD. Payments of interest and accrued original issue discount on the Notes will therefore be made to the Global Agent without deduction in respect of any such tax.

United States Federal Estate Tax

In the case of United States federal estate tax, the Rulings determined that, unless an applicable death tax convention with a foreign country provides otherwise, securities of IBRD are deemed to be situated without the United States for purposes of the United States federal estate tax and are not includible in the value of the gross estate for purposes of such tax in the case of the estate of a nonresident of the United States who is not a citizen of the United States.

United States Information Reporting and Backup Withholding

IBRD is not subject to the reporting requirements that generally are imposed by United States law with respect to certain payments of interest or principal on debt obligations, nor is it subject to backup withholding obligations imposed, in certain circumstances, by United States law with respect to such payments. While temporary regulations issued by the Internal Revenue Service confirm that the backup withholding requirements do not apply to any paying agent of IBRD with respect to the Notes, the Fiscal Agent and the Global Agent may file information returns with the Internal Revenue Service with respect to payments on the Notes made within the United States to certain non-corporate United States persons as if such returns were required. Under the bookentry system as operated by the Federal Reserve Bank of New York, no such information returns will be filed by the Fiscal Agent with respect to Fed Bookentry Notes.

Brokers, trustees, custodians and other intermediaries within the United States are subject to reporting and backup withholding requirements with respect to certain payments on the Notes received by them for the account of certain non-corporate United States persons, and foreign persons receiving payments on the Notes within the United States may be required by such intermediaries to establish their status in order to avoid information reporting and backup withholding by such intermediaries in respect of such payments.

CURRENCY CONVERSIONS

Payments for Notes

Investors will be required to pay for Notes in the applicable Specified Currency. Each Dealer may, under certain terms and conditions, arrange for the conversion of the Investor's Currency into the Specified Currency to enable investors whose financial activities are denominated principally in the Investor's Currency to pay for the Notes in the Specified Currency. Each such conversion will be made by such Dealer (in this respect acting as principal and not as an agent of IBRD) on such terms and subject to such conditions, limitations and charges as such Dealer may from time to time establish in accordance with its regular foreign exchange practices, and subject to any applicable laws and regulations. All costs of conversion will be borne by such investors of the Notes.

Payments on Notes

Payments in respect of such Notes will be made in the Specified Currency for principal, premium (if any) and/or interest payments as specified in the applicable Final Terms. Currently, there are limited facilities in the United States for the conversion of U.S. dollars into foreign currencies and vice versa. In addition, most banks in the United States do not currently offer non-U.S. dollar denominated checking or savings account facilities in the United States. Accordingly, unless otherwise specified in the applicable Final Terms, payments in respect of Notes in a Specified Currency other than U.S. dollars will be made to an account outside the United States.

Noteholders holding interests in a DTC Global Note denominated in a Specified Currency other than U.S. dollars ("DTC Noteholders") will receive payments in U.S. dollars, unless they elect to receive such payments in the Specified Currency. In the event that a DTC Noteholder shall not have made such election payments to such DTC Noteholder will be converted to U.S. dollars by the Exchange Agent. The U.S. dollar amount in respect of any payment to be paid to a DTC Noteholder who did not make a timely election to receive payment in the Specified Currency will be based on the Exchange Agent's spot rate for the purchase of U.S. dollars with the aggregate amount of the Specified Currency payable to all DTC Noteholders receiving U.S. dollar payments, for settlement on the applicable Payment Date, at a time and date immediately preceding such Payment Date, unless otherwise specified in the applicable Final Terms. If such spot rate is not available, the Exchange Agent will obtain a bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Agent for such purchase. All costs of any such conversion into U.S. dollars will be borne by the relevant DTC Noteholder by deduction from such payments. If no spot rate or bid quotation is available, the Exchange Agent will make payments in the Specified Currency to Noteholders who were expecting to receive U.S. dollars, provided that such payment will only be made to such a Noteholder if and when the Exchange Agent has been notified of the Specified Currency account to which such payment should be made.

A DTC Noteholder may elect to receive payment of the principal and premium (if any) of, or interest with respect to, the Notes in the Specified Currency (other than U.S. dollars) by notifying DTC prior to 5:00 p.m. Eastern Standard Time ("E.S.T.") on the third DTC Business Day following the applicable record date in the case of interest, and the twelfth calendar day prior to the payment date for the payment of principal, of (i) such holder's election to receive all or a portion of such payment in the Specified Currency for value the relevant due date for interest payment or final redemption, as the case may be, and (ii) wire transfer instructions to an account denominated in the Specified Currency with respect to any payment to be made in the Specified Currency. Such election shall be made by the Noteholder holding its interest in a DTC Global Note and any such election in respect of that payment shall be irrevocable. An indirect DTC participant must notify the DTC Noteholder through which it is holding its interest in a DTC Global Note of such election and wire transfer instructions prior to 5:00 p.m. E.S.T. on the first DTC Business Day following the applicable record date. DTC will notify the Exchange Agent of such election and wire transfer instructions and of the amount of the Specified Currency to be converted into U.S. dollars, prior to 5:00 p.m. E.S.T. on the fifth DTC Business Day following the applicable record date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal. If complete instructions are received by the DTC participant and forwarded by the DTC participant to DTC, and by DTC to the Exchange Agent, on or prior to such dates, the DTC Noteholder will receive payment in the Specified Currency outside DTC. Otherwise, only U.S. dollar payments will be made by the Exchange Agent. Payments in the Specified Currency (other than U.S. dollars) outside DTC will be made by wire transfer of same day funds in accordance with the relevant wire transfer instructions for value the relevant payment date.

PLAN OF DISTRIBUTION

Dealers

The Facility provides for the appointment of dealers in respect of any particular issue of Notes (all such dealers together, the "Dealers"). There are no sponsoring dealers with respect to the Facility. Any Dealer will be able to purchase Notes on an underwritten basis, either individually or as part of a syndicate, or on an agency basis.

Standard Provisions

Notes may be sold from time to time by IBRD to or through any one or more Dealers and by IBRD itself. The arrangements under which the Notes may from time to time be agreed to be sold by IBRD to or through Dealers are set out in the Standard Provisions dated as of May 28, 2008 (as amended or supplemented from time to time, the "Standard Provisions"). The Standard Provisions will be incorporated by reference into the agreement by which Dealers are appointed in respect of a particular issue of Notes.

Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the method of distribution of the Notes, the price at which such Notes will be purchased by any Dealer and the commissions or other agreed deductibles (if any) which are payable or allowable by IBRD in respect of such purchase. In addition, each placement of Notes is subject to certain conditions, including the condition that there shall not have occurred any national or international calamity or development, crisis of a political or economic nature, or change in the money or capital markets in which the Notes are being offered, the effect of which on such financial markets shall be such as in the judgment of the relevant Dealer(s) or IBRD materially adversely affects the ability of the relevant Dealer(s) to sell or distribute the Notes, whether in the primary market or in respect of dealings in the secondary market.

Sales Restrictions

No action has been or will be taken in any jurisdiction by any Dealer or IBRD that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in such jurisdiction. The relevant Dealer(s) (and IBRD in connection with sales of Notes on its own behalf) will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells, or delivers Notes or has in its possession or distributes this Prospectus, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense.

No Dealer is authorized to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Prospectus, the applicable Final Terms or such other information relating to IBRD and/or the Notes which IBRD has authorized to be used.

Selling restrictions may be modified by the agreement of IBRD and the relevant Dealer(s) following a change in any relevant law, regulation or directive. Selling restrictions may also be added to reflect the requirements of any particular Specified Currency. Any such modification or addition will be set out in the Final Terms issued in respect of each issue of Notes to which such modification or addition relates or in a supplement to this Prospectus.

United States

Under the provisions of Section 15(a) of the Bretton Woods Agreements Act, as amended, Notes are exempted securities within the meaning of Section 3(a)(2) of the U.S. Securities Act of 1933, as amended, and Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions, except in certain transactions permitted by U.S. tax regulations.

Accordingly, under U.S. federal tax laws and regulations, Bearer Notes (including Temporary Global Notes and Permanent Global Notes) with a maturity of more than one year may not be offered or sold during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) within the United States or to United States persons (each as defined below) other than to an office located outside the United States of a United States financial institution (as defined in United States Treasury Regulations Section 1.165-12(c)(1)(v)), purchasing for its own account or for resale or for the account of certain customers, that provides a certificate stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code, and the United States Treasury Regulations thereunder, or to certain other persons described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(1)(iii)(B). Moreover, such Bearer Notes may not be delivered in connection with their sale during the restricted period within the United States. Any distributor (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(4)) participating in the offering or sale of Bearer Notes with a maturity of more than one year must agree that it will not offer or sell during the restricted period any such Bearer Notes within the United States or to United States persons (other than the persons described above), it will not deliver in connection with the sale of such Bearer Notes during the restricted period any such Bearer Notes within the United States and it has in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling the Bearer Notes are aware of the restrictions on offers and sales described above. No Bearer Notes (other than a Temporary Global Note and certain Bearer Notes described in the following paragraph) with a maturity of more than one year may be delivered, nor may interest be paid on any such Bearer Note, until the person entitled to receive such Bearer Note or such interest furnishes a written certificate to the effect that the relevant Bearer Note (i) is owned by a person that is not a United States person, (ii) is owned by a United States person that is a foreign branch of a United States financial institution purchasing for its own account or for resale, or is owned by a United States person who acquired the Bearer Note through the foreign branch of such a financial institution and who holds the Bearer Note through such financial institution on the date of certification, provided, in either case, that such financial institution provides a certificate to IBRD or the distributor selling the Bearer Note to it, within a reasonable time of selling the Bearer Note, stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the United States Treasury Regulations thereunder, or (iii) is owned by a financial institution for purposes of resale during the restricted period. A financial institution described in clause (iii) of the preceding sentence (whether or not also described in clause (i) or (ii)) must certify that it has not acquired the Bearer Note for purposes of resale directly or indirectly to a United States person or to a person within the United States. In the case of a Note represented by a Permanent Global Note, such certification must be given in connection with notation of a beneficial owner's interest therein.

A Bearer Note will not be subject to the certification requirements described in the preceding paragraph if the Bearer Note is sold during the restricted period and all of the following conditions are satisfied: (i) the interest and principal with respect to the Bearer Note are denominated only in the currency of a single foreign country; (ii) the interest and principal with respect to the Bearer Note are payable only within that foreign country; (iii) the Bearer Note is offered and sold in accordance with practices and documentation customary in that foreign country; (iv) the distributor of the Bearer Note agrees to use reasonable efforts to sell the Bearer Note within that foreign country; (v) the Bearer Note is not listed, or the subject of an application for listing, on an exchange located outside that foreign country; (vi) the U.S. Internal Revenue Service has designated the foreign country as a foreign country in which certification under Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(i) is not permissible; (vii) the issue of the Bearer Note is subject to guidelines or restrictions imposed by governmental, banking or securities authorities in that foreign country; and (viii) more than 80 per cent., by value, of the Bearer Notes included in the offering of which the Bearer Note is a part are sold to non-distributors by distributors maintaining an office located in that foreign country. Bearer Notes that are convertible into U.S. dollar denominated debt obligations or which are otherwise linked by their terms to the U.S. dollar are not eligible for the certification exemption described in this paragraph. The only foreign countries that have been designated as foreign countries in which certification under Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(i) is not permissible are Switzerland and Germany.

Each Temporary Global Note, Permanent Global Note or Bearer Note with a maturity of more than one year, and any Talons and Coupons relating to such Bearer Notes, will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

As used herein, "United States person" means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States and any estate or trust the income of which is subject to United States federal income taxation regardless of its source, and "United States" means the United States of America (including the states thereof and the District of Columbia) and its possessions. Other terms used herein have the meanings given to them by the Code and the Treasury Regulations issued thereunder.

United Kingdom

Each Dealer will be required to represent, warrant and agree that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and the Dealer has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation of other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Law and any applicable laws, regulations and ministerial guidelines of Japan.

France

Any offer of Notes in France pursuant to this Prospectus falls within Article L.411-2 of the *Code monétaire et financier*. This Prospectus has not been reviewed by the *Autorité des marchés financiers*.

Related Derivatives Transactions

In connection with the issuance of Notes, IBRD may enter into negotiated currency and/or interest rate swap or other financial derivative transactions, as described in the Information Statement under "Risk Management — Derivatives". IBRD's counterparty in any such derivative transaction may be an institution that is also acting as Dealer with respect to the Notes, or an affiliate of a Dealer. Payments to be made and received by IBRD under any such derivative transaction may be calculated on the basis of the amounts payable by IBRD under the Notes and the proceeds payable to IBRD in connection with the sale of the Notes, either before or after deduction of the commissions described in the related Final Terms. However, IBRD's rights and obligations under any such derivative transaction will be wholly independent of its rights and obligations under the Notes, and the holders of the Notes will have no interest in any such derivative transaction or any payment to which IBRD may be entitled thereunder. In addition, the hedging activities undertaken by a counterparty to a related derivative transaction may have an effect on the value or return of the related Notes.

VALIDITY OF THE NOTES

The validity of the Notes will be passed on by the Senior Vice President and General Counsel, or a Deputy General Counsel or the Chief Counsel, Finance, of IBRD and by Sullivan & Cromwell LLP (as to Notes governed by New York law) and Linklaters LLP (as to Notes governed by English law), counsel to the Dealers, each of which, with respect to certain matters, will rely upon counsel to IBRD. It is expected that the validity of Notes governed by the law of any other jurisdiction will be passed on by counsel to the relevant Dealers at the time of issue.

The opinions of counsel to IBRD, Sullivan & Cromwell LLP and Linklaters LLP will be conditioned upon, and subject to certain assumptions regarding, future action required to be taken by IBRD and the Fiscal Agent or the Global Agent in connection with the issuance and sale of any particular Note, the specific terms of Notes and other matters which may affect the validity of Notes but which cannot be ascertained on the date of such opinions.

GENERAL INFORMATION

1. The issuance of the Notes by IBRD and the execution of all documents associated with the Facility in order to fund IBRD's loans, guarantees and liquid assets portfolio has been authorized without limit by Resolution No. 96-3, approved by the Executive Directors of IBRD on July 30, 1996.
2. Application has been made for Notes issued under the Facility to be admitted to the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange.
3. The Notes will not be issued under an indenture, and no trustee is provided for in the Notes.
4. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
5. The Prospectus and the Final Terms for Notes that are admitted to the Official List will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.
6. Copies of IBRD Information may be obtained, and copies of the Global Agency Agreement, the Fiscal Agency Agreement and the Deed of Covenant will be available for inspection, at the specified office of the Global Agent during normal business hours, so long as any of the Notes is outstanding.

FORM OF FINAL TERMS

Final Terms dated [●]

International Bank for Reconstruction and Development
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the
Global Debt Issuance Facility

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Prospectus dated May 28, 2008 [and the supplemental Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with such Prospectus [as so supplemented].

[Include whichever of the following apply and modify numbering as applicable.]

SUMMARY OF THE NOTES

1.	Issuer:		International Bank for Reconstruction and Development ("**IBRD**")
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
	(*If fungible with an existing Series, insert details of that Series, including the date on which the Notes become fungible*).		
3.	Specified Currency or Currencies (Condition 1(d)):		[ ]
4.	Aggregate Nominal Amount:		[ ]
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5.	(i)	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest for [*insert number of days*] days (*if applicable*)]
	(ii)	Net proceeds:	[ ] (*Required only for listed issues*)
6.	(i)	Specified Denominations (Condition 1(b)):	[ ] (*If these Final Terms specify "Temporary Global Notes exchangeable for individual Definitive Bearer Notes on Exchange Date", Notes may only be issued in Specified Denominations*)
	(ii)	Calculation Amount (Condition 5(j)):	[ ]
7.	[(i)] Issue Date:		[ ]
	[(ii)] Interest Commencement Date (Condition 5(l)):		[ ]
8.	Maturity Date (Condition 6(a)):		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*]
9.	Interest Basis (Condition 5):		[[●]% Fixed Rate]

		[[*Specify reference rate*] +/– [●]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis (Condition 6):	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly-paid] [Instalment] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Call/Put Options (Condition 6):	[Call Option] [Put Option] [(further particulars specified below)]
13.	Status of the Notes (Condition 3):	Unsecured and unsubordinated
14.	Listing:	[[ ] (*specify*)/None]
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions (Condition 5(a)):	[Applicable] (*If not applicable, delete this entire paragraph and renumber the remaining paragraphs.*)
	(i) Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]] [, not adjusted in accordance with [*specify Business Day Convention*]]
	(iii) Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
	(iv) Broken Amount(s):	[[Initial/Final] Broken Amount of [ ] per Calculation Amount, payable on [date]]
	(v) Day Count Fraction (Condition 5(l)):	[30/360 / Actual/Actual ([ICMA/ISDA]) / other]
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17.	Floating Rate Note Provisions (Condition 5(b)):	[Applicable] (*If not applicable, delete this entire paragraph and renumber the remaining paragraphs.*)
	(i) Interest Period(s):	[ ]

(ii)	Specified Interest Payment Dates:	[ ]
(iii)	Interest Period Date(s):	[ ]
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
(v)	Business Centre(s) (Condition 5(l):	[ ]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[ ]
(viii)	Screen Rate/Reference Bank Determination (Condition 5(b)(ii)(C)):	
	– Relevant Time:	[ ]
	– Interest Determination Date:	[[ ]] [TARGET] Business Days [in [*specify city for Specified Currency*]] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]
	– Primary Source for Floating Rate:	[*Specify relevant screen page or "Reference Banks"*]
	– Reference Banks (if Primary Source is "Reference Banks"):	[*Specify four*]
	– Relevant Financial Centre:	[*The financial centre most closely connected to the Benchmark – specify if not London*]
	– Benchmark:	[*LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark*]
	– Representative Amount:	[*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
	– Effective Date:	[*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
	– Specified Duration:	[*Specify period for quotation if not duration of Interest Accrual Period*]
(ix)	ISDA Determination (Condition 5(b)(ii)(B)):	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(x)	Margin(s):	[+/-][ ] per cent. per annum
(xi)	Minimum Rate of Interest:	[ ] per cent. per annum

	(xii) Maximum Rate of Interest:	[ ] per cent. per annum
	(xiii) Day Count Fraction (Condition 5(l)):	[ ]
	(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
18.	Zero Coupon Note Provisions (Condition 5(c)):	[Applicable] (*If not applicable, delete this entire paragraph and renumber the remaining paragraphs.*)
	(i) Amortization Yield (Condition 6(c)(ii)):	[ ] per cent. per annum
	(ii) Day Count Fraction (Condition 5(l)):	[ ]
	(iii) Any other formula/basis of determining amount payable:	[ ]
19.	Index Linked Interest Note/other variable-linked interest Note Provisions (Condition 5):	[Applicable] (*If not applicable, delete this entire paragraph and renumber the remaining paragraphs.*)
	(i) Index/Formula/other variable:	[*give or annex details*]
	(ii) Party responsible for calculating Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[ ]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv) Interest Determination Date(s):	[ ]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
	(vi) Interest Period(s):	[ ]
	(vii) Specified Interest Payment Dates:	[ ]
	(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]

	(ix) Business Centre(s) (Condition 5(l):	[ ]
	(x) Minimum Rate of Interest:	[ ] per cent. per annum
	(xi) Maximum Rate of Interest:	[ ] per cent. per annum
	(xii) Day Count Fraction (Condition 5(l)):	[ ]
20.	Dual Currency Note Provisions (Condition 5(d)):	[Applicable] *(If not applicable, delete this entire paragraph and renumber the remaining paragraphs.)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent):	[ ]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

21.	Call Option (Condition 6(d)):	[Applicable] *(If not applicable, delete this entire paragraph and renumber the remaining paragraphs.)*
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ] per Calculation Amount
	(b) Maximum Redemption Amount:	[ ] per Calculation Amount
	(iv) Notice period:	[ ]
22.	Put Option (Condition 6(e)):	[Applicable] (*If not applicable, delete this entire paragraph and renumber the remaining paragraphs.*)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount
	(iii) Notice period:	[ ]

23. Final Redemption Amount of each Note (Condition 6):	[ ] per Calculation Amount
In cases where the Final Redemption Amount is Index Linked or other variable-linked:	
(i) Index/Formula/variable:	[*give or annex details*]
(ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):	[ ]
(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
(iv) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
(v) Payment Date:	[ ]
(vi) Minimum Final Redemption Amount:	[ ] per Calculation Amount
(vii) Maximum Final Redemption Amount:	[ ] per Calculation Amount
24. Early Redemption Amount (Condition 6(c)):	
Early Redemption Amount(s) per Calculation Amount payable on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes (Condition 1(a)):	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note on the Exchange Date] [Temporary Global Note exchangeable for individual Definitive Bearer Notes on Exchange Date] (*This option shall not be applicable if Notes may be issued in amounts of a minimum Specified Denomination and integral multiples of a specified amount in excess thereof. Refer to paragraph 6.*) Exchange Date in respect of Temporary Global Note: [ ]

		Registered Notes:
		[Global Registered Certificate available on Issue Date]
		[Individual Definitive Registered Certificates available on Issue Date]
		Fed Bookentry Notes:
		Fed Bookentry Notes available on Issue Date:
26.	New Global Note:	[Yes] [No]
27.	Financial Centre(s) or other special provisions relating to payment dates (Condition 7(h)):	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(ii), 17(v) and 19(ix) relate*]
28.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature) (Condition 7(g)):	[Yes/No. *If yes, give details*]
29.	Unmatured Coupons to become void (Condition 7(f)):	[Yes/No]
30.	Details relating to Partly-paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of IBRD to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
31.	Details relating to instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details of Instalment Amount*]
32.	Redenomination, renominalization and reconventioning provisions:	[Not Applicable/The following provisions apply: [__]]
33.	Consolidation provisions:	[Not Applicable/The following provisions apply: [__]]
34.	Governing law (Condition 14):	[New York/English/other]
35.	Other final terms:	[Not Applicable/*give details*]

DISTRIBUTION

36.	(i) If syndicated, names of Managers and underwriting commitments:	[Not Applicable/*give names and underwriting commitments*] (*Include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(ii) Stabilizing Manager(s) (if any):	[Not Applicable/*give name(s)*]
37.	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]

38.	Total commission and concession:	[ ] per cent. of the Aggregate Nominal Amount
39.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

40.	ISIN Code:	[ ]
41.	Common Code:	[ ]
42.	CUSIP:	[ ]
43.	CINS:	[ ]
44.	Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and The Depository Trust Company and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)[and address(es)]*] [Bookentry system of the Federal Reserve Banks]
45.	Delivery:	Delivery [against/free of] payment
46.	Registrar and Transfer Agent (if any):	[ ]
47.	Additional Paying Agent(s) (if any):	[ ]
48.	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No] [Not Applicable] [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*Include this text if "Yes" selected in which case the Notes must be issued in New Global Note form*]

[GENERAL INFORMATION

IBRD's most recent Information Statement was issued on [●].]

[SUPPLEMENTAL PROSPECTUS INFORMATION

The Prospectus is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Prospectus.

[*Set out here any additional disclosure regarding, for example, taxation or exchange rate movements, which is considered necessary for the particular issue.*]]

[**LISTING APPLICATION**

These Final Terms comprise the final terms required for the admission to the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's regulated market of the Notes described herein issued pursuant to the Global Debt Issuance Facility of International Bank for Reconstruction and Development.]

RESPONSIBILITY

IBRD accepts responsibility for the information contained in these Final Terms.

Signed on behalf of IBRD:

By: ....

Name:
Title:

Duly authorized

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

1818 H Street, NW
Washington, DC 20433
U.S.A.

FISCAL AGENT

Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045
U.S.A.

GLOBAL AGENT, PAYING AGENT,
REGISTRAR AND TRANSFER AGENT
Citibank, N.A., London Branch
21st Floor, Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
England

LUXEMBOURG LISTING AGENT
BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich, Howald-Hesperange
Luxembourg, L-2085
Luxembourg

LEGAL ADVISERS TO THE DEALERS

As to United States law

Sullivan & Cromwell LLP
1701 Pennsylvania Avenue, NW
Washington, DC 20006
U.S.A.

As to English law

Linklaters LLP
1345 Avenue of the Americas
New York, NY 10105
U.S.A.

Annex B

Information Statement dated 30 June 2014 of International Bank for Reconstruction and Development

Information Statement

International Bank for Reconstruction and Development

The International Bank for Reconstruction and Development (IBRD) intends from time to time to issue its notes and bonds with maturities and on terms determined by market conditions at the time of sale. The notes and bonds may be sold to dealers or underwriters, who may resell them, or they may be sold by IBRD directly or through agents.

The specific currency, aggregate principal amount, maturity, interest rate or method for determining such rate, interest payment dates, if any, purchase price to be paid to IBRD, any terms for redemption or other special terms, form and denomination of such notes and bonds, information as to stock exchange listing and the names of the dealers, underwriters or agents in connection with the sale of such notes and bonds being offered at a particular time, as well as any other information that may be required, will be set forth in a prospectus or supplemental information statement.

Except as otherwise indicated, in this Information Statement (1) all amounts are stated in current United States dollars translated as indicated in the Notes to Financial Statements—Note A and (2) all information is given as of June 30, 2014.

AVAILABILITY OF INFORMATION

This Information Statement will be filed with the U.S. Securities and Exchange Commission electronically through the EDGAR system and will be available at the Internet address http://www.sec.gov/edgar.shtml.

Upon request, IBRD will provide additional copies of this Information Statement without charge. Written or telephone requests should be directed to IBRD's main office at 1818 H Street, N.W., Washington, D.C. 20433, Attention: Capital Markets Department, tel: (202) 477-2880, or to IBRD's Tokyo office at Fukoku Seimei Building 10F, 2-2-2 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011, Japan, tel: (813) 3597-6650.

The Information Statement is also available on IBRD's Investor Relations website at http://www.worldbank.org/debtsecurities/. Other documents and information on IBRD's website are not intended to be incorporated by reference in this Information Statement.

Recipients of this Information Statement should retain it for future reference, since it is intended that each prospectus and any supplemental information statement issued after the date hereof will refer to this Information Statement for a description of IBRD and its financial condition, until a subsequent information statement is filed.

September 16, 2014

SUMMARY INFORMATION

As of June 30, 2014, unless otherwise indicated

The International Bank for Reconstruction and Development (IBRD) is an international organization established in 1945 and owned by its member countries. As a global development cooperative owned by 188 member countries, IBRD's purpose is to work with its borrowing members so that they can achieve equitable and sustainable economic growth in their national economies and find effective solutions to pressing regional and global problems in economic development and environmental sustainability, all with a view to overcoming poverty and improving standards of living. It pursues this goal primarily by providing financing, risk management products, and other financial services, access to experts and a pool of knowledge in development-related disciplines, so that borrowing members can pool, administer and prioritize resources they dedicate to development-related objectives. The five largest of IBRD's 188 shareholders are the United States (with 15.02% of the total voting power), Japan (8.13%), China (5.25%), Germany (4.56%), and France and the United Kingdom (with 4.06% each).

The financial strength of IBRD is based on the support it receives from its shareholders and on its array of financial policies and practices. Shareholder support for IBRD is reflected in the capital backing it has received from its members and in the record of its member country borrowers in meeting their debt service obligations to IBRD. To enhance IBRD's financial capacity following its response to the global economic crisis, on March 16, 2011, three resolutions increasing IBRD's authorized capital were approved by the Board of Governors. Under the terms of the resolutions, subscribed capital is expected to increase by $87 billion, of which $5.1 billion will be paid-in over a five year period starting in FY 2011. As of June 30, 2014, $2.5 billion has been paid in. In addition to the resources provided by shareholders, IBRD's financial policies and practices have led it to build reserves, to diversify its funding sources, to hold a large portfolio of liquid investments and to limit market and credit risk.

Results of Operations

IBRD prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the reported basis, all instruments in the investment, borrowing, and asset-liability management portfolios are carried at fair value with changes in fair value reported in the income statement, with the exception of Available For Sale (AFS) securities. AFS securities are carried at fair value with changes in fair value reported in equity. The loan portfolio is reported at amortized cost (with the exception of loans with embedded derivatives, which are reported at fair value). Net loss on a reported basis was $978 million.

Management recommends distributions out of net income to augment reserves and support developmental activities at the end of each fiscal year. Net income allocation decisions are based on allocable income, which is derived by adjusting the reported net income to exclude certain items, in order to arrive at amounts realized during the year and available for use. IBRD has earned positive allocable income in every year since 1964. IBRD's allocable income was $769 million for the fiscal year ended June 30, 2014.

Equity and Borrowings

Equity. IBRD's shareholders have subscribed to $232.8 billion of capital, $14.0 billion of which has been paid in and the remainder of which is callable if needed. The callable portion may be called only to meet IBRD's obligations for borrowings or guarantees; it may not be used for making loans. IBRD's equity also included $28.3 billion of retained earnings. The equity-to-loans ratio was 25.7%.

Borrowings. IBRD diversifies its borrowings by currency, country, source and maturity to provide flexibility and cost-effectiveness in funding. It has borrowed in all of the world's major capital markets, as well as directly from member governments and central banks. IBRD's outstanding borrowings totaled $161.0 billion, and are denominated in 33 currencies.

Assets

Loans. Most of IBRD's assets are loans outstanding. As of June 30, 2014, on a reported basis, the net loan portfolio was $152.0 billion. IBRD's loan commitments in FY 2014 totaled $18.6 billion. In accordance with the Articles of Agreement (Articles), all of IBRD's loans are made to, or guaranteed by, countries that are members of IBRD. IBRD's Articles also limit the total amount of loans and guarantees IBRD can extend. IBRD loans are made only to countries deemed creditworthy. Although IBRD may make new loans to members with outstanding loans, it is IBRD's practice not to reschedule interest or principal payments on its loans.

Loans in nonaccrual status totaled 0.3% of IBRD's loan portfolio and represented loans made to or guaranteed by one borrower country. IBRD's accumulated loan loss provision was equivalent to 1.1% of its total loans outstanding at June 30, 2014.

Liquid Asset Portfolio. IBRD holds a portfolio of liquid investments to help ensure that it can meet its financial commitments and to retain flexibility in timing of its market borrowings. As of June 30, 2014, its liquid asset portfolio totaled $41.6 billion. Under IBRD's liquidity management guidelines, aggregate liquid asset holdings are kept at or above a specified prudential minimum in order to safeguard against cash flow interruptions. This minimum is equal to the highest consecutive six months of projected debt service obligations plus one-half of projected net loan disbursements on approved loans (if positive) for the relevant fiscal year. The FY 2015 prudential minimum liquidity level has been set at $26 billion, reflecting an increase of $1.5 billion from FY 2014.

Asset / Liability Management

IBRD seeks to avoid exchange rate risks by matching its liabilities in various currencies with assets in those same currencies and by matching the currency composition of its equity to that of its outstanding loans. IBRD also seeks to limit its interest rate risk in its loans and liquidity portfolio. IBRD uses derivatives, including currency and interest rate swaps, in connection with its operations in order to better manage balance sheet risks. The amounts receivable and payable under outstanding currency and interest rate swaps totaled $154.1 billion and $146.9 billion, respectively. The notional principal amount of outstanding interest rate swaps totaled $249.7 billion. The credit exposures on swaps are controlled through specified credit-rating requirements for counterparties and through netting and collateralization arrangements.

The above information is qualified by the detailed information and financial statements appearing elsewhere in this Information Statement.

Throughout the Information Statement, terms in **boldface** type are defined in the Glossary of Terms on page 60.

The Information Statement contains forward looking statements which may be identified by such terms as "anticipates", "believes", "expects", "intends" or words of similar meaning. Such statements involve a number of assumptions and estimates that are based on current expectations and that are subject to risks and uncertainties beyond IBRD's control. Consequently, actual future results could differ materially from those currently anticipated.

Box 1: Key Financial Indicators, Fiscal Years 2010-2014
As of and for the fiscal years ended June 30
In millions of U.S. dollars, except ratios which are in percentages

Lending Activities *(See Section III)*	*2014*	*2013*	*2012*	*2011*	*2010*
Commitments[a]	$ 18,604	$ 15,249	$ 20,582	$ 26,737	$ 44,197
Gross disbursements[b]	18,761	16,030	19,777	21,879	28,855
Net disbursements[b]	8,948	6,552	7,798	7,994	17,230
Reported Basis					
Income Statement *(See Section II)*					
Board of Governors-approved transfers	$ (676)	$ (663)	$ (650)	$ (513)	$ (839)
Net (loss) / income	(978)	218	(676)	930	(1,077)
Balance Sheet *(See Section I)*					
Total assets	$358,883	$325,601	$338,178	$314,211	$282,137
Net investment portfolio	42,708	33,391	35,119	30,324	36,114
Net loans outstanding	151,978	141,692	134,209	130,470	118,104
Borrowing portfolio[c]	154,792	137,008	133,075	122,501	119,775
Allocable Income *(See Section II)*					
Allocable income	$ 769	$ 968	$ 998	$ 996	$ 764
Allocated as follows:					
General Reserve	—	147	390	401	281
Transfers to International Development Association	635	621	608	520	383
Transfer to Surplus	134	200		75	100
Usable Equity[d,e] *(See Section VIII)*	$ 40,467	$ 39,711	$ 37,636	$ 38,689	$ 36,106
Capital Adequacy *(See Section VIII)*					
Equity-to-loans ratio[e]	25.7%	26.8%	27.0%	28.6%	29.4%

a. Commitments include guarantee commitments and guarantee facilities.
b. Amounts include transactions with the International Finance Corporation and loan origination fees.
c. Net of derivatives.
d. Excluding amounts associated with unrealized gains/losses on non-trading portfolios, net and related cumulative translation adjustments.
e. As defined in Table 15: Equity used in Equity-to-Loans Ratio.

This document provides Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for the International Bank for Reconstruction and Development (IBRD) for the fiscal year ended June 30, 2014 (FY14). Box 1 summarizes key financial data. At the end of this document is a Glossary of Terms and list of Abbreviations and Acronyms. IBRD undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform to the current year's presentation (For further details see Note A: Summary of Significant Accounting and Related Policies in the Notes to the Financial Statements for the year ended June 30, 2014).

SECTION I: EXECUTIVE SUMMARY

IBRD is the largest multilateral development bank in the world with 188 member countries. As part of the World Bank Group (WBG)[1], its two main goals are to end extreme poverty and promote shared prosperity. To meet these goals, it provides loans and products and services related to other development activities for economic reform projects and programs. IBRD also provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors. Its ability to intermediate the funds it raises in international capital markets to developing member countries is important in helping it achieve its development goals. IBRD's financial goal is not to maximize profits, but to earn adequate income to ensure its financial strength and sustain its development activities.

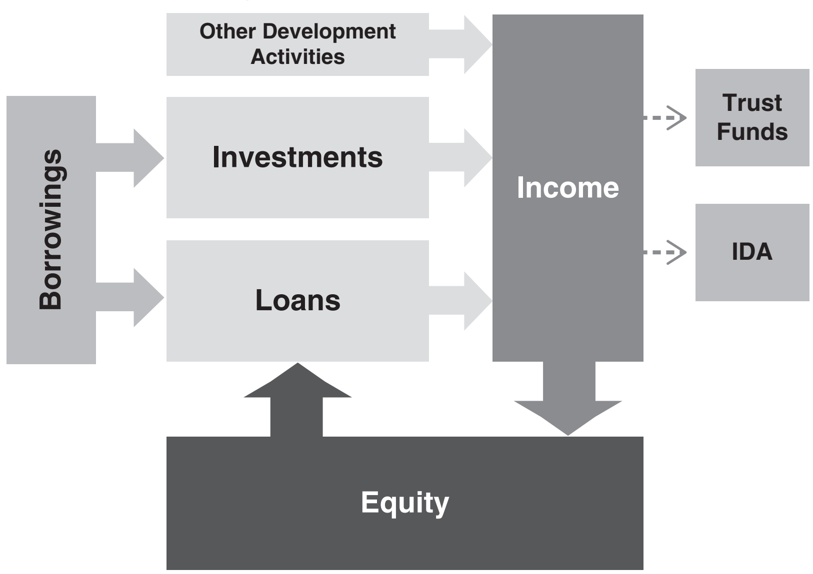
IBRD's financial strength derives from its capital base, through the support of its shareholders, as well as from its sound financial and risk management policies and practices, which have enabled it to build its equity. Shareholder support takes the form of capital subscriptions from members and their strong record in servicing their debt to IBRD. This shareholder support, combined with IBRD's sound financial policies and practices, are the basis of IBRD's financial strength and its triple-A credit rating.

IBRD's primary business activity is providing loans to its borrowing member countries. These loans are financed through IBRD's equity as well as borrowings raised through the capital markets. Investors view IBRD bonds as a safe investment, consistent with its financial strength and triple-A credit rating. Annual funding volumes vary from year to year, and for FY14 it reached $51 billion. Funds which have not been deployed for lending purposes are maintained in IBRD's investment portfolio to provide liquidity for its operations.

IBRD's primary source of income relates to the earnings on its equity, followed by the net interest margin on its loans which are funded by borrowings, and the modest margin earned on its investment portfolio. IBRD also earns income from other development activities, which include guarantees, risk management products, technical assistance (including through reimbursable advisory services) as well as trust fund partnerships. From its total revenues, IBRD pays for its operating expenses, retains amounts in reserves to strengthen its financial position, and provides support via income transfers to the IDA and to trust funds for other development purposes as decided by the shareholders.

The following is a graphical illustration of IBRD's business model:

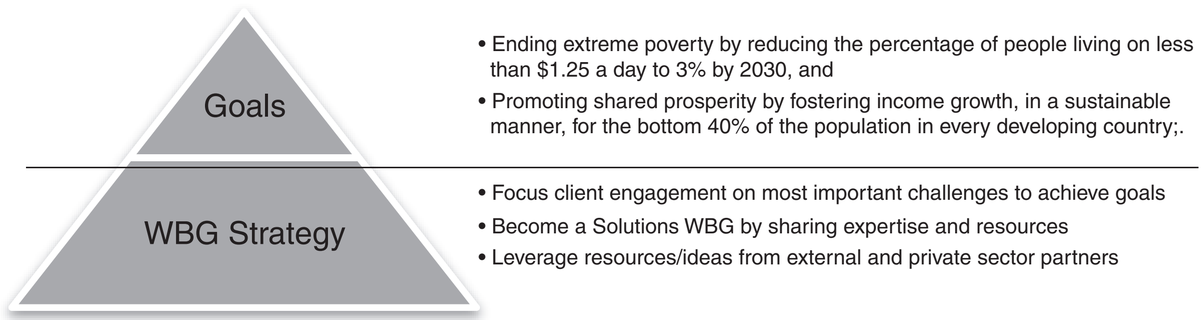
Figure 1: IBRD's Business Model



[1] The other institutions of the World Bank Group are the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

IBRD and the New World Bank Group Strategy

At the 2013 Spring Meetings, the WBG's Board of Governors endorsed the twin poverty reduction goals. In addition, at the 2013 Annual Meetings that followed, the Governors endorsed the new WBG strategy envisaging a stronger, more selective and effective WBG in order to achieve the twin goals:



In support of this stronger role, and as part of the internal change process, the WBG has adopted a new financial sustainability framework to strengthen its financial position and expand its lending capacity.

In FY14, IBRD's Executive Directors approved the following measures aimed at enhancing IBRD's margins and capacity, in line with the new WBG strategy and as part of reshaping the WBG's financial sustainability:

- A set of measures related to IBRD's loan capacity and terms:
  - Increasing the Single Borrower Limit (SBL) to $20 billion for India and $19 billion for the other four SBL borrowing countries. A surcharge of 50 basis points a year was introduced on loan exposure exceeding the previous SBL ($17.5 billion for India and $16.5 billion for the other four SBL borrowing countries) in order to help support this increase (Section VIII).
  - Reducing the minimum equity-to-loans ratio to 20% from 23%, reflecting the improvement in the portfolio's credit quality since 2008 when the previous lower bound was adopted (Section VIII).
  - Restoring the commitment fees of 25 basis points a year on undisbursed balances on its loans (Section III).
  - Extending the maximum maturity for most IBRD loans and guarantees from the current limits of 30-year terms/18 year average to 35-year terms/20 year average. The maturity premium charges will increase, with the application of a revised maturity premium schedule. The starting point for these charges will begin at 8-years average maturity rather than the previous average maturity of 12 years (Section III).
- Implementing an innovative approach to managing exposure concentration to allow both MIGA and IBRD to improve the diversification of their portfolios by swapping exposure, thereby freeing up capacity to support additional business (Section VIII).
- Providing flexibility in implementing the Equity Management Framework (EMF) relative to the previous strategy, but with the same goal of stabilizing income from equity within an appropriate risk and governance framework (Section VIII).
- Undergoing an expenditure review to identify cost savings that will also help expand margins, capital adequacy, and lending capacity.

Together, these new measures are intended to gradually increase IBRD's equity, lending capacity, and its ability to sustainably fund priorities that meet shareholder objectives while preserving its financial strength. In implementing these measures, Management will maintain consistent underwriting standards on the quality of its lending portfolio.

Basis of Reporting

Audited Financial Statements

IBRD's financial statements conform with accounting principles generally accepted in the United States of America (U.S. GAAP), referred to in this document as the "reported basis." All instruments in the investment, borrowing, and asset-liability-management portfolios are carried at fair value, with changes reported in the income statement except for Available for Sale (AFS) securities. AFS securities are carried at fair value with changes reported in equity. The loan portfolio is reported at amortized cost, except for loans with embedded derivatives, which are reported at fair value. Management uses the audited financial statements to derive allocable income and analyze fair value results.

Fair Value Results

IBRD makes extensive use of financial instruments, including derivatives, in its operations. The fair value of these instruments is affected by changes in market variables such as interest rates, exchange rates, and credit risk. Management uses fair value results to assess the performance of the investment-trading portfolio; to monitor the results of the EMF, where IBRD mainly uses derivatives to stabilize its allocable income; and manage certain market risks, including interest rate risk and commercial counterparty credit risk.

Allocable Income

Management uses allocable income as a basis for making distributions out of its net income. Allocable income excludes unrealized mark-to-market gains and losses associated with instruments not held in the investment portfolio; it also excludes other adjustments for items such as Board of Governors-approved transfers and pension.

Summary of Financial Results (Sections II and IX)

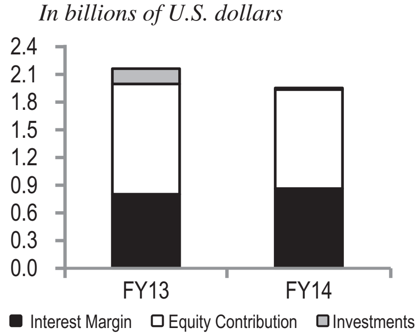
IBRD had a net loss of $978 million in FY14 compared with a net income of $218 million in FY13. The net loss in FY14 was primarily due to unrealized losses incurred on the non-trading portfolios, consistent with the changes in interest rates during the year (Table 2).

Allocable income was $769 million in FY14, 21% lower than in FY13. The decrease was primarily due to significant unrealized mark-to-market losses on the investment portfolio primarily from a security issued by an Austrian bank, and lower earnings from equity funded loans primarily due to lower interest rates (Figure 2).

On August 7 2014, the Executive Directors recommended that IBRD's Board of Governors transfer out of FY14 income $635 million to IDA and $134 million to Surplus.

Figure 2: Net Interest Revenue

In billions of U.S. dollars



Balance Sheet Analysis

Table 1: Condensed Balance Sheet

In millions of U.S. dollars

As of June 30,	*2014*	*2013*	*Variance*
Investments and due from banks	$ 49,183	$ 41,637	$ 7,546
Net loans outstanding	151,978	141,692	10,286
Receivable from derivatives	154,070	138,846	15,224
Other assets	3,652	3,426	226
Total Assets	**$358,883**	**$325,601**	**$33,282**
Borrowings	161,026	142,406	$18,620
Payable for derivatives	146,885	131,131	15,754
Other liabilities	11,987	12,541	(554)
Equity	38,985	39,523	(538)
Total Liabilities and Equity	**$358,883**	**$325,601**	**$33,282**

Lending Highlights (Section III)

IBRD's principal assets are its loans to member countries. In FY14, loan commitments (including guarantees) totaled $18.6 billion, 22% above FY13 (Figure 3). This year's commitments mainly consist of $4.7 billion to the Europe and Central Asia region, $4.6 billion to the Latin America and the Caribbean region, and $4.2 billion to the East Asia and Pacific region.

Figure 3: Commitments/ Disbursements Trends

In billions of U.S. dollars

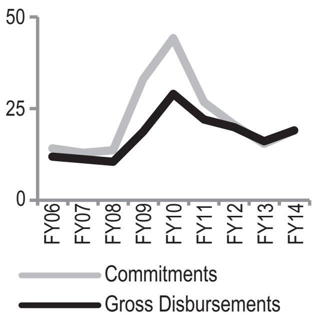
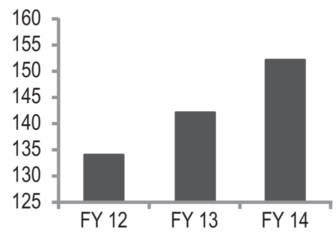


Figure 4: Net Loans Outstanding

In billions of U.S. dollars



Gross disbursements in FY14 were $18.8 billion, 17% above FY13. This primarily consisted of $6.5 billion to the Europe and Central Asia region, $5.7 billion to the Latin America and Caribbean region, and $3.4 billion to the East Asia and the Pacific region.

As of June 30, 2014, IBRD's net loans outstanding were $152 billion, $10.3 billion higher than that from a year earlier (Figure 4). The increase was due mainly to $8.9 billion in net loan disbursements made in FY14 and currency translation gains of $1.3 billion, consistent with the 4.5% appreciation of the euro against the U.S. dollar during the year.

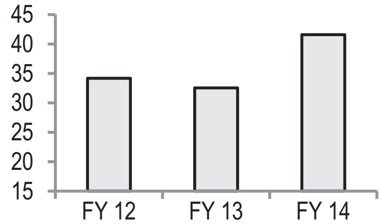
Investment Highlights (Section V)

As of June 30, 2014, the net investment portfolio totaled $42.7 billion (Figure 5), with $41.6 billion representing the liquid asset portfolio (see Note C: Investments in the Notes to the Financial Statements). The goal of the liquid asset portfolio is to ensure sufficient cash flows to meet all of IBRD's financial commitments, as reflected in the prudential minimum liquidity level. This level is set at $26 billion for FY15, an increase of $1.5 billion over FY14, reflecting higher projected debt service and loan disbursements for the coming year.

The liquid asset portfolio increased by $9 billion relative to a year earlier, reflecting the impact of increased borrowing activity in anticipation of large loan disbursements in early FY15 and higher projected debt service for the coming year. The portfolio was at 170% of the prudential minimum liquidity level on June 30, 2014, above the 150% maximum guideline. From time to time, IBRD may hold liquid assets over the specified maximum to give it flexibility in timing its borrowing transactions and to meet its working capital needs.

Figure 5: Net Investment Portfolio

In billions of U.S. dollars



The maturity profile of IBRD's liquid asset portfolio reflects a high degree of liquidity, with $27.3 billion (or more than 65% of total volume) maturing within six months, of which $19.3 billion is expected to mature within one month.

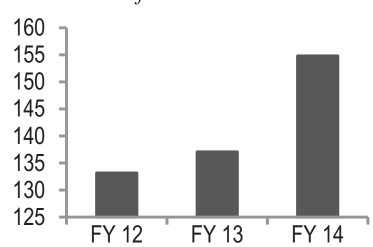
Borrowing Highlights (Section VI)

In FY14, IBRD issued debt securities in 22 different currencies to both institutional and retail investors. It raised medium- and long-term debt of $51 billion, which was $28 billion higher compared to FY13 (Figure 6). The increase in medium- and long-term debt issuance in FY14 is primarily as a result of funding a higher volume of redemptions, preparing for anticipated large loan disbursements in early FY15 and replacing short-term debt with longer-term debt.

As of June 30, 2014, the borrowing portfolio totaled $154.8 billion, $17.8 billion above the level on June 30, 2013 (see Note E: Borrowings in the Notes to the Financial Statements). This was due mainly to net new borrowing issuances of $15.9 billion and currency translation losses of $1 billion, consistent with the appreciation of the euro against the U.S. dollar during the period.

Figure 6: Borrowing Portfolio

In billions of U.S. dollars



Capital Highlights (Section VII)

As a result of the Board of Governors' approval of the General and Selective Capital Increase (GCI/SCI) resolutions in FY11, subscribed capital is expected to increase by $87 billion over a five-year period, of which $5.1 billion will be paid-in. As of June 30, 2014, $42.6 billion was subscribed (including shares subscribed under the Voice Reform for which no paid-in capital was required), resulting in additional paid-in capital of $2.5 billion, of which $571 million was received during the fiscal year.

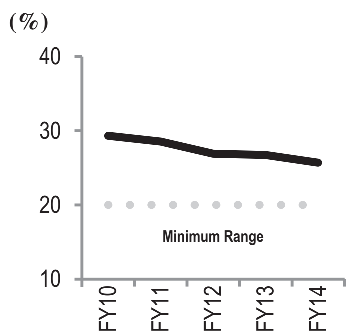
Financial Risk Management (Section VIII)

IBRD's risk management processes and practices continually evolve to reflect changes in activities in response to market, credit, product, operational, and other developments. The primary financial risk to IBRD is the country credit risk inherent in its loan portfolio. IBRD uses a strategic capital adequacy framework as a medium-term capital planning tool to ensure that the financial risks associated with its loans and other exposures do not exceed its risk-bearing capacity.

Capital Adequacy

IBRD's capital adequacy is the degree to which its capital is sufficient to withstand unexpected shocks. IBRD's Executive Directors (the Board) monitors IBRD's capital adequacy within a strategic capital adequacy framework and uses the equity-to-loans ratio as a key indicator of capital adequacy. This ratio decreased slightly to 25.7% on June 30, 2014 from 26.8% a year earlier, but was still above the 20% minimum ratio (Figure 7).

Figure 7: Equity-to-Loans Ratio



Credit Risk

IBRD's credit risk exposure mainly consists of country and counterparty credit risk.

- *Country Credit Risk:* Potential losses can arise from protracted arrears on payments by borrowers on loans and other exposures. IBRD is especially exposed to portfolio concentration risk when a small group of borrowers account for a large share of loans outstanding. One way IBRD manages country credit risk is through individual country exposure limits, by restricting its exposure to any single borrowing country to the lower of the SBL or the Equitable Access Limit. The SBL for FY14 is $20 billion for India and $19 billion for the other four SBL borrowing countries. The Equitable Access Limit as of June 30, 2014, was $26 billion. As of June 30, 2014, all borrower exposures were below the SBL.

  Management also uses risk models to estimate the size of a potential non-accrual shock that IBRD could face over the next three years at a given confidence level. The shock estimated by this risk model is used in IBRD's capital adequacy stress testing to determine the impact of potential non-accrual events on equity and income earning capacity.

- *Counterparty Credit Risk:* Counterparties may fail to meet their payment obligations, posing additional credit risks. IBRD's commercial counterparty credit risk is concentrated in its investment portfolio; in debt instruments issued by sovereign governments, agencies, banks and corporate entities. While IBRD's commercial counterparty credit exposure increased in FY14 in line with the higher liquidity levels, the majority (77%) of its investments were in AAA and AA rated instruments as of June 30, 2014.

Market Risk

IBRD is exposed to three main types of market risks: interest rate, foreign exchange rate, and liquidity risks. Of the various types of market risks faced by IBRD, the most significant is interest rate risk. IBRD's exposure to currency and liquidity risks is minimal because of its risk management policies. Various strategies are used to minimize these risks, as follows:

- *Interest Rate Risk:* IBRD seeks to match the interest-rate sensitivity of its assets (loan and liquid asset portfolios) with its liabilities (borrowing portfolio) by using derivatives such as interest rate swaps. These swaps effectively convert IBRD's financial assets and liabilities into variable-rate instruments. Additionally, IBRD's equity earnings are sensitive to changes in market interest rates. The sensitivity is managed through the EMF. While these strategies address most of IBRD's interest rate risk, residual exposure to other interest rate risks still remains, including refinancing risk.
- *Exchange Rate Risk:* To minimize exchange rate risk in a multicurrency environment, IBRD periodically undertakes currency conversions by using derivatives to match its borrowing obligations in any one currency with assets in the same currency. IBRD also seeks to minimize the exchange rate sensitivity of its capital adequacy as measured by the equity-to-loans ratio, by undertaking periodic currency conversions to align the currency composition of its equity with that of its outstanding loans. Thus, while the appreciation of the euro against the U.S. dollar during FY14 affected individual portfolios by currency, it had little impact on the overall equity-to-loans ratio.
- *Liquidity Risk:* Liquidity risk arises in the general funding of IBRD's activities and in managing its financial positions. As of June 30, 2014, the liquid asset portfolio was 170% of the prudential minimum liquidity level in effect for FY14, above the 150% maximum guideline, as previously discussed.

Operational Risk

IBRD recognizes the importance of operational risk management activities, which are embedded throughout its financial operations. While the day-to-day operational risk management lies with the business functions, a new Operational Risk Department under the WBG Chief Risk Officer was created in May 2014 to assist business units in identifying, assessing, and managing operational risks. The department aims to improve operational risk awareness, management and reporting across the IBRD. It is also responsible for developing and maintaining the operational risk management framework for finance, risk and technology functions.

IBRD's approach to managing operational risk includes reporting relevant key risk indicators, monitoring internal and external events, and identifying emerging risks that may impact business units. IBRD will make use of its operational risk framework to further advance business decision-making and to improve the efficiency of its financial operations.

SECTION II: ALLOCABLE INCOME AND INCOME ALLOCATION

IBRD's financial model comprises leveraging shareholder funds with borrowings from the capital markets in order to provide long-term loans to borrowing member countries. The interest rate charged on these loans is based on a Board-determined contractual spread and IBRD's actual or projected borrowing cost (Table 5).

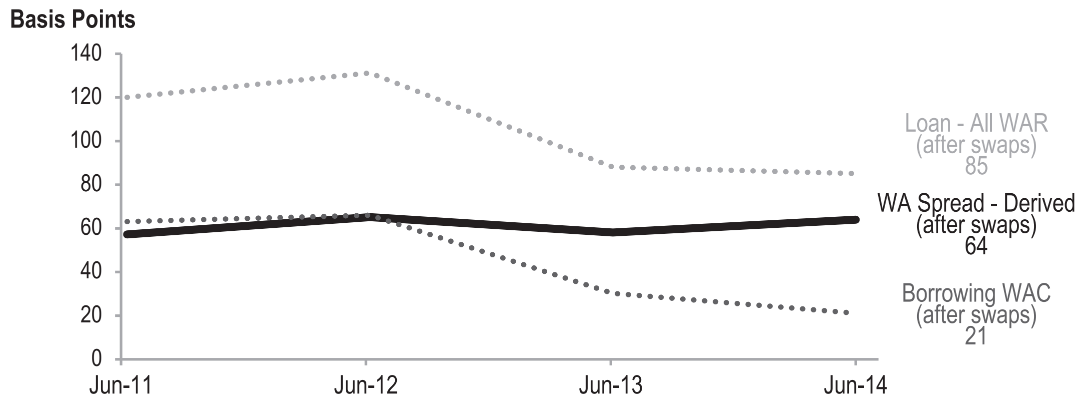
Net Interest Revenue

IBRD earns its net interest revenue (revenues less cost of borrowings) from the following main sources (Figure 9):

Lending spread: Earnings from lending spreads account for 44% of IBRD's net interest revenue in FY14 (37% - FY13). This income is the difference between the lending rate charged to borrowers and the rate at which IBRD borrows (Figure 8). IBRD's weighted average lending spread (WAS) has remained at around 60 basis points.

- *Loan Interest:* The Weighted Average Rate (WAR) of IBRD's loan portfolio, excluding the effects of derivatives, was 1.4% as of June 30, 2014, and 1.5% as of June 30, 2013. After the effect of loan-related derivatives, which convert fixed interest rate loan repayments to floating interest rate loan repayments (Figure 24), the WAR was 0.9% for both years.
- *Borrowing Costs:* The Weighted Average Cost (WAC) of IBRD's borrowing portfolio, excluding the effects of derivatives, was 2.6% as of June 30, 2014, and 2.8% as of June 30, 2013. After the effect of borrowing-related derivatives, which convert fixed rate interest rate debt to variable interest rate debt (Figure 23), the WAC of the borrowing portfolio was 0.2% on June 30, 2014, and 0.3% a year earlier.

Figure 8: Derived Spread

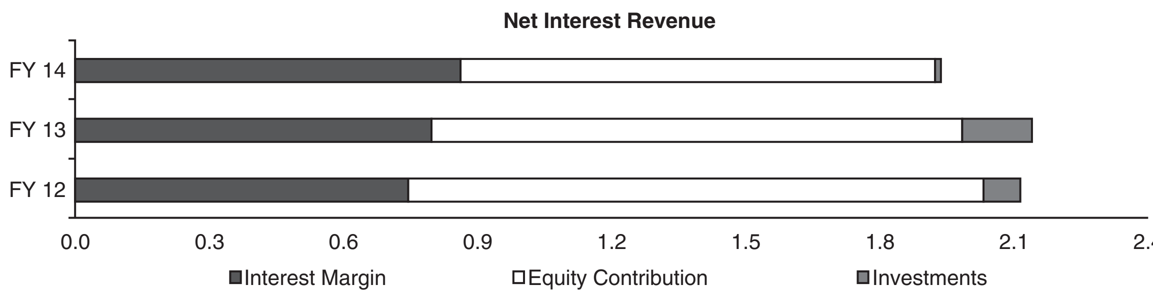


Equity contribution: Equity contribution is comprised of the borrowing costs saved from funding loans with equity instead of borrowings, as well as income from the EMF. This accounted for 55% of IBRD's net interest revenue in FY14 (55% - FY13).

Spread on liquid assets: Income from the spread on liquid assets accounts for 1% of IBRD's net interest revenue in FY14 (8% - FY13). IBRD holds liquid assets as insurance against disruptions in access to the capital markets. In line with this purpose, its investment objective prioritizes principal protection by restricting its liquid assets to high-quality investments.

Figure 9: Net Interest Revenue

In billions of U.S. dollars



Net Income

IBRD had a net loss of $978 million in FY14 compared to net income of $218 million in FY13 (Table 2). The major differences between the years are explained below:

Table 2: Condensed Statement of Income

In millions of U.S. dollars

For the fiscal year ended June 30,	*2014*	*2013*	*2012*	*FY14 vs FY13*	*FY13 vs FY12*
Interest Revenue, net of Funding Costs					
Interest margin	$ 861	$ 799	$ 744	$ 62	$ 55
Equity contribution	1,063	1,186	1,291	(123)	(105)
Investments	15	156	80	(141)	76
Net Interest Revenue	**$ 1,939**	**$ 2,141**	**$ 2,115**	**$ (202)**	**$ 26**
Provision for losses on loans and other exposures – release/ (charge)	60	22	(189)	38	211
Long-Term Income Portfolio	—	—	31	—	(31)
Other income, net	59	44	38	15	6
Net non-interest expenses (Table 3)	(1,330)	(1,331)	(1,212)	1	(119)
Unrealized (losses)/gains on non-trading portfolios, net	(1,030)	5	(809)	(1,035)	814
Board of Governors-approved transfers	(676)	(663)	(650)	(13)	(13)
Net (Loss) Income	**$ (978)**	**$ 218**	**$ (676)**	**$(1,196)**	**$ 894**

FY14 versus FY13

The decrease of $1,196 million in net income in FY14 is explained by the following:

- *Unrealized gains/(losses) on non-trading portfolios:* IBRD incurred net unrealized losses of $1 billion in FY14, compared with a marginal net unrealized gain of $5 million in FY13. The unrealized losses incurred in FY14 were primarily due to unrealized losses on the EMF portfolio relating mainly to the reclassification to net realized gains associated with the termination of certain U.S. dollar derivative positions and the liquidation of the AFS portfolio (see Note L: Other Fair Value Disclosures in the Notes to the Financial Statements). The marginal unrealized gain incurred in FY13 was primarily due to the offsetting effects of the changes in interest rates on the various portfolios (Table 22). See Section IX for explanation of variances for the unrealized gains/losses on the non-trading portfolios on a full fair value basis.

- *Investments:* Decreased by $141 million primarily due to unrealized mark-to-market losses on a debt investment in a security issued by an Austrian bank, Hypo Alpe-Adria, fully guaranteed by the state of

Carinthia, as a result of legislation being passed to cancel the underlying debt securities. IBRD is seeking a solution that recognizes the international legal obligations of Austria resulting from its membership in IBRD.

- *Equity Contribution:* Decreased by $123 million primarily due to lower earnings from equity funded loans as a result of lower interest rates.

FY13 versus FY12

The increase of $894 million in net income in FY13 is explained by the following:

- *Unrealized gains/(losses) on non-trading portfolios:* Increased by $814 million primarily due to changes in interest rates on the various portfolios. (See Section IX for details.)

- *Provision for losses on loans and other exposures:* Increased by $211 million resulting from a release of provision of $22 million in FY13 mainly due to net improvements in the credit quality of the loan portfolio, compared with a $189 million charge in FY12 due to a net decline in the loan portfolio's credit quality.

Offset partly by:

- *Net non-interest expense:* The $119 million increase in net non-interest expense was mainly due to higher pension expense (Table 3).

Table 3: Net Non-Interest Expenses

In millions of U.S. dollars

For the fiscal year ended June 30,	*2014*	*2013*	*2012*	*FY14 vs. FY13*	*FY13 vs. FY12*
Administrative expenses					
Staff costs	$ 779	$ 742	$ 734	$ 37	$ 8
Operational travel	163	171	162	(8)	9
Consultant fees	292	256	262	36	(6)
Pension and other post-retirement benefits	253	282	163	(29)	119
Communications and IT	48	43	44	5	(1)
Contractual services	140	132	123	8	9
Equipment and buildings	118	111	111	7	—
Other expenses	28	24	32	4	(8)
Total administrative expenses	$1,821	$1,761	$1,631	$ 60	$130
Grant Making Facilities (See Section IV)	162	147	133	15	14
Revenue from externally funded activities (See Section IV)					
Reimbursable advisory services	(39)	(30)	(19)	(9)	(11)
Reimbursable revenue—IBRD executed trust funds	(409)	(357)	(341)	(52)	(16)
Revenue—Trust fund administration	(56)	(59)	(64)	3	5
Restricted revenue (primarily externally financed outputs)	(23)	(23)	(27)	—	4
Other revenue	(126)	(108)	(101)	(18)	(7)
Total Net Non-Interest Expenses (Table 2)	**$1,330**	**$1,331**	**$1,212**	**$ (1)**	**$119**

Income Allocation

Management recommends distributions out of net income to augment reserves and support developmental activities at the end of each fiscal year. Net income allocation decisions are based on allocable income, which is derived by adjusting the reported net income to exclude certain items, in order to arrive at amounts realized during the year and available for use (Table 4).

With the Board's approval, the following adjustments were made to reported net income to arrive at allocable income:

- *Board of Governors-approved transfers* are excluded as they represent distributions from Surplus or the prior year's income.
- *Unrealized gains/losses on non-trading portfolios,* net are excluded as the income allocation is based on realized amounts.
- *Pension adjustment* reflects the difference between IBRD's administrative budget allocation and the accounting expense, as well as investment income earned on the assets related to the Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF), established by the Board to stabilize contributions to the pension and benefits plans.

  Management believes the allocation decision should be based on IBRD's administrative budget allocation as it defines the appropriate pension expense for the purpose of income allocation. As a result, PEBP and PCRF investment income are excluded from the allocation decision, since this income is only available to meet the needs of the pension plans.
- *Temporarily restricted income* is excluded as IBRD has no discretion in the use of such funds.
- *Financial remedies* represent restitution and financial penalties from sanctions that IBRD imposes on debarred firms. Funds received by IBRD under this sanction regime are reflected in income. Management believes such funds should be excluded from the allocation decision since they are only available for specific purposes which benefit affected countries.

Table 4: Income Allocation

In millions of U.S. dollars

For the fiscal years ended June 30,	*2014*	*2013*
Net (Loss) Income	**$ (978)**	**$218**
Adjustments to Reconcile Net Income to Allocable Income:		
Board of Governors-approved transfers	676	663
Unrealized losses/(gains) on non-trading portfolios, net	1,030	(5)
Pension	43	99
Temporary restricted income	(2)	(6)
Financial remedies	—	(1)
Allocable Income	**$ 769**	**$968**
Recommended Allocations		
General Reserve	—	147
Surplus	134	200
Transfer to IDA	635	621
Total Allocations	**$ 769**	**$968**

Allocable income in FY14 was $769 million. Of this amount, on August 7, 2014, the Executive Directors recommended that the Board of Governors transfer $635 million to IDA and $134 million to Surplus.

Allocable income in FY13 was $968 million. Of this amount, the Executive Directors approved an allocation of $147 million to the General Reserve, and the Board of Governors approved the transfer of $621 million to IDA and $200 million to Surplus. The transfer to IDA was made on October 16, 2013.

SECTION III: LENDING ACTIVITIES

All of IBRD's loans are made to, or guaranteed by, member countries. IBRD may also grant loans to IFC, without any guarantee. IBRD does not currently sell its loans, nor does Management believe there is a market for loans comparable to those made by IBRD.

IBRD borrowers include middle-income and creditworthy lower-income countries. Effective July 1, 2014, countries with 2013 per capita Gross National Income of $1,215 or more are eligible to borrow from IBRD. Low-income countries are also eligible to receive concessional loans and grants from IDA. Since 1946, IBRD has extended, net of cumulative cancellations, approximately $536 billion in loans.

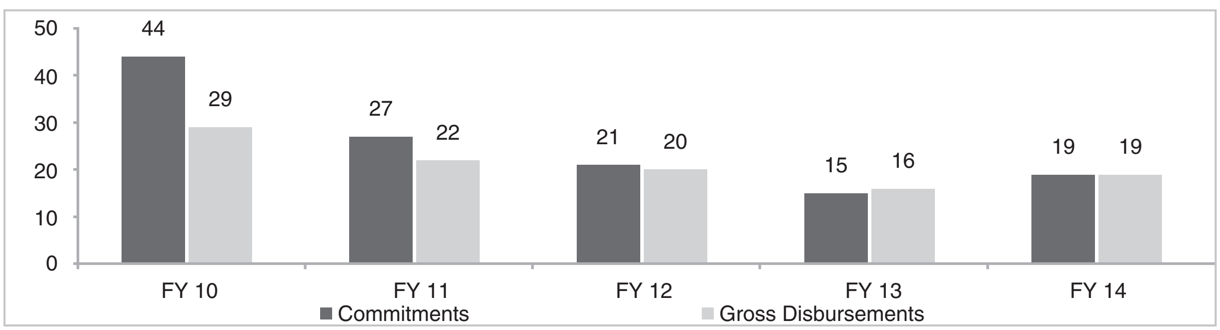
During FY14, IBRD implemented several measures to enhance its ability to support client countries. These included revised loan terms, lowering the minimum equity-to-loans ratio to 20% to reflect improvements in portfolio credit quality, and raising the SBL for certain borrowers (Section VIII).

Lending commitments (including guarantees) increased in FY14 relative to the year earlier by 22% (Figure 10), the largest annual gain in 14 years (excluding the global financial crisis years of FY09-10). Annual commitments averaged $13.5 billion in the three years preceding the global financial crisis, peaked in FY10 at $44.2 billion, and have declined since bottoming out at $15.2 billion in FY13. Commitments rose in FY14 to $18.6 billion led by lending to Brazil, India, and China.

Gross disbursements reached $18.8 billion for FY14, compared with $16.0 billion in FY13, led mainly by higher disbursements under development policy loans. Gross disbursements for development policy loans in FY14 were 64% higher than in FY13, due to higher lending to the Europe and Central Asia and Latin America and the Caribbean regions.

Figure 10: Commitments and Gross Disbursements

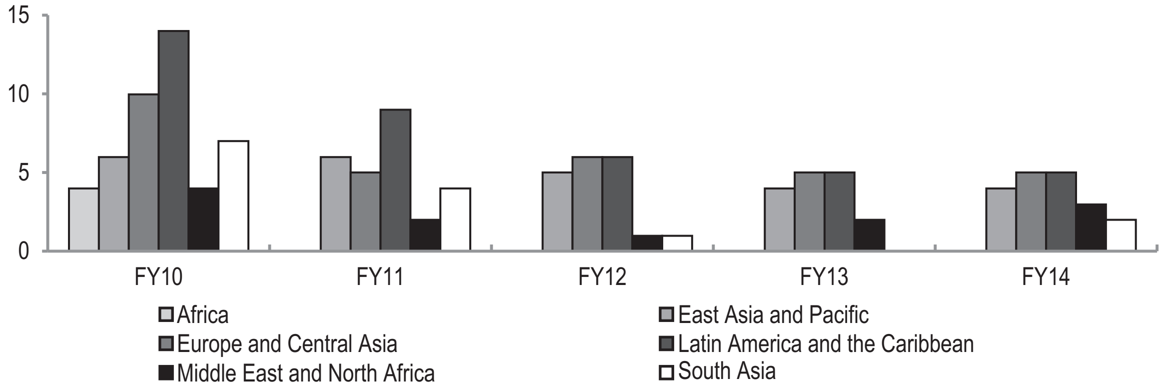
In billions of U.S. dollars



During FY10-14, the Latin America and the Caribbean and Europe and Central Asia regions, combined, accounted for the largest share of commitments (Figure 11).

Figure 11: Commitments by Region

In billions of U.S. dollars



Under IBRD's Articles of Agreement (the Articles), as applied, total outstanding IBRD loans outstanding, including participation in loans and callable guarantees, may not exceed the statutory lending limit of $260 billion. As of June 30, 2014, outstanding loans and callable guarantees totaled $154 billion, or 59% of the statutory lending limit.

All loans are approved by the Board. The process of identifying and appraising a project, and approving and disbursing a loan, can often take several years. However IBRD has shortened the preparation and approval cycle for countries in emergency situations (e.g., natural disasters) and in crises (e.g., food, fuel, and global economic crises).

Loan disbursements must meet the requirements set out in loan agreements. During implementation of IBRD-supported operations, IBRD staff reviews progress, monitors compliance with IBRD policies, and helps resolve any problems that may arise. The Independent Evaluation Group, an IBRD unit whose director reports to the Board, evaluates the extent to which operations have met their major objectives.

Lending Instruments

Most of IBRD's lending generally falls under two categories: investment project financing and development policy operations. A third lending instrument, Program-for-Results, was introduced in January 2012[2]. To date, however, this instrument has only been selected for a small number of loan commitments (Figure 12).

Investment Project Financing

Investment project financing[3] is generally used to finance goods, works, and services in support of economic and social development projects and programs across a broad range of sectors; including agriculture, urban development, rural infrastructure, education and health. Such lending typically disburses over 5-10 years. FY14 commitments under this lending instrument amounted to $10.1 billion (compared with $8.1 billion in FY13).

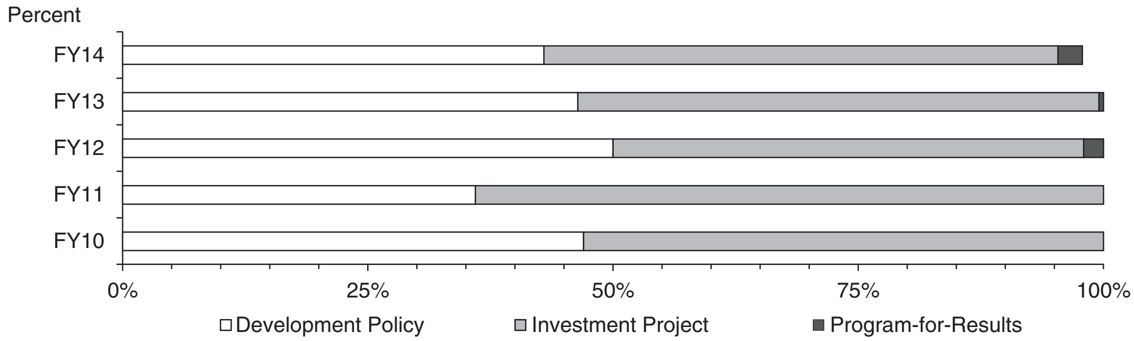
2 The Program-for-Results instrument supports member government efforts, especially to strengthen institutions. It links disbursement of funds directly to the delivery of defined results.

3 Investment project financing loans include enclave loans that are made in exceptional cases to IDA-qualified member countries (who are not eligible for IBRD financing) for projects generating foreign exchange and projects with appropriate foreign-exchange-related credit enhancements. These loans carry the same terms and conditions as IBRD loans. As of June 30, 2014, IBRD's enclave loans totaled $5 million, and as of June 30, 2013, $11 million.

Development Policy Operations

Development policy operations provide quick-disbursing funds to support government policy and institutional reforms, including social and structural reforms. They typically disburse over 1-3 years. FY14 commitments under this lending instrument totaled $8.0 billion (compared with $7.1 billion in FY13).

Figure 12: Commitments by Instrument



In FY14, IBRD's commitments for investment project financing accounted for 55% of total IBRD commitments, development policy operations 43%, and Program-for-Results 2%. (FY13: 53%, 46%, and 1%, respectively.)

Currently Available Lending Products

IBRD does not differentiate between the credit quality of member countries eligible for loans; loans for all eligible members are subject to the same pricing. As of June 30, 2014, 85 member countries were eligible to borrow from IBRD.

IBRD Flexible Loans (IFLs)

IFLs allow borrowers to customize their repayment terms (i.e., grace period, repayment period, and amortization profile) to meet their debt management or project needs. The IFL offers two types of loan terms: variable-spread terms and fixed-spread terms. See Table 5 for details of loan terms for IFL loans.

IFLs include options to manage the currency and/or interest rate risk over the life of the loan. The outstanding balance of loans for which currency or interest rate conversions have been exercised as of June 30, 2014, was $28.0 billion (versus $27.8 billion on June 30, 2013). IFLs may be denominated in the currency or currencies chosen by the borrower, as long as IBRD can efficiently intermediate in that currency. Through the use of currency conversions, some borrowing member countries have converted their IBRD loans into domestic currencies to reduce their foreign currency exposure for projects or programs that do not generate foreign currency revenue. These local currency loans may carry fixed or variable-spread terms. The balance of such loans outstanding as of June 30, 2014, was $2.6 billion (compared to $1.7 billion on June 30, 2013).

The spread on IBRD's IFLs has four components: contractual lending spread, maturity premium, market risk premium, and funding cost margin. The contractual lending spread and maturity premium, which apply to all IFLs, are subject to the Board's annual pricing review. For fixed-spread IFLs, the projected funding cost margin and the market risk premium are set by Management to ensure that they reflect evolving and underlying market conditions, and are communicated to the Board at least quarterly.

Table 5: Loan Terms Available Through June 30, 2014

Basis points, unless otherwise noted

	IBRD Flexible Loan (IFL)		*Special Development Policy Loans (SDPL)*
	Fixed-spread Terms	*Variable-spread Terms*	
Final maturity	*30 years*	*30 years*	*5 to 10 years*
Maximum weighted average maturity	*18 years*	*18 years*	*7.5 years*
Reference market rate	Six-month floating rate index	Six-month floating rate index	Six-month floating rate index
Spread			
Contractual lending spread	50	50	200[a]
Maturity premium	0-20[b]	0-20[b]	—
Market risk premium	10-15[c]	—	—
Funding cost margin	Projected funding spread to six-month floating rate index[d]	Actual funding spread to floating rate index of IBRD borrowings in the previous six-month period	—
Charges			
Front-end fee[e]	25	25	100
Late service charge on principal payments received after 30 days of due date[f]	50	50	—

	Development Policy Loan Deferred Drawdown Option	*Catastrophe Risk Deferred Drawdown Option*
Reference market rate	Six-month floating rate index	Six-month floating rate index
Contractual lending spread	IFL variable or fixed-spread in effect at the time of withdrawal	
Front-end fee	25	50
Renewal fee	—	25
Stand-by fee	50	—

Pricing for IBRD Partial Risk, Partial Credit, and Policy-Based Guarantees	
Front-end fee	25
Guarantee fee	50-70[g]

a. Minimum of 200 basis points.

b. A maturity premium of nil is charged for loans with an average maturity less than 12 years, 10 basis points is charged for loans with an average maturity greater than 12 years and up to 15 years, and 20 basis points for loans with an average maturity greater than 15 years.

c. A market risk premium of 10 basis points is charged for loans with an average maturity of up to 15 years, and 15 basis points for loans with an average maturity greater than 15 years.

d. Projected funding spread to floating rate index (e.g., LIBOR) is based on the average repayment maturity of the loan.

e. There are no waivers on interest and front-end fees under the current pricing terms.

f. See Box 5 in Section VIII for treatment of overdue payments.

g. A guarantee fee of 50 basis points is charged for guarantees with an average maturity less than 12 years, 60 basis points for guarantees with an average maturity of greater than 12 years and up to15 years, and 70 basis points for guarantees with an average maturity greater than 15 years.

The ability to provide long-term financing distinguishes development banks from other sources of funding for member countries. Since IBRD introduced maturity-based pricing in 2010, most countries continue to choose loans in the longest maturity category despite a higher maturity premium, highlighting the value of longer maturities to member countries.

To increase its lending capacity and to provide borrowers with an option for longer maturities, effective July 1, 2014, IBRD extended the final maturity from 30 years to 35 years, and increased the maximum weighted average maturity from 18 years to 20 years for IFLs. At the same time, IBRD revised the maturity premium schedule as summarized in Table 6. All loans for which the invitation to negotiate falls on or after July 1, 2014, or are approved after September 30, 2014, will be subject to the revised maturity premium schedule. The extended maximum maturity will broaden the range of choices for borrowers, particularly with respect to funding infrastructure projects.

Table 6: Maturity Premium

Basis points

Average Maturity	*8 years and below*	*Greater than 8 and up to 10 years*	*Greater than 10 and up to 12 years*	*Greater than 12 and up to 15 years*	*Greater than 15 and up to 18 years*	*Greater than 18 and up to 20 years*
Before June 30, 2014[a]	0	0	0	10	20	Not offered
From July 1, 2014	0	10	20	30	40	50

a. Invitation to negotiate is on or before June 30, 2014 and loan is approved on or before September 30, 2014

In addition, effective July 1, 2014, IBRD restored a commitment charge of 25 basis points on undisbursed balances for all loans (other than those that include a deferred drawdown option) where the invitation to negotiate falls on or after July 1, 2014, or the loans are approved after September 30, 2014. IBRD historically charged a net commitment fee until FY07, when the commitment fee of 25 basis points was discontinued.

Box 2 below provides details on other lending products offered by IBRD:

Box 2: Other Lending Products Currently Available

Lending Product	*Description*
Loans with a Deferred Drawdown Option	The Development Policy Loan Deferred Drawdown Option (DPL DDO) gives borrowers the flexibility to rapidly obtain the financing they require. For example, such funds could be needed owing to a shortfall in resources caused by unfavorable economic events, such as declines in growth or unfavorable shifts in commodity prices or terms of trade. The Catastrophe Risk DDO (CAT DDO) enables borrowers to access immediate funding to respond rapidly in the wake of a natural disaster. Under the DPL DDO, borrowers may defer disbursement for up to three years, renewable for an additional three years. The CAT DDO has a revolving feature and the three-year drawdown period may be renewed up to four times, for a total maximum drawdown period of 15 years (Table 5). As of June 30, 2014, the amount of DDOs disbursed and outstanding was $4.8 billion (compared to $3.3 billion on June 30, 2013), and the undisbursed amount of effective DDOs totaled $4.0 billion (compared to $5.4 billion a year earlier).
Special Development Policy Loans (SDPLs)	SDPLs support structural and social reforms by creditworthy borrowers that face a possible global financial crisis, or are already in a crisis and have extraordinary and urgent external financial needs. As of June 30, 2014, the outstanding balance of such loans was $546 million (compared to $623 million a year earlier). IBRD made no new SDPL commitments in either FY14 or FY13.
Loan-Related Derivatives	IBRD assists its borrowers with access to better risk management tools by offering derivative instruments, including currency and interest rate swaps and interest rate caps and collars, associated with their loans. These instruments may be executed either under a master derivatives agreement, which substantially conforms to industry standards, or under individually negotiated agreements. Under these arrangements, IBRD passes through the market cost of these instruments to its borrowers. The balance of loans outstanding for which borrowers had entered into currency or interest rate derivative transactions under a master derivatives agreement with IBRD was $11.4 billion on June 30, 2014 (compared with $9.4 billion a year earlier).
Loans with IFC	1. IBRD has a Local Currency Loan Facility Agreement with IFC; which is capped at $300 million and is aimed at increasing the usability of National Currency Paid-In Capital (NCPIC). (See Section VII for explanation of NCPIC.) Under this agreement, IBRD approved a loan for $50 million to IFC to finance a project in a member country. As of June 30, 2014, the amount outstanding under this facility was $25 million. 2. In FY13, IBRD approved a loan to IFC, not to exceed $197 million, in connection with the release of a member's NCPIC for IBRD's use. As of June 30, 2014, $196 million was outstanding under this loan.

Discontinued Lending Products

IBRD's loan portfolio includes a number of lending products whose terms are no longer available for new commitments. These products include currency pool loans and fixed rate single currency loans. As of June 30, 2014, loans outstanding of approximately $1 billion carried terms that are no longer offered.

Waivers

Loan terms offered prior to September 28, 2007, included a partial waiver of interest and commitment charges on eligible loans. Such waivers are approved annually by the Board. For FY15, the Board has approved the same waiver rates as in FY14 for all eligible borrowers with eligible loans.

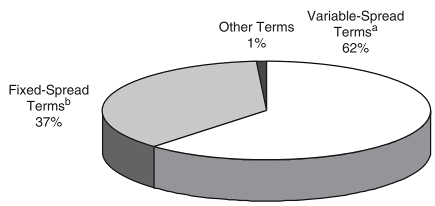
Figure 13 illustrates a breakdown of IBRD's loans outstanding and undisbursed balances by loan terms, as well as loans outstanding by currency composition.

Figure 13: Loan Portfolio

In millions of U.S. dollars

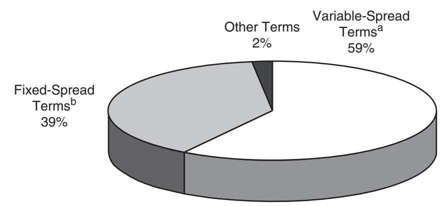
Figure 13a. Loans Outstanding by Loan Terms

June 30, 2014



Total loans outstanding: $154,021

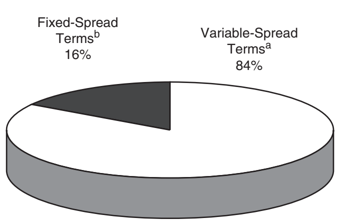
June 30, 2013



Total loans outstanding: $143,776

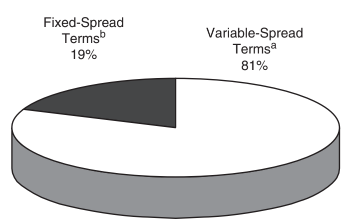
Figure 13b. Undisbursed Balances by Loan Terms

June 30, 2014



Total undisbursed balances: $58,449

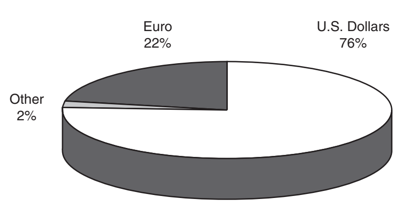
June 30, 2013



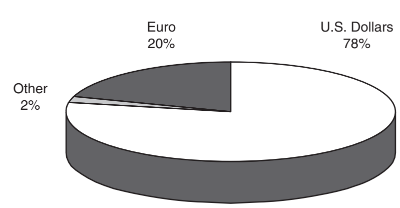
Total undisbursed balances: $61,306

Figure 13c. Loans Outstanding by Currency

June 30, 2014



June 30, 2013



a Includes IFL variable-spread loans.

b Includes IFL fixed-spread loans.

SECTION IV: OTHER DEVELOPMENT ACTIVITIES

IBRD offers products and services other than lending to its borrowing member countries, and to affiliated and non-affiliated organizations, to help them meet their development goals. These include financial guarantees, grants, Board of Governors-approved transfers, as well as externally-funded assistance and treasury activities.

Guarantees

IBRD guarantees facilitate the mobilization of private financing for commercial lenders contemplating investment in projects in developing countries. IBRD backstops the risks that it is uniquely able to bear, given its experience in developing countries and its relationships with governments. IBRD guarantees cover loan-related debt service defaults caused by governments, and, from July 1, 2014 on, will also cover payment default on non-loan related government payment obligations. IBRD guarantees are partial so that risks covered are shared between IBRD and private lenders (Box 3).

Investors view IBRD's presence in transactions as a stabilizing factor because of its long-term relationship with countries and the policy support it provides to their governments. Guarantees are especially helpful in catalyzing private financing for emerging countries. By guaranteeing investments in all eligible borrowing member countries, IBRD helps expand job and income opportunities for all countries, and thus contributes to the WBG's overall goal of reducing poverty.

IBRD guarantees can also be offered on securities issued by entities eligible for IBRD loans and, in exceptional cases, offered in countries that are only eligible to borrow from IDA. IBRD applies the same country creditworthiness and project evaluation criteria to guarantees as it applies to loans. Each guarantee requires the counter-guarantee of the member government.

Box 3: Types of Guarantees that IBRD Provides

Guarantee	*Description*
Offered as of June 30, 2014	
Partial risk guarantees	These cover private lenders against debt service default on loans, normally for a private sector project, when such default is caused by a government's failure to meet specific obligations under project contracts to which it is party.
Partial credit guarantees	These cover private lenders against debt service default on a specified portion of loans, normally for a public sector project, regardless of the cause of the default. Such guarantees allow public sector projects to raise financing, extend maturities, and lower costs.
Policy-based guarantees	These cover private lenders against debt service default under a sovereign borrowing made in support of policy and institutional reforms.
Enclave guarantees	These are partial risk guarantees offered in exceptional cases to qualifying IDA members (that are not also eligible for IBRD financing) for projects generating foreign exchange and projects with appropriate foreign exchange related credit enhancements. Fees and charges pertaining to enclave guarantees are higher than those charged for non-enclave guarantees.
Effective July 1, 2014, IBRD's guarantee products will comprise the following:	
Project based guarantees	Two types of project-based guarantees will be offered: 1. Loan guarantees: these cover loan-related debt service defaults caused by the government's failure to meet specific payment and/or performance obligations arising from contract, law or regulation, in relation to a project. Loan guarantees include coverage for debt service defaults on: (i) commercial debt, normally for a private sector project; and, (ii) a specific portion of commercial debt irrespective of the cause of such default, normally for a public sector project. 2. Payment guarantees: These cover payment default on non-loan related government payment obligations to private entities and foreign public entities arising from contract, law or regulation.
Policy-based guarantees	To cover debt service default, irrespective of the cause of such default, on a specific portion of commercial debt owed by government and associated with the supported government's program of policy and institutional actions.
Enclave guarantees	These are project guarantees offered in exceptional cases to qualifying IDA members (that are not also eligible for IBRD financing) for projects that have strong benefits and financial flows, and have the resources necessary to meet their repayment obligations to IBRD, including sufficient foreign exchange to cover foreign exchange related payment obligations to IBRD under the enclave guarantee. Fees and charges pertaining to enclave guarantees may be higher than those charged for non-enclave guarantees.

IBRD's exposure on its guarantees, measured by discounting each guaranteed amount from its first call date was $1.7 billion as of June 30, 2014, roughly the same as a year earlier (Table 7).

Table 7: Guarantee Exposure

In million U.S. dollars

At June 30,	*2014*	*2013*
Partial risk[a]	$ 114	$ 114
Partial credit	179	168
Policy based	817	755
Other instruments[b]	603	707
Total	$1,713	$1,744

a. Includes enclave guarantees totaling $2 million (June 30, 2013: $4 million).

b. Includes amounts which IBRD has committed to pay relating to donor committed to pay any donor shortfalls associated with the Advance Market Commitment (AMC) for Vaccines against Pneumococcal Diseases and IBRD's guarantee of certain exposure to MIGA under an exposure exchange agreement.

Grants

Grant-Making Facilities (GMFs) have supported activities critical to development and complementary to IBRD's work. These activities are increasingly being integrated into IBRD's overall operations, and most of these facilities as a separate funding mechanism will be phased out over the next three years. In FY14, IBRD deployed $162 million under this program, compared with $147 million in FY13.

Board of Governors-Approved Transfers

In accordance with IBRD's Articles, the Board of Governors may exercise its reserved power to approve transfers to other entities for development purposes. During FY14 and FY13, in addition to allocations made to IDA (Section II), the Board of Governors approved transfers of $55 million in each year by the way of grants from Surplus to the Trust Fund for Gaza and the West Bank.

Externally Funded Activities

Externally funded activities include the following types of services: reimbursable advisory services, trust fund activity, externally financed outputs, the AMC, and research and training.

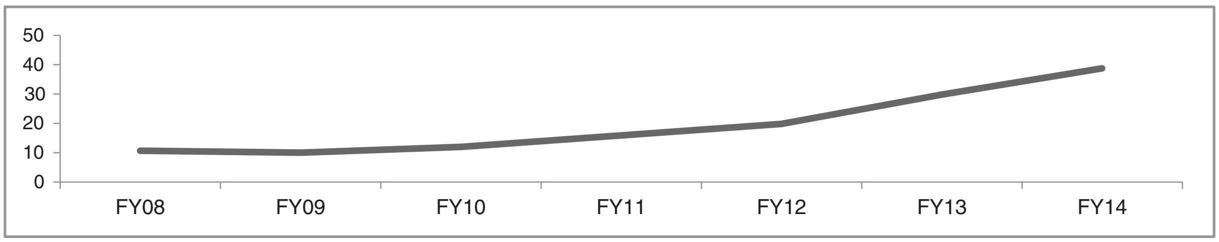
Reimbursable Advisory Services

IBRD provides technical assistance and other advisory services to its member countries, both in connection with, and independent of, lending operations in response to borrowers' increasing demand for strategic advice, knowledge transfer, and capacity building. Such assistance includes assigning qualified professionals to survey developmental opportunities in member countries; analyzing their fiscal, economic, and developmental environments; assisting member countries in devising coordinated development programs; and in improving their asset and liability management techniques.

While most of IBRD's advisory services are financed by its own budget or donor contributions (e.g., trust funds), clients may also pay for such services through Reimbursable Advisory Services (RAS). RAS allow IBRD to provide advisory services that the client demands but which cannot be funded by IBRD in full within its existing budget envelope. In recent years, RAS has developed into an increasingly important way for IBRD to meet additional client demands. In FY14, IBRD had $39 million of revenue related to RAS, compared with $30 million in FY13 (Figure 14).

Figure 14: Trends in RAS Revenues, FY08 - FY14

In millions of U.S. dollars



Trust Fund Activity

IBRD's trust fund portfolio provides flexible and customized development solutions that serve member recipients and donors alike. IBRD's roles and responsibilities in managing trust funds depend on the type of fund, outlined as follows:

IBRD Executed Trust Funds: IBRD, alone or jointly with one or more of its affiliated organizations, manages the funds and implements or supervises the activities financed.

- Bank-Executed Trust Funds (BETF's) support IBRD's work program.
- Recipient-Executed Trust Funds (RETF's) are provided to a third party, normally in the form of project financing, and are supervised by IBRD.

Financial Intermediary Funds (FIFs): IBRD, as trustee, administrator, or treasury manager, provides an agreed set of financial and administrative services, including managing donor contributions.

During FY14, IBRD recorded $56 million (compared to $59 million in FY13) as revenue for the administration of its trust fund portfolio. IBRD, as an executing agency, disbursed $409 million (compared to $357 million in FY13) of trust fund program funds (see Notes to Financial Statements: Note I-Management of External Funds and Other Services).

Externally Financed Outputs (EFOs)

IBRD offers donors the ability to contribute to its projects and programs. Contributions for EFOs are recorded as restricted income when received. The restriction is released once the funds are used for the purposes specified by donors. During FY14, IBRD had $23 million of income, roughly the same as in FY13.

Advance Market Commitment (AMC)

AMC is a multilateral initiative to accelerate the creation of a market and sustainable production capacity for pneumococcal vaccines for developing countries. IBRD provides a financial platform for AMC by holding donor-pledged assets as an intermediary agent and passing them on to the Global Alliance for Vaccines and Immunization (GAVI) when appropriate conditions are met. Moreover, should a donor fail to pay, or delay paying, any amounts due, IBRD has committed to pay from its own funds any amounts due and payable by the donor, to the extent there is a shortfall in total donor funds received. The amount of the exposure is discussed under the guarantee program (see Notes to Financial Statements: Note I-Management of External Funds and Other Services).

Research and Training

IBRD, through the World Bank Institute and its partners, offers courses and other training related to economic policy development and administration for staff of its developing member country governments and organizations that work closely with IBRD.

Treasury Client Services

IBRD plays an active role in designing financial products and structuring transactions to help clients mobilize resources for development projects and mitigate the financial effects of market volatility and natural disasters. IBRD also provides advisory services in public debt, asset, and commodity risk management to help governments, official sector institutions, and development organizations, build institutional capacity to protect and expand financial resources.

Managing Financial Risks for Clients

IBRD helps member countries build resilience to shocks by facilitating access to risk management solutions to mitigate the financial effects of currency, interest rate, and commodity price volatility; natural disasters; and extreme weather events. Financial solutions can include currency, interest rate, and commodity-price hedging transactions and such approaches to disaster risk financing as catastrophe swaps, insurance-linked options, multi-peril catastrophe bonds, and regional pooling facilities. In FY14, IBRD launched the Capital-at-Risk Notes Program, to offer clients an efficient way of accessing capital markets for development solutions, such as hedging natural disaster risk.

During FY14, IBRD intermediated the following risk management transactions for clients:

- *Borrowers*: In FY14, IBRD executed $1.3 billion in hedging transactions on behalf of member countries. These included $778 million in interest rate hedges, $51 million in hedges against non-IBRD obligations, and $480 million for disaster risk management. Disaster risk management transactions included a $30 million catastrophe bond issued under the new Capital-at-Risk Notes Program that efficiently hedged earthquake and tropical cyclone risk for Caribbean countries, and a $450 million weather and oil price insurance transaction for Uruguay’s state-owned electric utility.
- *Affiliated Organization:* To assist IDA with its asset/liability management strategy as part of the Seventeenth Replenishment of IDA’s Resources (IDA17), IBRD has executed every three years a number of currency forward transactions with IDA. During FY14, IBRD executed $9 billion in currency hedging activities.

IBRD’s risk mitigation of these derivative transactions are discussed further in Section VIII.

Asset Management

The Reserves Advisory and Management Program (RAMP) provides capacity building to support the sound management of official sector assets. Clients include central banks, sovereign wealth funds, national pension funds and supranational organizations. The primary objective of RAMP is to help clients upgrade their asset management capabilities including portfolio and risk management, operational infrastructure, and human resources capacity. Under most of these arrangements, IBRD is responsible for managing assets on behalf of these institutions, and in return receives a fee based on the average value of the portfolios. The fees are used to provide training and capacity building services. At June 30, 2014, the assets managed for RAMP under these agreements had a value of $18.4 billion ($17.9 billion on June 30, 2013). In addition to RAMP, Treasury also invests and manages investments on behalf of IDA, MIGA and trust funds. These funds are not included in the assets of IBRD.

As noted in the discussion of Trust Fund Activities above, IBRD, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses, in accordance with administration agreements with donors. These funds are held in trust and, except for undisbursed third-party contributions made to IBRD-executed trust funds, are not included on IBRD's balance sheet.

The cash and investment assets held in trust by IBRD as administrator and trustee in FY14 totaled $22.5 billion, of which $145 million (compared to $161 million in FY13) relates to IBRD contributions to these trust funds (Table 8).

Table 8: Cash and Investment Assets Held in Trust

In millions of U.S dollars

At June 30,	*2014*	*2013*
IBRD-executed	$ 249	$ 199
Jointly executed with affiliated organizations	679	584
Recipient-executed	3,451	3,152
Financial intermediary funds	14,616	14,810
Execution not yet assigned[a]	3,525	3,331
Total fiduciary assets	**$22,520**	**$22,076**

a. These represent assets held in trust for which the determination as to the type of execution is yet to be finalized.

SECTION V: INVESTMENT ACTIVITIES

IBRD holds investments that aim to strike the right balance between safety and yield and that enhance its capacity to carry out development activities. As of June 30, 2014, IBRD's investment portfolio consisted mainly of the liquid asset portfolio.

Liquid Asset Portfolio

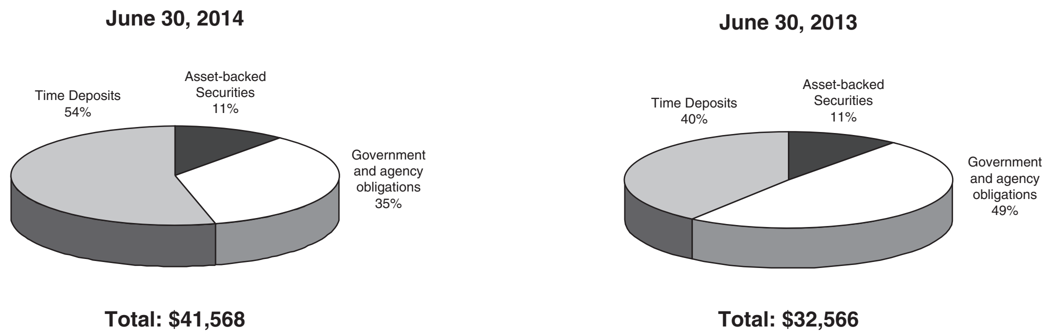
This portfolio is composed largely of assets denominated in, or hedged into, U.S. dollars, with net exposure to short-term interest rates. The portfolio has an average duration of less than three months, and the debt funding these liquid assets has a similar currency and duration profile. This is a direct result of IBRD's exchange-rate and interest-rate-risk-management policies (Section VIII), combined with appropriate investment guidelines. In addition to monitoring gross investment returns relative to their benchmarks, IBRD also monitors overall investment earnings net of funding cost (Section II).

This portfolio is managed with the goal of prioritizing principal protection and thus ensuring sufficient cash flow to meet all of IBRD's financial commitments. IBRD seeks a reasonable return on this portfolio using prudent asset- and risk-management techniques (Section VIII).

IBRD's liquid assets are held mainly in highly rated, fixed-income instruments. These include government and agency obligations, time deposits, and other unconditional obligations of banks and financial institutions. IBRD also holds currency and interest rate derivatives (including currency forward contracts); asset-backed securities (including mortgage-backed securities), and futures, options, and swaption contracts. IBRD invests only in exchange-traded options and futures (Figure 15).

Figure 15: Liquid Asset Portfolio by Asset Class

In millions of U.S. dollars

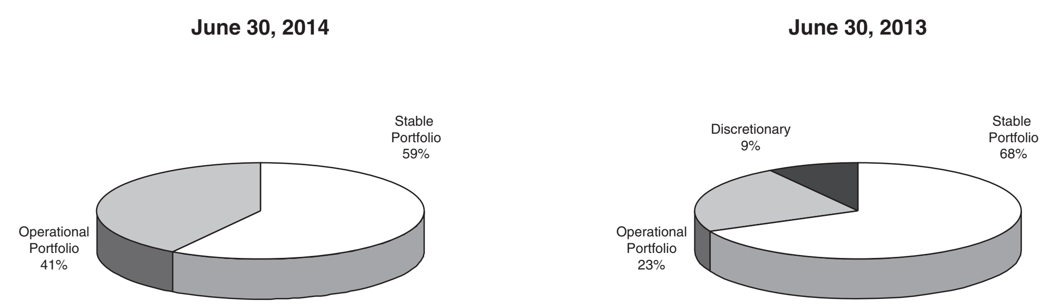


The portfolio is held in three sub-portfolios: stable, operational, and discretionary, each with different risk profiles and performance guidelines (Figure 16). The discretionary portfolio was liquidated in FY14 and the proceeds transferred to the operational portfolio, until such time as the additional flexibility it provides is needed.

- *Stable portfolio* is mainly an investment portfolio holding the prudential minimum level of liquidity, set at the start of each fiscal year.
- *Operational portfolio* provides working capital for IBRD's day-to-day cash flow requirements.
- *Discretionary portfolio* gives IBRD the flexibility to execute its borrowing program and can be used to tap attractive market opportunities.

Figure 16: Liquid Asset Portfolio Composition

In millions of U.S. dollars



As of June 30, 2014, the liquid asset portfolio totaled $41.6 billion, $9 billion above a year earlier, reflecting the impact of increased borrowing activities in anticipation of large loan disbursements in early FY15 and higher projected debt service costs for the coming year.

The financial returns of IBRD's liquid asset portfolio in FY14 decreased from those in FY13 primarily due to unrealized mark-to-market losses on a debt investment in a security issued by an Austrian bank, Hypo, Alpe-Adria, fully guaranteed by the state of Carinthia (Table 9).

Table 9: Liquid Asset Portfolio—Average Balances and Returns

In millions of U.S. dollars, except rates which are in percentages

	Average Balances				*Financial Returns (%)*	
	2014		*2013*		*2014*	*2013*
Liquid asset portfolio						
Stable	$24,561	71%	$22,224	68%	0.12[a]	0.83
Operational	9,368	27	6,381	20	0.15	0.19
Discretionary	735	2	3,888	12	0.55	0.79
	$34,664	100%	$32,493	100%	0.14%	0.70%

a. Excluding the effect of the unrealized mark-to-market losses the Hypo Alpe-Adria security, the returns would have been 0.59%.

The maturity profile of IBRD's liquid asset portfolio reflects a high degree of liquidity, with $27.3 billion (or more than 65% of total volume) maturing within six months, of which $19.3 billion is expected to mature within one month.

Other Investments

In addition to the liquid asset portfolio, the investment portfolio also includes holdings related to AMC, PCRF, PEBP and the AFS portfolio.

As of June 30, 2014, investments from donors relating to AMC had a net carrying value of $280 million, compared with $257 million a year earlier (Notes to Financial Statements, Note I: Management of External Funds and Other Services).

The PCRF had a net carrying value of $44 million on June 30, 2014, compared with $39 million a year earlier (Section II), while the PEBP had a net carrying value of $816 million as of June 30, 2014, compared with $683 million on June 30, 2013. PEBP assets do not qualify for off-balance sheet accounting and are therefore included in IBRD's investment portfolio. These assets are primarily invested in fixed-income and equity instruments.

In accordance with the changes made to the EMF strategy, the AFS portfolio was liquidated in FY14.

SECTION VI: BORROWING ACTIVITIES

IBRD issues securities in the international capital markets to raise funds for its development activities. It borrows at attractive rates underpinned by its strong financial profile and shareholder support that together are the basis for its triple-A credit rating. IBRD has been acknowledged as a premier borrower and leader in global capital markets based on its history of developing new debt products, opening new markets for debt issuance, risk management products, and building up a broad and diverse global investor base of asset managers, banks, central banks, corporates, insurance companies, pension funds, and other investors. IBRD has been recognized as a pioneer and leader in the green bond market, after having developed its first green bond for institutional investors in 2008.

IBRD issues its securities both through global offerings and bond issues tailored to the needs of specific markets or investor types. Under its Articles, IBRD may borrow only with the approval of the member in whose market the funds are raised and the approval of the member in whose currency the borrowing is denominated, and only if the member agrees that the proceeds may be exchanged for the currency of any other member without restriction.

IBRD's bonds are viewed as a safe investment, consistent with its financial strength and triple-A credit rating. IBRD uses the funds to finance development activities in middle-income countries and creditworthy low-income countries eligible to borrow from IBRD at market-based rates. IBRD has offered bonds and notes in more than 50 different currencies and has opened up new markets for international investors through its issuances in emerging-market currencies. In FY14, IBRD raised $51 billion in debt in 22 different currencies.

Funding raised in any given year is used for IBRD's general operations, including loan disbursements, replacement of maturing debt, and prefunding for future lending activities. IBRD determines its funding requirements based on a three-year rolling horizon and funds about one-third of the projected amount in the current fiscal year.

IBRD issues short-term debt (with a maturity of one year or less), and medium- and long-term debt (with a maturity greater than one year). IBRD strategically calls its debt to reduce the cost of borrowings and may also repurchase its debt to meet such other operational or strategic needs as providing liquidity to its investors (Table 11).

Short-Term Borrowings

Discount Notes

IBRD's short-term borrowings consist mainly of discount notes issued in U.S. dollars (Table 10). These borrowings have a weighted average maturity of approximately 100 days. The outstanding balance of discount notes as of June 30, 2014 was lower than a year earlier, as IBRD replaced short-term debt with medium-and long-term debt during the second half of the fiscal year.

Securities Lent or Sold under Repurchase Agreements

These short-term borrowings are secured mainly by highly-rated collateral in the form of securities, including government-issued debt, and have an average maturity of about six months. The FY14 average and year-end balances are lower than those a year earlier mainly due to the liquidation of the AFS portfolio during the first quarter of FY14.

Other Short-Term Borrowings

Other short-term borrowings have maturities of one year or less. The outstanding balances as of June 30, 2014 were lower than a year earlier largely because of changes in investor demand.

Table 10: Short-Term Borrowings

In millions of U.S. dollars, except rates which are in percentages

At June 30,	*2014*	*2013*	*2012*
Discount notes[a]			
Balance at year-end	$ 8,729	$10,365	$ 4,908
Average daily balance during the fiscal year	$15,188	$ 6,929	$ 9,814
Maximum month-end balance	$19,969	$10,385	$14,495
Weighted-average rate at the end of fiscal year	0.11%	0.12%	0.10%
Weighted-average rate during the fiscal year	0.12%	0.13%	0.12%
Securities lent or sold under repurchase agreements[b]			
Balance at year-end	$ 150	$ 2,655	$ —
Average monthly balance during the fiscal year	$ 409	$ 440	$ 240
Maximum month-end balance	$ 2,515	$ 2,655	$ 790
Weighted-average rate at the end of fiscal year	0.08%	0.08%	—%
Weighted-average rate during the fiscal year	0.09%	0.08%	0.01%
Other short-term borrowings[a]			
Balance at year-end	$ 608	$ 1,905	$ 1,601
Average daily balance during the fiscal year	$ 1,298	$ 820	$ 1,428
Maximum month-end balance	$ 1,703	$ 1,905	$ 1,601
Weighted-average rate at the end of the fiscal year	0.10%	0.28%	0.44%
Weighted-average rate during the fiscal year	0.10%	0.32%	0.31%

a. After swaps.

b. Excludes PEBP securities.

Medium- and Long-Term Borrowings

In FY14, medium- and long-term debt raised directly by IBRD in the capital markets amounted to $51 billion with an average maturity to first call of 3.3 years (Table 11). The increase in debt issuances in FY14 is primarily a result of increased debt maturing during the year, expected large loan disbursements in early FY15 and the partial replacement of short-term debt.

Table 11: Funding Operations Indicators

	FY 14	*FY 13*
Issuances		
Medium- and long-term funding raised (In millions of U.S. dollars)	$50,483	$22,146
Average maturity to first call date (years)	3.30	3.64
Number of transactions	226	285
Maturities		
Medium- and long-term funding matured (In millions of U.S. dollars)	$22,892	$13,970
Average maturity of debt matured (years)	3.95	4.54
Number of transactions	221	262
Called/Repurchased		
Medium- and long-term funding matured (In millions of U.S. dollars)	$10,910	$10,914
Number of transactions	344	595

Table 12 illustrates the maturity profile of medium- and long-term debt as of June 30, 2014.

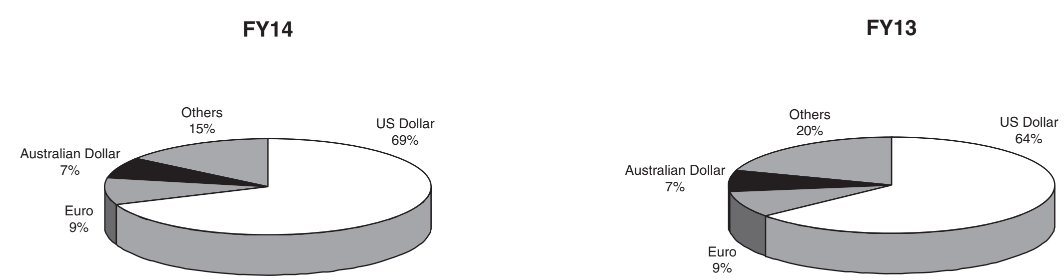
Table 12: Maturity Profile

In millions of U.S. dollars

	As of June 30, 2014						
	Less than 1 year	*1 to 2 years*	*2 to 3 years*	*3 to 4 years*	*4 to 5 years*	*Due After 5 years*	*Total*
Non-Structured borrowings	$24,830	$31,506	$25,545	$ 9,289	$16,360	$23,565	$131,094
Structured borrowings	4,474	1,242	3,173	1,449	4,003	6,252	20,593
Total	$29,303	$32,748	$28,718	$10,738	$20,363	$29,817	$151,687

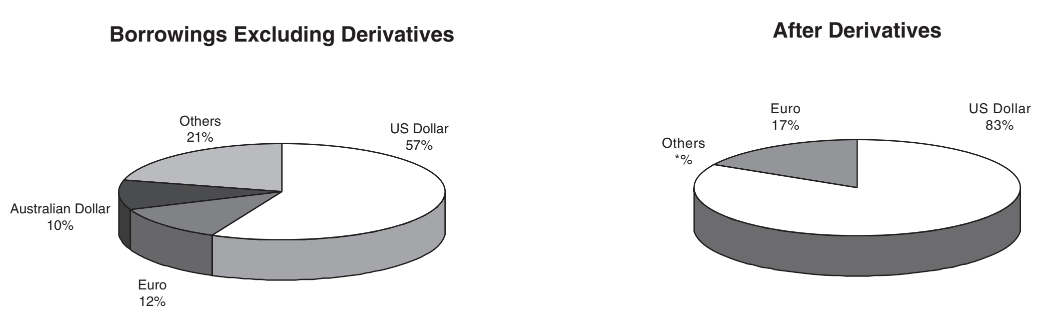
Most of IBRD's medium- and long-term borrowings issued during the year are in U.S. dollars (Figure 17).

Figure 17: Medium- and Long-Term Borrowings Raised by Currency, Excluding Derivatives



IBRD uses derivatives in connection with its borrowings to diversify funding sources and offer a wide range of debt products to investors (Figure 18). New medium- and long-term funding is swapped into variable-rate U.S. dollars instruments, with conversion to other currencies carried out subsequently, in accordance with loan funding requirements. IBRD also uses derivatives to manage the re-pricing risks between loans and borrowings (Section VIII).

Figure 18: Effect of Derivatives on Currency Composition of the Borrowing Portfolio–June 30, 2014



* Denotes percentage less than 0.5%

SECTION VII: CAPITAL ACTIVITIES

As of June 30, 2014, IBRD had 188 member countries, with the top five accounting for 41% of the total voting power (Figure 19). In addition, of the total voting power, developing and transitional countries (DTCs) held 44%. The percentage of shares held by members with credit ratings of AA and above was 59% (Figure 20).

The United States is IBRD's largest shareholder, with 15.02% of total voting power. Accordingly, it also has the largest share of IBRD's uncalled capital, $34.6 billion, or 15.83% of total uncalled capital. Under the Bretton Woods Agreements Act and other U.S. legislation, the Secretary of the U.S. Treasury is permitted to pay approximately $7.7 billion of the uncalled portion of the subscription of the United States, if called for use by IBRD, without need for further congressional action.

The balance of the uncalled portion of the U.S. subscription, $26.9 billion, has been authorized by the U.S. Congress but not appropriated. Further action by the U.S. Congress would be required to enable the Secretary of the Treasury to pay any portion of this balance. The General Counsel of the U.S. Treasury has rendered an opinion that the entire uncalled portion of the U.S. subscription is an obligation backed by the full faith and credit of the U.S., notwithstanding that congressional appropriations have not been obtained with respect to certain portions of the subscription.

Figure 19: Voting Power Held by Top Five Members

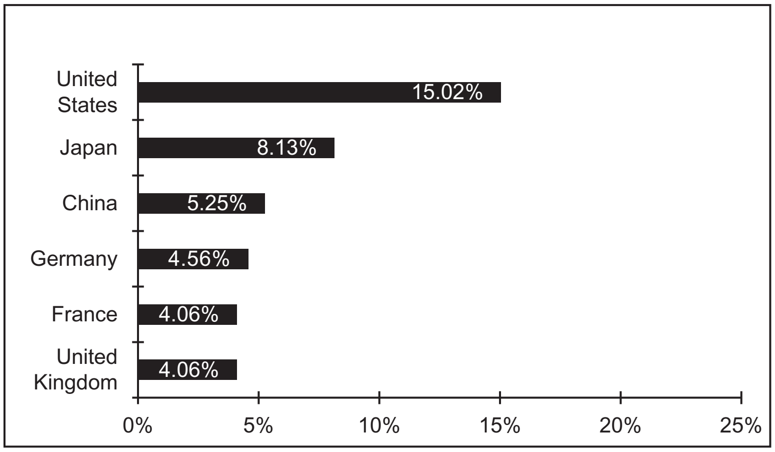
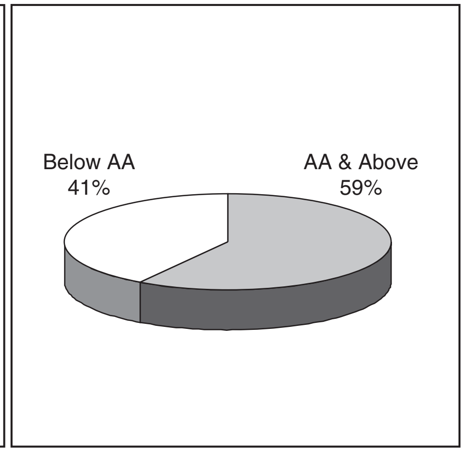


Figure 20: Credit Ratings Composition of Member Countries.



Capital Increases

In 2010, in order to enhance IBRD's financial capacity following its response to the global economic crisis, IBRD's shareholders agreed to a package of financial measures. The package included an increase in IBRD's authorized capital and a GCI, effective over a five-year period starting in FY11. Concurrently, as part of the "Voice reforms" aimed at enhancing the voice and participation of DTCs in IBRD, shareholders agreed to two SCI's, one of which was for the allocation of fully callable shares to certain DTC's. The purpose of these SCIs was to boost the voting power of DTCs to 47.19% by June 30, 2015, from 42.6% on June 30, 2008.

As a result of the GCI and SCIs, IBRD's subscribed capital is expected to rise by $87 billion, of which $5.1 billion will be paid in over a five-year period, as follows:

- GCI of $58.4 billion, of which $3.5 billion will be paid in. As of June 30, 2014, $27.7 billion has been subscribed and $1.7 billion paid in.
- SCI of $27.8 billion, of which $1.6 billion will be paid in. As of June 30, 2014, $14.1 billion has been subscribed and $0.8 billion paid in.
- SCI of $0.9 billion which represented the allocation of fully callable shares to certain DTCs and for which a paid in amount was not required. As of June 30, 2014, $0.8 billion was subscribed.

Table 13: Breakdown of IBRD Subscribed Capital

In millions of U.S. dollars, except ratios which are in percentages

At June 30,		*2014*	*2013*	*Variance*
Subscribed capital				
Paid-in	6%	$ 14,005	$ 13,434	$ 571
Subject to call	94%	218,786	209,747	9,039
Total	100%	$232,791	$223,181	$9,610

Subscribed Capital

The $9.6 billion increase in IBRD's subscribed capital was due to subscriptions by members in connection with the GCI and SCIs.

Uncalled Portion of Subscribed Capital

No call has ever been made on IBRD's capital. Any such calls are required to be uniform, but the obligations of IBRD's members to make payment on such calls are independent of one another. If the amount received on a call is insufficient to meet the obligations of IBRD for which the call is made, IBRD has the right to make further calls until the amounts received are sufficient to meet such obligations. On any such call or calls, however, no member is required to pay more than the unpaid balance of its capital subscription.

Paid-In Capital

Paid-in capital has two components:

- The U.S. dollar portion, which is freely available for use by IBRD.
- NCPIC portion, usage of which is subject to certain restrictions under the Articles. This paid in component is also subject to Maintenance-Of-Value (MOV) requirements. For additional details see the Notes to the Financial Statements–Note A: Summary of Significant Accounting and Related Policies.

Usable Paid-In Capital

Usable paid-in capital represents the portion of paid in capital that is available to support IBRD's risk bearing capacity and includes all U.S. dollar paid in capital, as well as NCPIC for which restrictions for use have been lifted (referred to as released NCPIC). The adjustments made to paid-in capital to arrive at usable capital are provided in Table 14 below.

Table 14: Usable Paid-In Capital

In millions of U.S dollars

At June 30,	*2014*	*2013*	*Variance*
Paid-in Capital	$14,005	$13,434	$571
Adjustments for deferred MOV on released NCPIC			
Net deferred MOV payable[a]	382	402	(20)
Adjustments for unreleased NCPIC comprising			
Restricted cash	(57)	(171)	114
Demand notes	(406)	(456)	50
MOV receivable	(221)	(201)	(20)
MOV payable	11	6	5
	(673)	(822)	149
Usable paid-in capital	$13,714	$13,014	$700

a. The MOV on released NCPIC is considered to be deferred.

The $700 million increase in usable capital between FY13 and FY14 was primarily due to the following:

- *Paid in Capital*: The increase of $571 million reflects subscriptions by members in connection with the GCI and SCI.
- *Changes in unreleased NCPIC*: The increase of $149 million relates primarily to a net decrease in restricted cash of $114 million, driven by the use of NCPIC to fund local currency disbursements and administrative expenses.
- *Changes in released NCPIC:* The decrease in net deferred MOV payable of $20 million in FY14 was mainly caused by the net depreciation of released NCPIC during the year.

SECTION VIII: FINANCIAL RISK MANAGEMENT

IBRD manages credit, market and operational risks for its financial activities which include lending, borrowing and investing (Box 4). The primary financial risk to IBRD is the country credit risk inherent in its loan portfolio. The Board, particularly Audit Committee, periodically reviews trends in IBRD's risk profiles and performance, as well as any major developments in risk management policies and controls.

Box 4: Summary of IBRD's Specific Financial Risk Categories	
Types of Financial Risk	*How the Risk is Managed*
Credit Risk	
Country Credit Risk	Individual country exposure limits and IBRD's credit-risk-bearing capacity
Counterparty Commercial Credit Risk	Counterparty credit limits and collateral
Market Risk	
Interest Rate Risk	Interest rate derivatives to match the sensitivity of assets and liabilities
Exchange Rate Risk	Currency derivatives to match the currency composition of assets and liabilities
Liquidity Risk	Prudential minimum liquidity level
Operational Risk	Monitoring of key risk indicators and events

Governance Structure

Management believes that effective financial risk management is of primary importance to its overall operations. Accordingly, the risk management governance structure has been designed to manage the principal risks IBRD assumes in conducting its activities. The risk management governance structure supports senior management in its oversight function, particularly in the coordination of different aspects of risk management and in connection with risks that are common across functional areas.

The Vice President and WBG Chief Risk Officer (CRO) is responsible for leading the risk management function at IBRD. In addition, the CRO works closely with IFC, MIGA, and IDA's management to review, measure, aggregate, and report on risks, share best practices, and help the WBG use its resources in an effective manner. The CRO also helps to increase cooperation between the entities and increase knowledge sharing in the risk management function. There are currently three units that directly report to the CRO:

- The *Credit Risk Department* identifies, measures, monitors and manages country credit risk faced by IBRD. By agreement with the Board, the individual country credit risk ratings are not shared with the Board and are not made public. In addition, this unit is responsible for assessing loan portfolio risk, determining the adequacy of provisions for losses on loans and other exposures, and monitoring borrowers that are vulnerable to crises in the near term. These reviews are taken into account in determining the overall country programs and lending operations and are included in the assessment of IBRD's capital adequacy. In addition, whenever a new financial product is being considered for introduction, this department reviews any issues with respect to country credit risk.

- The *Market and Counterparty Risk Department* is responsible for market and counterparty credit risk oversight, assessment and reporting, in coordination with IBRD's financial managers, who are responsible for the day-to-day management of market and counterparty risks. The department's responsibilities include establishing and maintaining guidelines, volume limits and risk oversight processes to facilitate effective monitoring and control, and providing reports to the Audit Committee and the Board on the extent and nature of risks, risk management and oversight. The department is also responsible for ensuring effective oversight, which includes: i) maintaining sound credit assessments, ii) addressing transaction and product risk issues, iii) providing an independent review function, iv) monitoring market and counterparty risk in the investment, borrowing and client operation portfolios, and v) implementing the model risk governance framework.
- The *Operational Risk Department* was established in May 2014 to assist business units within the finance and technology functions to identify, assess, and report their operational risks. The department aggregates and monitors operational risks using an operational risk management framework. In addition, it is responsible for the business continuity management, and enterprise risk management functions.

IBRD has in place a cohesive financial risk governance structure with the following committees being central to the financial risk management in IBRD.

The Finance and Risk Committee (FRC) directs and oversees the financial integrity, income sustainability, balance sheet strength and risk management activities and is chaired by the Managing Director and WBG Chief Financial Officer (MDCFO). The committee is responsible for reviewing, evaluating, and in some cases, deciding on issues with policy implications related to IBRD's risks and returns in the areas of finance (including credit, market, liquidity, and operational risks), information technology, information and corporate security, business continuity, and the integrity of the Bank's financial reporting and risk management processes.

In addition to the FRC, there are risk related committees which work under the authority of the MDCFO and the CRO. These committees provide technical expertise and guidance on strategy, policy, risk management and new initiative issues enabling the group to conduct appropriate oversight of IBRD's finance and risk issues.

- *Country Credit Risk Committee* monitors the measurement and reporting of country credit risk and reviews the impact on the provision for losses on loans and guarantees for any changes in exposure, risk ratings of borrowing member countries, or movements between the accrual and non-accrual portfolios.
- *Market and Commercial Risk Committee* develops and monitors the policies under which IBRD's market and commercial credit risks are measured, reported, and managed. It also monitors compliance with policies governing commercial credit exposure and currency management. Specific areas of activity include reviewing and endorsing guidelines for limiting balance sheet and market risks, the use of derivative instruments, setting investment and counterparty guidelines, and monitoring matches between assets and their funding. It also oversees the development and application of the model risk governance framework.
- Operational Risk Committee provides a mechanism for integrated review and response across the finance and technology functions on operational risks associated with people, processes, and systems including business continuity, recognizing that the business units continue to be responsible for managing operational risks.

Capital Adequacy

IBRD's capital adequacy is the degree to which its equity is sufficient to withstand unexpected shocks. The Board monitors the institution's capital adequacy within a Strategic Capital Adequacy Framework, using the equity-to-loans ratio as a key indicator of capital adequacy. The framework seeks to ensure that IBRD's capital is aligned with the financial risk associated with its loan portfolio as well as other exposures over a medium-term capital-planning horizon. The framework was first adopted in 2008, based on an assessment of historical non-accrual shock size over the previous ten years. Since 2008, IBRD's portfolio credit quality has improved significantly, as a result of which the capital adequacy framework was reviewed in FY14 and the minimum equity-to-loans ratio was reduced to 20% from 23% (Figure 21). The lowering of the equity-to-loans ratio allows IBRD to use shareholder capital more efficiently to support a larger volume of development lending and, thus, an enhanced IBRD's commitment capacity, including responding to potential crises.

IBRD's equity-to-loans ratio dropped to 25.7% as of June 31, 2014, from 26.8% as of June 30, 2013, but was still above the 20% minimum ratio (Figure 21). The decrease was due mainly to the larger growth in loan exposure relative to the increase in usable equity during the period. The higher loan exposure mostly reflected net positive loan disbursements during the period, while the increase in usable equity was due to the receipt of paid-in capital and existing NCPIC becoming usable during the year.

Figure 21: Equity-to-Loans Ratio

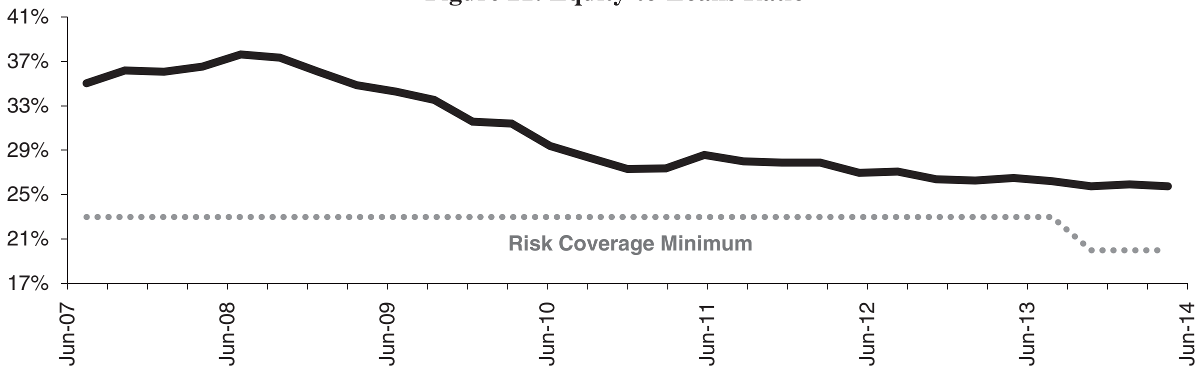


Table 15 presents the composition of the equity-to-loans ratio at June 30, 2014 and 2013, respectively. The $756 million increase in usable equity in FY14 was mainly due to the increase in usable capital resulting from the additional paid-in capital received under the GCI and SCI, as well as members' NCPIC becoming usable in IBRD's operations (Section VII). This is partially offset by the increase in 'Other adjustments', as a result of an increase in the underfunded status of the pension plans which occurred mainly due to the decrease in the discount rate used to determine the present value of pension benefit obligations as of June 30, 2014, relative to a year earlier.

Table 15: Equity Used in Equity-to-Loans Ratio

In millions of U.S. dollars

At June 30,	*2014*	*2013*	*Variance*
Usable paid-in capital (Table 14)	$ 13,714	$ 13,015	$ 699
Special reserve	293	293	—
General reserve[a]	26,889	26,889	—
Cumulative translation adjustment[b]	596	285	311
Other adjustments[c]	(1,025)	(771)	(254)
Equity used in Equity-to-Loans Ratio (usable equity)	**$ 40,467**	**$ 39,711**	**$ 756**
Fair value adjustments	(2,590)	(3,067)	477
Equity used in Equity-to-Loans Ratio-fair value basis	**$ 37,877**	**$ 36,644**	**$ 1,233**
Loans outstanding, present value of guarantees, effective but undisbursed DDOs, net of relevant accumulated provisions, and deferred loan income	$157,272	$148,281	$ 8,991
Fair value of loans outstanding, present value of guarantees, and effective but undisbursed DDOs	$156,389	$145,403	$10,986
Equity-to-Loans Ratio—reported basis	**25.7%**	**26.8%**	
Equity-to-Loans Ratio—fair value basis	**24.2%**	**25.2%**	

a. The June 30, 2013 amount includes proposed transfers to the General Reserve out of FY 2013 net income.

b. Excluding cumulative translation amounts associated with the unrealized gains/losses on non-trading portfolios, net.

c. Other adjustments comprise the net underfunded status of IBRD's pension plans and income earned on PEBP assets prior to FY 2011.

Credit Risk

IBRD faces two types of credit risk: country credit risk and counterparty credit risk. Country credit risk is the risk of loss due to a country not meeting its contractual obligations, and counterparty credit risk is the risk of loss due to a counterparty not honoring its contractual obligations. IBRD is exposed to commercial as well as non-commercial counterparty credit risk.

Country Credit Risk

This risk entails potential losses arising from protracted arrears on payments from borrowers on loans and other exposures. IBRD manages country credit risk by using individual country exposure limits. These limits take into account creditworthiness and performance. Management also uses IBRD's capital adequacy stress testing to determine the implications for its credit-risk-bearing capacity.

Portfolio Concentration Risk

Portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding, is a key concern for IBRD. It is carefully managed for each borrowing country, in part, through an exposure limit for the aggregate balance of loans outstanding, the present value of guarantees, and the undisbursed portion of DDOs that have become effective. Under current guidelines, IBRD's exposure to a single borrowing country is restricted to the lower of an Equitable Access Limit or the SBL. The Equitable Access Limit is equal to 10% of IBRD's subscribed capital, reserves, and unallocated surplus; the limit was $26 billion as of June 30, 2014.

The SBL is established, in part, by assessing its impact on overall portfolio risk relative to equity. The SBL caps the maximum exposure to IBRD's most creditworthy and largest borrowing countries in terms of population and economic size. During FY14, the SBL was raised to $20 billion for India and $19 billion for the other four SBL borrowing countries (China, Indonesia, Brazil, and Mexico). A surcharge of 50 basis points a year was introduced on loan exposures exceeding the previous SBL ($17.5 billion for India and $16.5 billion for the other four SBL borrowing countries) to help support the increase in the SBL. The surcharge helps fund the increase, while also acknowledging that the added concentration heightens the risk for IBRD. The SBL increase allows for additional engagement in countries with large poor populations. The $1 billion higher SBL for India is based upon the special needs of India given its large number of people living below the extreme poverty line of $1.25 a day.

Under certain circumstances, IBRD would be able to continue to lend to a borrower above the single-borrower exposure limit by entering into an arrangement that would prevent its net exposure from exceeding the limit. Any such arrangement must be approved in advance by IBRD's Board. Previously, IBRD entered into separate arrangements with China for managing its exposure in the event that it exceeded the SBL. As of June 30, 2014 the exposure to China remains below the SBL and the agreement has not been utilized.

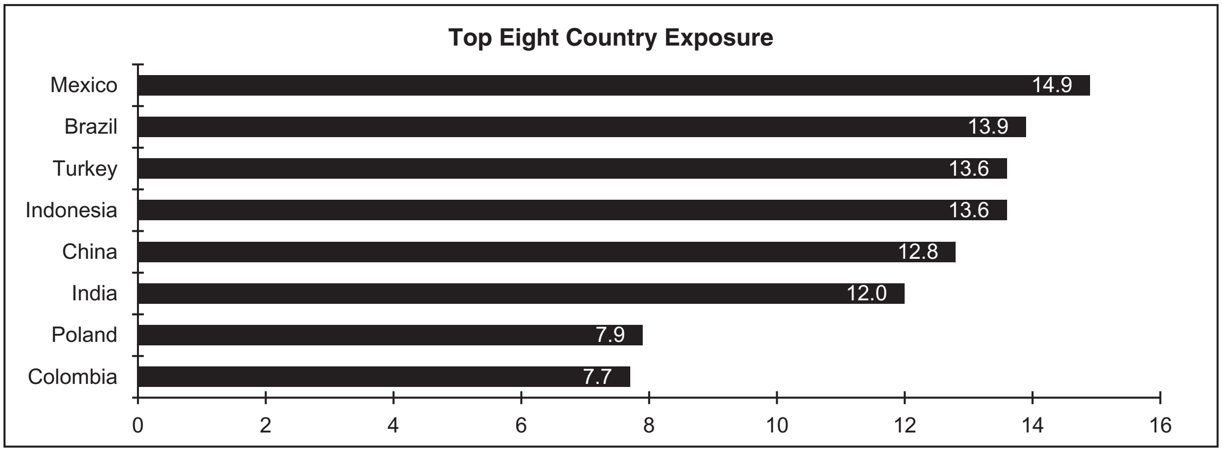
During FY14, IBRD entered into an exposure exchange agreement with MIGA under which IBRD and MIGA agreed to exchange $120 million each of notional amount of exposures on their respective balance sheets with one another. Under the agreement, MIGA provided a guarantee on IBRD's loan principal and interest exposure in exchange for IBRD's guarantee of principal and interest exposure of MIGA under its Non-Honoring of Sovereign Financial Obligation.

The eight countries with the highest exposures accounted for about 61% of IBRD's total exposure (Figure 22). IBRD's largest exposure to a single borrowing country—Mexico—was $14.9 billion on June 30, 2014.

The current exposure data presented is at a point in time. Monitoring these exposures relative to the limit, however, requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

Figure 22: Country Exposures as of June 30, 2014

In billions of U.S. dollars



Credit-Risk-Bearing Capacity

Management uses risk models to estimate the size of a potential non-accrual shock that IBRD could face over the next three years at a given confidence level. The model-estimated non-accrual shock is a single measure of the credit quality of the portfolio that combines the following:

- IBRD's country-credit-risk ratings and their associated expected risk of defaults;
- Covariance risks;
- The loan portfolio's distribution across risk rating categories; and
- The exposure concentration.

The shock estimated by this risk model is used in IBRD's capital adequacy stress testing to determine the impact of potential non-accrual events on equity and income earning capacity.

Probable Losses, Overdue Payments, and Non-Performing Loans

The loan-loss provision is calculated by taking into account IBRD's exposure, the expected default frequency (EDF), or probability of default, and the assumed loss in the event of default. Probable losses inherent in the loan portfolio attributable to country credit risk are covered by the accumulated provision for losses on loans and other exposures, while unexpected losses owing to country credit risk are covered by equity.

When a borrower fails to make payments on any principal, interest, or other charge due to IBRD, IBRD may suspend disbursements immediately on all loans to that borrower. IBRD's current policy is to exercise this option using a graduated approach (Box 5). These policies also apply to member countries who are eligible to borrow from both IBRD and IDA, and whose payments on IDA credits may become overdue.

Box 5: Treatment of Overdue Payments	
Overdue by 30 days	Where the borrower is the member country, no new loans to the member country, or to any other borrower in the country, will be presented to the Board for approval, nor will any previously approved loan be signed, until payments for all amounts 30 days overdue or longer have been received. Where the borrower is not the member country, no new loans to that borrower will be signed or approved. In either case, the borrower will lose its eligibility for any waiver of interest charges in effect at that time for loans signed before May 16, 2007, and those loans signed between May 16, 2007, and September 27, 2007, if the borrowers elected not to convert the terms of their loans to the pricing terms effective September 27, 2007. For loans with the pricing terms applicable from May 16, 2007, an overdue interest penalty will be charged at a rate of 50 basis points on the overdue principal. In addition, if an overdue amount remains unpaid for a period of 30 days, then the borrower will pay a higher interest rate (LIBOR + fixed spread) plus 50 basis points on the overdue principal amount until the overdue amount is fully paid.
Overdue by 45 days	In addition to the provisions cited above for payments overdue by 30 days, to avoid proceeding further on the notification process leading to suspension of disbursements, the country as borrower or guarantor and all borrowers in the country must pay not only all payments overdue by 30 days or more, but also all payments due regardless of the number of days since they have fallen due. Where the borrower is not the member country, no new loans to, or guaranteed by, the member country, will be signed or approved. Additionally, all borrowers in the country will lose eligibility for any waivers of interest in effect at the time.
Overdue by 60 days	In addition to the suspension of approval for new loans and signing of previously approved loans, disbursements on all loans to, or guaranteed by, the member country are suspended until all overdue amounts are paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements can be made to a member country upon the Board's approval.
Overdue by more than six months	All loans made to, or guaranteed by, a member of IBRD are placed in nonaccrual status, unless IBRD determines that the overdue amount will be collected in the immediate future. Unpaid interest and other charges not yet paid on loans outstanding are deducted from the income for the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, a decision is made on the restoration of accrual status on a case-by-case basis; in certain cases, this decision may be deferred until after a suitable period of payment performance has passed.

As of June 30, 2014, only 0.3% of IBRD's loans were in nonaccrual status, all related to Zimbabwe. Effective July 16, 2013, all loans made to, or guaranteed by, Iran were placed into nonaccrual status. On September 27, 2013, Iran cleared all of its overdue principal and charges due to IBRD; on that date, the loans to, or guaranteed by, Iran were restored to accrual status. IBRD's total provision for losses on accrual and nonaccrual loans accounted for 1.1% of its total loan portfolio (Notes to Financial Statements, Note D: Loans and Other Exposures).

Treatment of Protracted Arrears

In 1991, the Board adopted a policy to help members with protracted arrears to IBRD mobilize sufficient resources to clear their arrears and support sustainable growth-oriented adjustment programs over the medium term. This policy is conditional on members agreeing to meet certain requirements, including an acceptable structural adjustment program, a financing plan to clear all arrears to IBRD and other multilateral creditors, and continuing to service their obligations to IBRD and other multilateral creditors on time.

It is IBRD's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. Exceptions were made to this practice during fiscal years 1996 and 2002 with regard to Bosnia and Herzegovina and Serbia and Montenegro, formerly the Federal Republic of Yugoslavia, respectively, in connection with their succession to membership of the former Socialist Federal Republic of Yugoslavia. These exceptions were based on criteria approved by the Executive Directors in fiscal year 1996, which limit eligibility for such treatment to a country: (a) that has emerged from a current or former member of IBRD; (b) that is assuming responsibility for a share of the debt of such member; (c) that, because of a major armed conflict in its territory involving extensive destruction of physical assets, has limited creditworthiness for servicing the debt it is assuming; and (d) for which rescheduling/ refinancing would result in a significant improvement in its repayment capacity, if appropriate supporting measures are taken. This treatment was based on a precedent established in 1975 after Bangladesh became independent from Pakistan. Currently, there are no borrowers with loans in nonaccrual status that meet these eligibility criteria.

Counterparty Credit Risk

IBRD is exposed to commercial as well as non-commercial counterparty credit risk. IBRD's commercial counterparty credit risk is concentrated in its investment portfolio; in debt instruments issued by sovereign governments, agencies, banks and corporate entities. The majority of these investments are in AAA and AA rated instruments.

Commercial Counterparty Credit Risk

This is the risk that counterparties fail to meet their payment obligations, under the terms of the contract or other financial instruments. The effective management of credit risk is vital to the success of IBRD's funding, investment, and asset/liability management activities. The monitoring and management of these risks is a continuous process as market environment evolves.

IBRD mitigates the counterparty credit risk from its investments and derivatives holdings through the credit approval process, the use of collateral agreements and risk limits, and other monitoring procedures. The credit approval process involves evaluating counterparty and security-specific creditworthiness, assigning internal credit ratings and limits, and determining the risk profile of specific transactions. Credit limits are calculated and monitored taking into account current market values, estimates of potential future movements in those values, and counterparty collateral agreements. If a collateral agreement exists, the amount of collateral obtained is based on the credit rating of the counterparty. Collateral held includes cash and highly liquid investment securities.

Derivative Instruments

In the normal course of its business, IBRD enters into various derivatives and foreign exchange financial instruments. These instruments are primarily used to meet the financial needs of its borrowers and to manage IBRD's exposure to fluctuations in interest and currency rates. These transactions are conducted with other financial institutions and, by their nature, entail commercial counterparty credit risk.

For derivative products, IBRD uses the estimated replacement cost of the derivative to measure credit risk exposure. While the contractual principal amount of derivatives is the most commonly used volume measure in derivative markets, it does not measure credit or market risk.

Under mark-to-market collateral arrangements, when IBRD is in a net receivable position higher than the agreed upon collateral threshold allocated to a counterparty, counterparties are required to post collateral with IBRD. As of June 30, 2014, IBRD had received collateral of cash and securities totaling $6 billion.

IBRD is not required to post collateral under its derivative agreements as long as it maintains a triple-A credit rating. (For the contractual value, notional amounts, related credit risk exposure amounts, and the amount IBRD would be required to post in the event of a downgrade, see Notes to Financial Statements: Note F–Derivative Instruments.)

Investment Securities

The General Investment Authorization for IBRD, approved by the Board, grants the basic authority for IBRD to invest its liquid assets. Furthermore, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines. The Investment Guidelines are approved by the MDCFO and implemented by the Treasurer. These Investment Guidelines set out detailed trading and operational rules, including which instruments are eligible for investment, and establish risk parameters relative to benchmarks. These include an overall consultative loss limit and duration deviation, specifying concentration limits on counterparties and instrument classes, as well as clear lines of responsibility for risk monitoring and compliance. Credit risk is controlled by applying eligibility criteria (Box 6).

The overall market risk of the investment portfolio is subject to a consultative loss limit to reflect a level of tolerance for the risk of underperforming the benchmark in any fiscal year. IBRD has procedures in place to monitor performance against this limit and potential risks, and it takes appropriate actions if the limit is reached.

Box 6: Eligibility Criteria for IBRD's Investments

Instrument Securities	*Description*
Sovereigns	IBRD may only invest in obligations issued or unconditionally guaranteed by governments of member countries with a minimum credit rating of AA-. However, no rating is required if government obligations are denominated in the national currency of the issuer.
Agencies	IBRD may invest only in obligations issued by an agency or instrumentality of a government of a member country, a multilateral organization, or any other official entity other than the government of a member country, with a minimum credit rating of AA-.
Corporates and asset-backed securities	IBRD may only invest in securities with a AAA credit rating.
Time deposits[a]	IBRD may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.
Commercial Paper	IBRD may only invest in short-term borrowings (less than 190 days) from commercial banks, corporates, and financial institutions.
Securities lending, and borrowing, repurchases, resales, and reverse repurchases	IBRD may engage in repurchases and reverse repurchases, against adequate margin protection, of the securities described under the sovereigns, agencies, and corporates and asset-backed security categories.
Collateral Assets	IBRD may engage in collateralized forward transactions, such as a swap, repurchase, resale, securities lending, or equivalent transactions—in each case receiving adequate margin protection—that involve certain underlying assets not independently eligible for investment.

a. Time deposits include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks or other financial institutions.

IBRD's exposure to futures and options and resale agreements is marginal. With respect to futures and options, IBRD generally closes out open positions prior to expiration. Futures are settled on a daily basis. As to resales, IBRD monitors the fair value of the securities received and, if necessary, closes out transactions and enters into new repriced transactions.

During FY14, Management took actions to broaden its universe of investment assets in an effort to achieve greater diversification in the portfolio and better risk-adjusted investment performance. This exposure is being monitored by the Market and Counterparty Risk Department. As of June 30, 2014, the maximum maturity of these assets was less than one year.

Commercial Counterparty Credit Risk Exposure

As a result of IBRD's use of mark-to-market collateral arrangements for swap transactions, its residual commercial counterparty credit risk is concentrated in the investment portfolio; in debt instruments issued by sovereign governments, agencies, commercial paper, time deposits, and corporate entities (Table 16).

IBRD's overall commercial counterparty credit exposure increased during the fiscal year, driven by the higher liquidity levels. Increased holdings in the A and AA rating categories reflect increased investments in bank deposits for short-term operational liquidity purposes. Investments in BB or lower increased primarily due to the downgrade of a debt investment in a security issued by an Austrian bank, Hypo Alpe-Adria, fully guaranteed by the state of Carinthia, from A to C.

The credit quality of IBRD's portfolio remains concentrated in the upper end of the credit spectrum, with 77% of the portfolio rated AA or above—reflecting IBRD's continued preference for highly rated securities and counterparties across all categories of financial instruments. Total commercial counterparty credit exposure, net of collateral held, was $45 billion as of June 30, 2014.

Table 16: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

In millions of U.S. dollars

	As of June 30, 2014				
	Investments				
Counterparty Rating[a]	*Sovereigns*	*Agencies, Commercial Paper, Asset-Backed Securities, Corporates and Time Deposits*	*Net Swap Exposure*	*Total Exposure on Investments and Swaps*	*% of Total*
AAA	$ 8,323	$ 8,191	$ —	$16,514	37%
AA	5,108	12,360	509	17,977	40
A	1,055	8,627	163	9,845	22
BBB	408	2	—	410	1
BB or lower	—	97	—	97	*
Total	$14,894	$29,277	$672	$44,843	100%

	As of June 30, 2013				
	Investments				
Counterparty Rating[a]	*Sovereigns*	*Agencies, Asset-Backed Securities, Corporates and Time Deposits*	*Net Swap Exposure*	*Total Exposure on Investments and Swaps*	*% of Total*
AAA	$ 9,840	$ 8,175	$ —	$18,015	48%
AA	4,219	8,430	438	13,087	35
A	741	5,123	141	6,005	16
BBB	294	2	—	296	1
BB or lower	—	11	—	11	*
Total	$15,094	$21,741	$579	$37,414	100%

a. Average rating is calculated using available ratings from Standard & Poor's, Moody's and Fitch Ratings; however, if ratings are not available from each of the three rating agencies. IBRD uses the average of the ratings available from any of such rating agencies or a single rating to the extent that an instrument or issuer (as applicable) is rated by only one rating agency.

* Indicates amounts less than 0.5%.

Non-Commercial Counterparty Credit Risk

In addition to derivative transactions with commercial counterparties, IBRD also offers derivative intermediation services to borrowing countries, as well as to affiliated and non-affiliated organizations, to help them carry out their development mandates.

Borrowing Member Countries: IBRD executes currency swap and interest rate swap transactions with its borrowers under master derivative agreements. As of June 30, 2014, the notional amounts under these agreements was $10.5 billion and the net fair value exposure was $1.1 billion.

Affiliated Organization: Derivative contracts are executed between IBRD and IDA, under an agreement that allows IBRD to intermediate derivative contracts on behalf of IDA. As of June 30, 2014, the notional amount under this agreement was $12.8 billion and the net fair value exposure was $120 million. Under its derivative agreement with IBRD, IDA is not required to post collateral as long as it maintains liquidity holdings at pre-determined levels that are a proxy for an AAA credit rating. As of June 30, 2014, IDA had not posted any collateral with IBRD.

Non-Affiliated Organization: IBRD has a master derivatives agreement with the International Finance Facility for Immunization (IFFIm), under which several transactions have been executed. As of June 30, 2014, the notional amount under this agreement was $6.9 billion and the net fair value exposure was $1.3 billion. IBRD can call for collateral above an agreed threshold. As of June 30, 2014, IBRD had not exercised this right, but it reserves the right under the existing terms of the agreement. In lieu of calling for collateral, IBRD and IFFIm have agreed to manage IBRD's exposure to its derivative transactions with IFFIm by applying a risk management buffer to the gearing ratio limit. The gearing ratio limit represents the maximum amount of net financial obligations of IFFIm, less cash and liquid assets, as a percent of the net present value of IFFIm's financial assets.

Credit Valuation Adjustment

IBRD calculates a Credit Value Adjustment (CVA) that represents the fair value of its commercial and non-commercial counterparty credit risks from IFFIm and IDA in connection with swap intermediation activities. The CVA is calculated by using the fair value of the derivative contracts, net of collateral received under credit support agreements. As credit risk is an essential component of fair value, IBRD includes a CVA in the fair value of derivatives to reflect counterparty credit risk. The CVA is derived from exposure and the probability of counterparty default based on the Credit Default Swap (CDS) spread and, where applicable, proxy CDS spreads. The CVA on IBRD's balance sheet was $34 million and $67 million as of June 30, 2014 and 2013.

Market Risk

IBRD is exposed to changes in interest and exchange rates, and it uses various strategies to minimize its exposure to market risk.

Interest Rate Risk

IBRD faces two main sources of interest rate risk: the interest rate sensitivity of the income earned from funding a portion of IBRD's assets with equity and refinancing risk for fixed-spread loans.

Equity Earnings Risk

The higher volume of loans with interest rates linked to floating rate indexes (e.g., LIBOR) has increased the sensitivity of IBRD's income to changes in market interest rates. As a result, income from equity invested in these variable interest rate loans is sensitive to interest rates. To manage this exposure, IBRD put in place in 2007 an equity-duration-extension strategy to reduce the sensitivity of IBRD's income from equity to fluctuations in short-term interest rates by extending the duration of its equity from three months to about five years. This was achieved by entering into interest rate swaps with a 10-year ladder re-pricing profile.

In response to the changes in the market environment, on February 11, 2014, the Board approved the EMF, which shares the same objective as the equity duration extension strategy namely, to reduce the sensitivity of IBRD's equity income to fluctuations in short-term interest rates. The EMF provides more flexibility to manage equity income. In particular, the EMF allows for the possibility of shortening the duration of IBRD's invested equity and permits a duration on equity within a range of zero to 5 years based on market and macroeconomic conditions, whereas the equity duration extension strategy required that duration be maintained within a range of 4-to-5 years. The EMF also provides for a wider variety of tools and strategies for managing equity income than before.

In the context of the EMF revision, Management has taken measures to reduce the interest rate risk of IBRD's equity, including the termination of certain U.S dollar derivative positions. As a result, the duration of IBRD's equity has been reduced from 4.5 years as of June 30, 2013 to approximately 3 years as of June 30, 2014.

Refinancing Risk

Refinancing risk for funding fixed-spread loans relates to the potential impact of any future deterioration in the Bank's funding spread, since loans are not funded to their final maturities. IBRD charges an associated risk premium and Management periodically reviews the adequacy of the risk premium in light of future expectations of IBRD funding levels (Table 5).

Other Interest Rate Risks

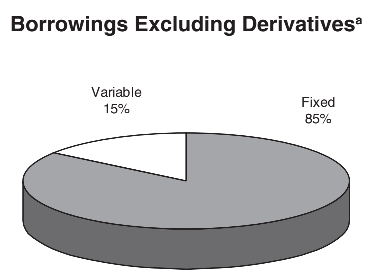
Interest rate risk also arises from a variety of other variables, including differences in the timing between the contractual maturities or re-pricing of IBRD assets, liabilities, and derivative financial instruments. On variable-rate assets and liabilities, IBRD is exposed to timing mismatches between the re-set dates on its variable rate receivables and payables. To mitigate its exposure to these timing mismatches, IBRD has executed some overlay interest rate swaps.

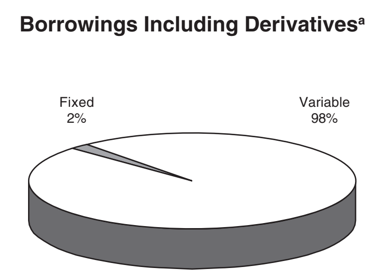
Interest rate risk on non-cost pass-through products, which accounted for 37% of the loan portfolio as of June 30, 2014 (40% as of June 30, 2013), is managed by using interest rate swaps to closely align the rate sensitivity characteristics of the loan portfolio with those of their underlying funding, except for the component of the loan portfolio affected by IBRD's equity-duration-extension strategy.

The interest rate risk on IBRD's liquid asset portfolio—which includes the risk that the value of assets in the liquid portfolio will fluctuate due to changes in market interest rates—is managed within specified duration-mismatch limits and is further limited by a consultative loss limit.

IBRD uses interest rate derivatives to manage the interest rate risks between loans and borrowings. After considering the effects of these derivatives, virtually the entire loan and borrowing portfolios are carried at variable interest rates (Figures 23-24).

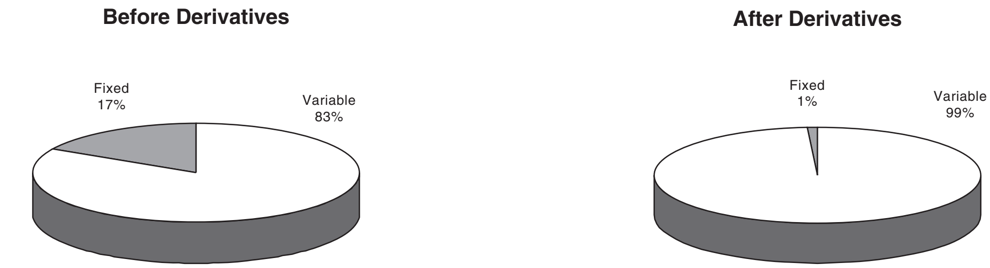
Figure 23: Effect of Derivatives on Interest Rate Structure of the Borrowing Portfolio—June 30, 2014





a. Excludes discount notes.

Figure 24: Effect of Derivatives on Interest Rate Structure of the Loan Portfolio—June 30, 2014

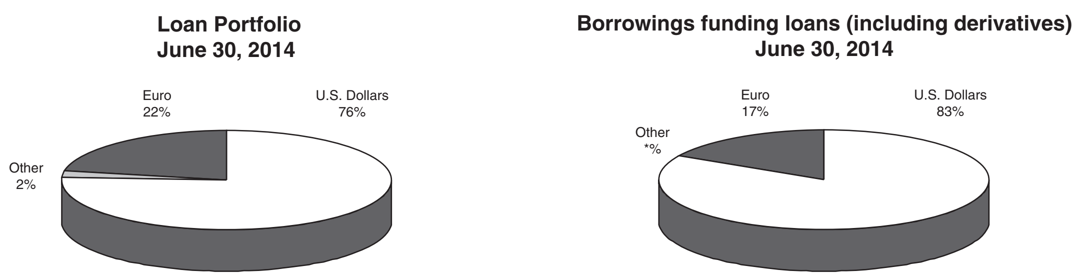


Exchange Rate Risk

IBRD holds its assets and liabilities mainly in U.S. dollars and euro. However, the reported levels of its assets, liabilities, income, and expenses in the financial statements are affected by exchange rate movements in all the currencies in which IBRD transacts, relative to its reporting currency, the U.S. dollar.

To minimize exchange rate risk in a multicurrency environment, IBRD matches its borrowing obligations in any one currency (after derivatives activities) with assets in the same currency, as prescribed in IBRD's Articles (Figure 25). In addition, IBRD's policy is to minimize the exchange rate sensitivity of its capital adequacy as measured by the equity-to-loans ratio. It implements this policy by undertaking currency conversions periodically to align the currency composition of its equity to that of its outstanding loans across major currencies. This policy is designed to minimize the impact of exchange rate fluctuations on the equity-to-loans ratio, thereby preserving IBRD's ability to better absorb unexpected losses from arrears on loan repayments, regardless of the market environment. As a result, while the appreciation of the euro against the U.S. dollar during FY14 affected the individual portfolios by currency, it did not have a material impact on the overall equity-to-loans ratio.

Figure 25: Currency Composition of Loan and Borrowing Portfolios



* Denotes percentage less than 0.5%.

Liquidity Risk

Liquidity risk arises in the general funding of IBRD's activities and in managing its financial position. It includes the risk of IBRD being unable to fund its portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Under IBRD's liquidity management guidelines, aggregate liquid asset holdings are kept at or above a specified prudential minimum to safeguard against cash flow interruptions. This minimum is equal to the highest consecutive six months of projected debt service obligations, plus one-half of projected net loan disbursements on approved loans (if positive) for the relevant fiscal year. The FY15 prudential minimum liquidity level has been set at $26 billion, an increase of $1.5 billion from that in FY14. The increase mainly reflects the high level of debt service and loan disbursements projected for FY15. The size of the liquid asset portfolio should generally not exceed 150% of the prudential minimum liquidity level. From time to time, however, IBRD may hold liquid assets over the specified maximum to give it flexibility in timing its borrowing transactions and to meet working capital needs. As of June 30, 2014, the liquid asset portfolio was 170% of the prudential minimum liquidity level in effect for FY14, above the 150% maximum guideline. The increased levels of liquidity reflect the impact of increased borrowing activity in anticipation of large loan disbursements in early FY15 and higher projected debt service for the coming year.

Operational Risk

Operational risk[4] is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. IBRD's operational risk management framework is built on three key principles: (i) business units are responsible for directly managing operational risks in their respective functional areas, (ii) a dedicated central operational risk team assists business units to anticipate, mitigate, and control operational risk, and (iii) oversight is provided by the operational risk committee and independent control functions.

IBRD's operational risk management framework is based upon a strong risk culture and adopts a structured and uniform approach to identify, assess and monitor key operational risks across business units. A number of tools are used as part of this process including risk assessments, key risk indicators, database of external events and scenario analysis. IBRD plans to make use of the operational risk framework to further advance business decision-making.

SECTION IX: FAIR VALUE ANALYSIS

A key element in achieving IBRD's development goals is its ability to minimize the cost of borrowing from capital markets for lending to developing member countries. To do this, IBRD makes extensive use of financial instruments, including derivatives. The fair value of these instruments is affected by such market-related changes as interest rate, exchange rate, and credit risk movements. Under the fair value basis, in addition to the instruments in the investment, borrowing and asset-liability management portfolios, all loans are reported at fair value and all changes in Accumulated Other Comprehensive Income (AOCI) are also included in fair value net income.

Given IBRD's intention to hold its primary assets and related funding to maturity (in its loan and borrowing portfolios), Management does not use fair value results to reach decisions on income allocation. Rather fair value results are used mainly to assess the performance of the investment trading portfolio, to monitor the results of the EMF, and to manage certain market risks, including interest rate and commercial credit risk for derivative counterparties (Table 17).

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4 The risk in IBRD's lending operations is managed by the Operations Policy and Country Services. This covers risk of non-compliance with IBRD'S policies, safeguards as well as risk of mis-procurement on behalf of clients, and fraud and corruption in its financed projects.

Table 17: Effect of Interest Rates and Credit on IBRD's Fair Value Income

In millions of U.S. dollars

For the fiscal year ended June 30, 2014	*Interest Rate Effect on Fair Value Income[a]*		*Credit[b] Effect on Fair Value Income*	
	Potential Effect	*Sensitivity[c]*	*Potential Effect*	*Sensitivity[c]*
Investment portfolio	Small	$ *	Small	$ 3
Borrowing portfolio	Small	5	Large	47
Loan portfolio	Small	(7)	Large	(43)
EMF portfolio	Moderate	(11)	Small	*
		$(13)		$ 7

a. After the effects of derivatives.
b. Excludes CVA adjustment on swaps.
c. Dollar change in fair value corresponding to a one basis-point parallel upward shift in interest rates.
* Sensitivity is marginal.

Fair value adjustments are recorded on IBRD's fair value income statement, reflecting the sensitivity of each portfolio to the effect of interest rates and credit movements (Table 18).

Table 18: Summary of Unrealized Gains and (Losses) on Non-Trading Portfolios [a]

In millions of U.S. dollars

For the fiscal year ended June 30,	*2014*	*2013*
Borrowing portfolio (excluding loan derivatives)	$ 113	$ (89)
Loan portfolio (including loan derivatives)	1,552	(17)
EMF portfolio	(994)	(1,538)
	$ 671	$(1,644)

a. See Table 22 for reconciliation to the fair value comprehensive basis net income.

Effect of Interest Rates

On a fair value basis, if interest rates increase by one basis point, IBRD would experience an unrealized loss of approximately $13 million.

Investment Trading Portfolio: After the effects of derivatives, the duration of the investment trading portfolio is less than three months. As a result, the portfolio has a low sensitivity to changes in interest rates, resulting in small fair value adjustments to income.

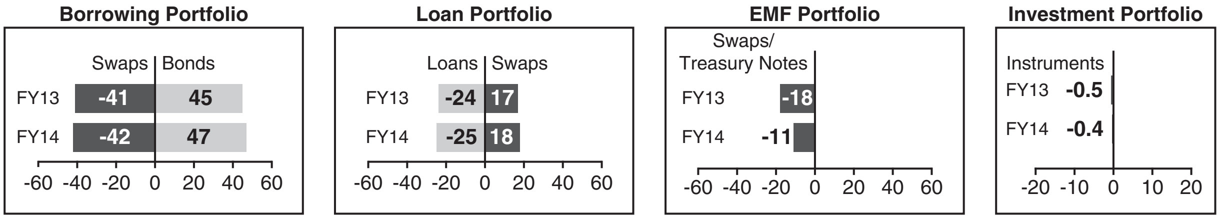
Loan and Borrowing Portfolios: In line with IBRD's financial risk management strategies, the sensitivity of IBRD's loan and borrowing portfolios to changes in interest rates is small (Figure 26). As noted earlier, IBRD intends to hold the instruments in these portfolios to maturity and thus manages these instruments on a cash flow basis. The resulting net unrealized mark-to-market gains/losses on these portfolios, associated with the small sensitivity to interest rates, are therefore not expected to be realized. As of June 30, 2014, the effect of changes in interest rates on these portfolios was marginal.

EMF Portfolio: In line with changes in the EMF, Management has adopted measures to reduce the interest rate risk of IBRD's equity, including terminating certain U.S. dollar derivatives and AFS portfolio. As a result, the dollar change in fair value corresponding to a one- basis-point upward shift in interest rates decreased from $18 million on June 30, 2013, to $11 million on June 30, 2014. The lower exposure reflects the reduction in the duration of equity from 4.5 years to approximately 3 years and is within the Board approved range of zero to five years (Figure 26). The net unrealized losses on EMF relate mainly to the reclassification to net realized gains associated with the termination of certain U.S. dollar derivative positions and the liquidation of the AFS portfolio.

Figure 26: Sensitivity to Interest Rates

Dollar change in fair value corresponding to a one-basis-point upward parallel shift in interest rates.

In millions of U.S. dollars

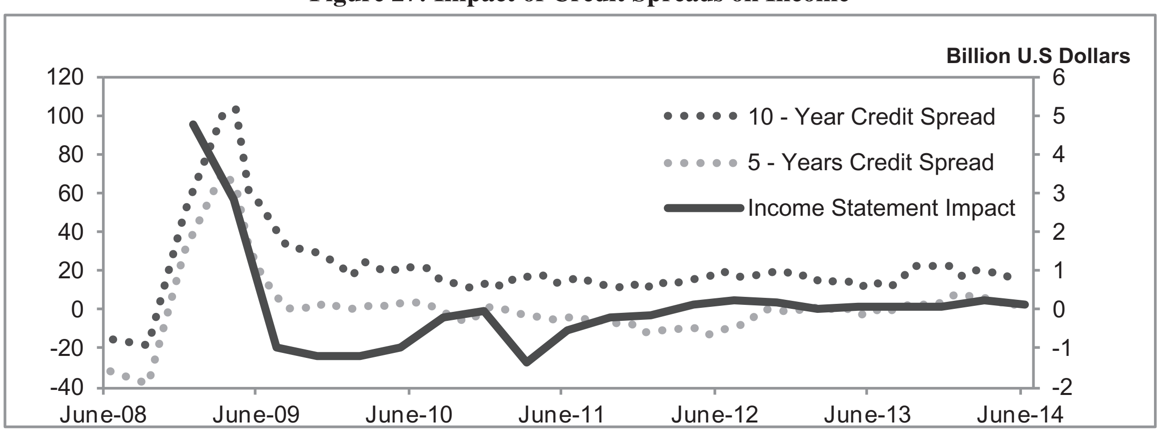


Effect of Credit

Investments. IBRD purchases investment-grade securities for its liquid asset portfolio. Credit risk is controlled through appropriate eligibility criteria (Box 6). In addition, the overall risk of the investment portfolio is constrained by a consultative loss limit. In line with these risk management strategies, the potential effect of default risk on IBRD's investment portfolio is therefore small. The effect of credit changes to the market value of the investment portfolio is relatively limited; a one basis point change in the credit spreads of the investment assets is estimated to have an impact of approximately $3 million on the market value of the portfolio.

Borrowings. IBRD does not hedge its own credit. The dollar value change corresponding to a one-basis-point upward parallel shift in interest rates on IBRD's own credit relative to LIBOR is about $47 million of unrealized mark-to-market gains. IBRD's income statement impact from credit is positively correlated to credit spreads (Figure 27). The tightening of IBRD's own credit spreads has a negative impact on IBRD's income statement. For FY14, IBRD experienced $113 million of unrealized gains on the borrowing portfolio, of which $38 million was due to the widening of its credit spreads.

Figure 27: Impact of Credit Spreads on Income



Loans. IBRD's fair value model represents a hypothetical exit price of the loan portfolio. It incorporates CDS spreads as an indicator of the credit risk for each borrower, after adjusting recovery levels to incorporate institutional experience and assumptions. The dollar value change corresponding to a one-basis-point upward parallel shift in CDS rates on the loan portfolio is about $43 million unrealized mark-to-market losses. IBRD does not hedge its sovereign credit exposure but Management assesses its credit risk through a proprietary loan-loss provisioning model. Loan-loss provision represents the probable losses inherent in its accrual and nonaccrual portfolios. As discussed earlier, IBRD's country credit risk is managed by using individual country exposure limits and monitoring its credit-risk-bearing capacity. For FY14, IBRD experienced $1.5 billion of net unrealized gains from the loan portfolio primarily due to the net tightening of CDS spreads for several of its borrowing member countries during the year.

Derivatives. IBRD uses derivatives to manage exposures to currency and interest rate risks in its investment, loan, and borrowing portfolios, as well as part of the EMF. It is therefore exposed to commercial counterparty credit risk on these instruments. This risk is managed through:

- Stringent selection of commercial derivative counterparties,
- Daily marking-to-market of derivative positions, and
- Use of collateral and collateral thresholds for all commercial counterparties.

The fair value of IBRD's commercial counterparty credit risk is reflected in a CVA (Section VIII). The change in CVA for FY14 resulted in unrealized mark-to-market gains of $33 million.

Changes in Accumulated Other Comprehensive Income

In addition to fair value adjustments on the loan, borrowing, and asset/liability management portfolios, IBRD's fair value adjustment on the income statement also reflects changes in AOCI, as follows:

- *Currency Translation Adjustments* mainly represent the translation adjustment on the loan and borrowing portfolios. The net positive currency translation adjustments are attributable mainly to the 4.5% appreciation of the euro against the U.S. dollar in FY14 (Table 19)
- *Unrecognized Pension Adjustments* largely represent the unrecognized net actuarial gains and losses on benefit plans. Actuarial gains and losses occur when actual results differ from expected results in determining the funded status of the pension plans. Since the pension plans are long term, changes in asset returns and discount rates cause volatility in fair value income. As of June 30, 2014, the net asset position of the pension plans was negative $2.1 billion, net of PEBP assets (see Notes to Financial Statements, Note J: Pension and Other Postretirement Benefits). Given its long term planning horizon for pension plans, Management is focused mainly on ensuring that contributions to pension plans appropriately reflect long-term assumptions about asset returns and discount rates.
- *Unrealized Losses on AFS Securities* represent the effect of changes in interest rates on AFS securities. As of June 30, 2013, IBRD determined that the government obligations included in its AFS securities were other than temporarily impaired; therefore, an impairment loss was recorded in the Statement of Income. In FY14, in line with changes made to the EMF, IBRD liquidated the AFS portfolio.

Table 19: Summary of Changes to AOCI (Fair Value Basis)

In millions of U.S. dollars

For the fiscal years ended June 30,	*2014*	*2013*	*Variance*
Unrecognized net actuarial gains (losses) on benefit plans, net	$ (423)	$1,105	$(1,528)
Unrecognized net prior service credit (cost) on benefit plans, net	(39)	4	(43)
Derivatives and hedging transition adjustment[a]	(3)	3	(6)
Unrealized losses on AFS securities	—	(160)	160
OTTI adjustment	—	160	(160)
Currency translation adjustments	291	371	(80)
Of which:			
Loans outstanding	1,251	866	385
Borrowing portfolio	(982)	(581)	(401)
Net other assets and liabilities	22	86	(64)
Total	$ (174)	$1,483	$(1,657)

a. Amount represents amortization of transition adjustment relating to the adoption of Financial Accounting Standards Board's (FASB's) guidance on derivatives and hedging on July 1, 2000.

Fair Value Results

As non-financial assets and liabilities are not reflected at fair value, IBRD's equity is not intended to reflect fair value. Tables 20-22 provide a reconciliation from the reported basis to the fair value basis for both the balance sheet and income statement; Table 22 provides a reconciliation of all fair value adjustments.

Table 20: Condensed Balance Sheet on a Fair Value Basis

In millions of U.S. dollars

	As of June 30, 2014			*As of June 30, 2013*		
	Reported Basis	*Adjustments*	*Fair Value Basis*	*Reported Basis*	*Adjustments*	*Fair Value Basis*
Due from banks	$ 3,701		$ 3,701	$ 4,763		$ 4,763
Investments	45,482		45,482	36,874		36,874
Net loans outstanding	151,978	$(2,021)	149,957	141,692	$(3,682)	138,010
Receivable from derivatives	154,070		154,070	138,846		138,846
Other assets	3,652		3,652	3,426		3,426
Total assets	$358,883	$(2,021)	$356,862	$325,601	$(3,682)	$321,919
Borrowings	$161,026	$ 2[a]	$161,028	$142,406	$ (3)[a]	$142,403
Payable for derivatives	146,885		146,885	131,131		131,131
Other liabilities	11,987		11,987	12,541		12,541
Total liabilities	319,898	2	319,900	286,078	(3)	286,075
Paid in capital stock	14,005		14,005	13,434		13,434
Retained earnings and other equity	24,980	(2,023)	22,957	26,089	(3,679)	22,410
Total equity	38,985	(2,023)	36,962	39,523	(3,679)	35,844
Total liabilities and equity	$358,883	$(2,021)	$356,862	$325,601	$(3,682)	$321,919

a. Amount represents amortization of transition adjustment relating to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.

Table 21: Reconciliation from Net Income to Income on a Fair Value Comprehensive Basis

In millions of U.S. dollars

For the fiscal year ended June 30,	*2014*	*2013*	*Variance*
Net (loss) income from Table 2	$ (978)	$ 218	$(1,196)
Fair value adjustment on loans[a]	1,690	(1,657)	3,347
Changes to AOCI (Table 19)	(174)	1,483	(1,657)
Income on fair value comprehensive basis	**$ 538**	**$ 44**	**$ 494**

a. Amount includes provision for losses on loans and other exposures: $60 million release – June 30, 2014, and $22 million release on June 30, 2013.

Table 22: Net Fair Value Adjustments

In millions of U.S. dollars

For the fiscal year ended June 30,	*2014*	*2013*	*Variance*
Unrealized (losses) / gains on:			
Borrowing portfolio (including loan-related derivatives)	$ (36)	$ 1,484	$(1,520)
Derivatives held in the asset-liability management portfolio	4	46	(42)
Derivatives held in the client operations portfolio	(2)	9	(11)
Derivatives held in the EMF portfolio	(994)	(1,538)	544
A loan with an embedded derivative	(2)	4	(6)
Total unrealized (losses)/gains on non-trading portfolios, net as presented in Table 2	**(1,030)**	**5**	**(1,035)**
Total fair value adjustments on loans from Table 21	1,690	(1,657)	3,347
Adjustments:			
Exclude derivatives held in the client operations portfolio	2	(9)	11
Exclude certain derivatives held in the asset-liability management portfolio	12	14	(2)
Include derivatives and hedging transition adjustment[a] (included in AOCI)	(3)	3	(6)
	11	**8**	**3**
Total fair value adjustments as presented on Table 18	**$ 671**	**$(1,644)**	**$ 2,315**

a. Amount represents amortization of transition adjustment relating to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.

SECTION X: CONTRACTUAL OBLIGATIONS

In conducting its business, IBRD enters into various contractual obligations that may require future payments. These include borrowings, operating leases, contractual purchases and capital expenditures, and other long-term liabilities. Table 23 shows IBRD's contractual obligations for the next five years and thereafter; it excludes the following obligations reflected on IBRD's balance sheet: undisbursed loans, payable for currency and interest rate swaps, payable for investment securities purchased, guarantees, cash received under agency arrangements, and payable for transfers approved by the Board of Governors.

Table 23: Contractual Obligations

In millions of U.S. dollars

	As of June 30, 2014				
	Due in 1 year or Less	*Due after 1 Year through 3 Years*	*Due after 3 Years through 5 Years*	*Due After 5 years*	*Total*
Borrowings (at fair value)	$38,642	$61,466	$31,101	$29,817	$161,026
Operating leases	72	106	69	198	445
Contractual purchases and capital expenditures	46	35	—	—	81
Other long-term liabilities	93	156	104	207	560
Total	$38,853	$61,763	$31,274	$30,222	$162,112

- *Borrowings:* IBRD issues debt in the form of securities to retail and institutional investors.
- *Operating Leases:* IBRD leases real estate and equipment under lease agreements for varying periods. Operating lease expenditures represents future cash payments for real-estate-related obligations and equipment, based on contractual amounts.

- *Contractual Purchases and Capital Expenditures:* IBRD is a party to various obligations to purchase products and services mainly for its capital expenditure and utilities. These commitments are designed to ensure sources of supply, are not expected to be in excess of normal requirements, and are in line with IBRD's budget.
- *Other Long Term Liabilities:* IBRD provides a number of benefits to its employees. As some of these benefits are of a long term nature, IBRD records the associated liability on its balance sheet. The obligations payable represent expected benefit payments, these include future service and pay accruals for current staff but exclude future hires.

Operating leases, contractual purchases and capital expenditures, and other long-term obligations, include obligations shared with IDA, IFC, and MIGA under cost-sharing and service arrangements. These arrangements reflect the WBG strategy of maximizing synergies, to best leverage resources for development (See Notes to Financial Statements: Note-H for Transactions with Affiliated Organizations).

SECTION XI: CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

IBRD's significant accounting policies, as well as estimates made by Management, are integral to its financial reporting. While all of these policies require a certain level of judgment and estimates, significant policies require Management to make highly difficult, complex, and subjective judgments as these relate to matters inherently uncertain and susceptible to change. Note A to the financial statements contains a summary of IBRD's significant accounting policies including a discussion of recently issued accounting pronouncements.

Provision for Losses on Loans and Other Exposures

IBRD's accumulated provision for losses on loans and other exposures reflects probable losses inherent in its accrual and nonaccrual portfolios. Determining the appropriate level of provision for each portfolio requires several steps:

- The loan portfolio is separated into the accrual and nonaccrual portfolios. In both portfolios, the loans and other exposures for each country are then assigned a credit-risk rating. Loans in the accrual portfolio are grouped according to the assigned risk rating, while loans in the non-accrual portfolio are individually assigned the highest risk rating.
- Each risk rating is mapped to an expected default frequency using IBRD's credit migration matrix.
- The required provision is calculated by multiplying the outstanding exposure by the expected default frequency (the probability of default to IBRD) and by the estimated severity of the loss in the event of default. For loans carried at fair value, the credit risk assessment is a determinant of fair value.

The determination of a borrower's risk rating is based on such variables as: political risk, external debt and liquidity, fiscal policy and the public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, and financial sector risks and corporate sector debt and other vulnerabilities.

IBRD periodically reviews such variables and reassesses the adequacy of the accumulated provision accordingly. Actual losses may differ from expected losses owing to unforeseen changes in any of the variables that affect the creditworthiness of borrowers.

The accumulated provision for loan losses is reported separately in the balance sheet as a deduction from total IBRD loans. The accumulated provision for losses on other exposures is included in accounts payable and miscellaneous liabilities. Increases or decreases in the accumulated provision for losses on loans and other exposures are reported in the Statement of Income as provision for losses on loans and other exposures (see Notes to Financial Statements: Note A-Summary of Significant Accounting and Related Policies and Note D-Loans and Other Exposures).

Fair Value of Financial Instruments

All fair value adjustments are recognized through the income statement, except for those related to AFS securities. Fair value adjustments relating to AFS securities are recorded in equity as part of AOCI.

The fair values of financial instruments are based on a three-level hierarchy. For financial instruments classified as Levels 1 and 2, inputs are based on observable market data, with less judgment applied in arriving at fair values. For financial instruments classified as Level 3, unobservable inputs are used. These require Management to make significant assumptions and judgments in determining fair value measures.

Most IBRD financial instruments are classified as Levels 1 and 2, as the inputs are based on observable market data, with less judgment applied in arriving at fair value measures. Level 3 instruments consist mainly of structured bonds and related swaps held in the borrowing portfolio; they use market observable inputs and such unobservable inputs as correlations and long-dated interest rate volatilities.

The methodology, inputs, and assumptions are reviewed, on a quarterly basis, to assess the appropriateness of the fair value hierarchy classification of each financial instrument.

Some financial instruments are valued using pricing models. The Valuation Control Group, which is independent of treasury and risk management functions, reviews all financial instrument models affecting financial reporting through fair value and assesses model appropriateness and consistency. The review looks at whether the model accurately reflects the characteristics of the transaction and its risks, the suitability and convergence properties of numerical algorithms, the reliability of data sources, the consistency of the treatment with models for similar products, and sensitivity to input parameters and assumptions that cannot be priced from the market.

Reviews are conducted of new and/or changed models, as well as previously validated models, to assess whether any changes in the product or market may have affected the model's continued validity and whether any theoretical or competitive developments may require reassessment of the model's adequacy.

All the financial models used for input to IBRD financial statements are subject to both internal and periodic external verification and review by qualified personnel.

In cases where Management relies on instrument valuations supplied by external pricing vendors, procedures are in place to validate the appropriateness of the models used, as well as the inputs applied in determining those values.

Pension and Other Post-Retirement Benefits

IBRD participates, along with IFC and MIGA, in pension and post-retirement benefit plans that cover most of their staff. All costs, assets, and liabilities associated with the plans are allocated among IBRD, IFC, and MIGA, based on their employees' respective participation in the plans. Costs allocated to IBRD are subsequently shared between it and IDA, based on an agreed cost-sharing ratio. The underlying actuarial assumptions used to determine the projected benefit obligations, accumulated benefit obligations, and funded status associated with these plans are based on financial market interest rates, past experience, and Management's best estimate of future benefit changes and economic conditions (see Notes to Financial Statements: Note J -Pension and Other Post-Retirement Benefits).

SECTION XII: GOVERNANCE AND CONTROL

General Governance

IBRD's decision-making structure consists of the Board of Governors, Executive Directors, and the President, Management and staff. The Board of Governors is the highest decision-making authority. Governors are appointed by their member governments for a five-year term, which is renewable. The Board of Governors may delegate authority to the Executive Directors to exercise any of its powers—except for certain powers enumerated in IBRD's Articles.

Board Membership

In accordance with the Articles, Executive Directors are appointed or elected every two years by their member governments. The Board currently has 25 Executive Directors, who represent all 188 member countries. Executive Directors are neither officers nor staff of IBRD. The President is the only member of the Board from management, and he serves as a non-voting member and as Chairman of the Board.

The Board has established several committees. These include:

- Audit Committee
- Budget Committee
- Committee on Development Effectiveness
- Committee on Governance and Executive Directors' Administrative Matters
- Ethics Committee
- Human Resources Committee

The Board and its committees function in continuous session at the principal IBRD offices in Washington DC, as business requires. Each committee's terms of reference establishes its respective roles and responsibilities. As committees do not vote on issues, their role is primarily to serve the Board in discharging its responsibilities.

The Board is required to consider proposals made by the President on IBRD's loans and guarantees and on other policies that affect its general operations. The Board is also responsible for presenting to the Board of Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report on operations and policies and other matters.

Senior Management Changes

Effective February 17, 2014, Bernard Lauwers became Vice President and WBG Controller, following the retirement of Charles McDonough.

Effective February 17, 2014, Lakshmi Shyam-Sunder became Vice President and WBG Chief Risk Officer, following the retirement of Robert Kopech.

Effective July 30, 2013, Sri Mulyani Indrawati, Managing Director of IBRD, also became Chief Operating Officer.

Audit Committee

Membership

The Audit Committee consists of eight Executive Directors. Membership in the Committee is determined by the Board, based on nominations by the Chairman of the Board, following informal consultation with Executive Directors.

Key Responsibilities

The Audit Committee (Committee) is appointed by the Board to help it oversee and assess IBRD finances and accounting, including the effectiveness of financial policies, the integrity of financial statements, internal controls regarding finance, accounting and ethics (including fraud and corruption), and financial and operational risks. The Committee is also responsible for reviewing the performance and recommending to the Board the appointment of the external auditor—and monitoring the independence of the auditor. The Committee participates in the oversight of the internal audit function and reviews the annual internal audit plan. In carrying out its role, the Committee discusses with management, external auditors, and internal auditors financial issues and policies that affect the IBRD's financial position and capital adequacy. It also reviews with the external auditors the financial statements prior to their publication and recommends the annual audited financial statements for approval to the Board. The Committee monitors and reviews developments in corporate governance and its own role on an ongoing basis. The Committee updated its terms of reference in July 2009.

Executive Sessions

Under the Committee's terms of reference, it may convene in executive session at any time, without Management's presence. The Committee meets separately in executive session with the external and internal auditors.

Access to Resources and to Management

Throughout the year, the Committee receives a large volume of information to enable it to carry out its duties. The Committee meets both formally and informally throughout the year to discuss relevant matters. It has complete access to Management and reviews and discusses with Management topics considered in its terms of reference.

The Committee has the authority to seek advice and assistance from outside legal, accounting, or other advisors as it deems necessary.

Business Conduct

The WBG promotes a positive work environment in which staff members understand their ethical obligations to the institution. The WBG has both an Ethics HelpLine and a Fraud and Corruption hotline. A third-party service offers many methods of worldwide communication. Reporting channels include telephone, mail, email, or confidential submission through a website.

IBRD has in place procedures for receiving, retaining, and handling recommendations and concerns relating to business conduct identified during the accounting, internal control, and auditing processes.

WBG staff rules clarify and codify the staff's obligations in reporting suspected fraud, corruption, or other misconduct that may threaten the operations or governance of the WBG. These rules also offer protection from retaliation.

Auditor Independence

The appointment of the external auditor for IBRD is governed by a set of Board-approved principles. These include:

- Prohibiting the external auditor from providing any non audit-related services;
- Requiring all audit-related services to be pre-approved on a case-by-case basis by the Board, upon recommendation of the Committee; and
- Mandatory rebidding of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter, provided however that the Committee may exceptionally recommend that the incumbent audit firm should be allowed to participate in the re-bidding.

The external auditor is appointed to a five-year term and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board. In FY14, KPMG LLP began a second five-year term as IBRD's external auditor.

Communication between the external auditor and the Committee is ongoing and carried out as often as deemed necessary by either party. The Committee meets periodically with the external auditor and individual committee members have independent access to the auditor. IBRD's auditors also follow the communication requirements, with audit committees set out under generally accepted auditing standards in the United States and in the International Standards of Auditing.

Internal Control

Internal Control Over Financial Reporting

As of June 30 of each fiscal year, Management makes an annual assertion on whether its system of internal control over external financial reporting has met the criteria for effective internal control over external financial reporting, as described in the *1992 Internal Control—Integrated Framework* (1992 Framework) by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Concurrently, IBRD's external auditor provides an attestation report on whether Management's assertion statement regarding the effectiveness of internal control over external financial reporting is fairly stated in all material respects.

For each fiscal year, Management evaluates the quality of internal controls over external financial reporting to determine whether any changes made in these controls during the fiscal year materially affect, or would be reasonably likely to materially affect, IBRD's internal control over external financial reporting. As of June 30, 2014, no such changes had been made.

On May 14, 2013, COSO issued the *2013 Internal Control—Integrated Framework* (2013 Framework). The updated Framework is intended to clarify internal control concepts and simplify their use and application. The 1992 Framework will remain available until December 15, 2014, after which time it will be superseded by the 2013 Framework. IBRD is currently evaluating the updated Framework.

Disclosure Control and Procedures

Disclosure control and procedures are designed to ensure that information required to be disclosed is gathered and communicated to Management as appropriate, to allow timely decisions regarding required disclosure by IBRD. Management conducted an evaluation of the effectiveness of such controls and procedures and the President and the MDCFO have concluded that these controls and procedures were effective as of June 30, 2014.

SECTION XIII: AFFILIATED ORGANIZATIONS—IFC, IDA AND MIGA

IFC helps developing countries achieve sustainable growth by financing private sector investments, mobilizing capital in international financial markets and providing advisory services to businesses and governments. Under its Articles, IBRD is permitted to make loans to IFC without guarantee by a member, subject to the limitation that IBRD may not lend IFC any amount which would increase its total outstanding debt beyond a certain threshold. Of IFC's total outstanding debt at June 30, 2014, $25 million was due to IBRD ($34 million at June 30, 2013) under IFC's Local Currency Borrowing Facility Agreement with IBRD which is capped at $300 million.

In addition, in July 2012, the Board of Executive Directors approved new lending to IFC, not to exceed $197 million, in connection with the release of a member's national currency paid-in capital to IBRD. At June 30, 2014, the balance of this loan was $196 million ($196 million at June 30, 2013).

IDA's purpose is to promote economic development in the less developed areas of the world included in IDA's membership by providing a combination of grants and financing on concessionary terms. IDA is financed by capital subscriptions and contributions from its members and may not borrow from IBRD.

Under a statement of policy of IBRD's Board of Governors, IBRD may make transfers to IDA only out of net income that (a) accrued during the fiscal year in respect of which the transfer is made and (b) is not needed for allocation to reserves or otherwise required to be retained in IBRD's business. Transfers may also be made out of net income previously transferred to surplus, upon the approval of the Board of Governors. In FY 2014, IDA received $621 million from IBRD, resulting in cumulative transfers to IDA of $13.3 billion as of June 30, 2014. For additional information on transfers of IBRD's net income to IDA, see Section II of the MD&A-Allocable Income and Income Allocation and the Notes to Financial Statements—Note G—Retained Earnings, Allocations and Transfers.

MIGA was established to encourage the flow of investments for productive purposes by providing guarantees against noncommercial risks for foreign investment in its developing member countries. IBRD may not lend to MIGA.

During FY 2014, IBRD entered into an exposure exchange agreement with MIGA under which IBRD and MIGA agreed to exchange $120 million each of notional amount of exposures on their respective balance sheets with one another. Under the agreement, MIGA provided a guarantee on one of IBRD's loan principal and interest exposure in exchange for IBRD's guarantee of principal and interest exposure of MIGA under its Non-Honoring of Sovereign Financial Obligation. As of June 30, 2014, liabilities related to IBRD's obligation under this agreement amounted to $3 million.

For details of transactions with affiliated organizations, see the Notes to the Financial Statements—Note H—Transactions with Affiliated Organizations.

SECTION XIV: ADMINISTRATION OF IBRD

IBRD's administration is composed of the Board of Governors, the Executive Directors, the President, other officers, and staff.

All the powers of IBRD are vested in the Board of Governors, which consists of a Governor and an Alternate Governor appointed by each member of IBRD, who exercise the voting power to which that member is entitled. Each member is entitled to 250 votes plus one vote for each share held. The Board of Governors holds regular annual meetings.

There are 25 Executive Directors. Five of these are appointed, one by each of the five members having the largest number of shares of capital stock at the time of such appointment (the United States, Japan, China, Germany, France and the United Kingdom), and 20 are elected by the Governors representing the other members. The Board of Governors has delegated to the Executive Directors authority to exercise all the powers of IBRD except those reserved to the Governors under the Articles. The Executive Directors function as a board, and each Executive Director is entitled to cast the number of votes of the member or members by which such person is appointed or elected.

The following is an alphabetical list of the Executive Directors of IBRD and the member countries by which they were appointed or elected:

Name	*Countries*
Ibrahim M.I. Alturki	Saudi Arabia
Gino Pierre Alzetta	Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, Turkey
Sundaran Annamalai	Brunei Darussalam, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam
Sara M. Aviel (Acting)	United States
Omar Bougara	Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia
Juan Jose Bravo Moises	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Republica Bolivariana de Venezuela
Shixin Chen	China
Piero Cipollone	Albania, Greece, Italy, Malta, Portugal, San Marino, Timor-Leste
Herve De Villeroche	France

Name	*Countries*
Cesar Guido Forcieri	Argentina, Plurinational State of Bolivia, Chile, Paraguay, Peru, Uruguay
Jorg G. Frieden	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan
Vadim Nikolaevich Grishin	Russian Federation
Merza Hussain Hasan	Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Republic of Yemen
Frank Heemskerk	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine
Gwendolen Lucy Hines	United Kingdom
Denny Hamachila Kalyalya	Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
Masahiro Kan	Japan
Agapito Mendes Dias	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Cote d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Sao Tome and Principe, Senegal, Togo
Ursula Mueller	Germany
Mansur Muhtar	Angola, Nigeria, South Africa
Mukesh Nandan Prasad	Bangladesh, Bhutan, India, Sri Lanka
Satu-Leena Santala	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden
Alister Smith	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Roberto B. Tan	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Panama, Philippines, Suriname, Trinidad and Tobago
Michael Thomas Willcock	Australia, Cambodia, Kiribati, Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, Vanuatu

The President is selected by the Executive Directors. Subject to their direction on questions of policy, the President is responsible for the conduct of the ordinary business of IBRD and for the organization, appointment, and dismissal of its officers and staff.

The following is a list of the principal officers of the Bank:

President	Jim Yong Kim
Managing Director and Chief Operating Officer	Sri Mulyani Indrawati
Managing Director and WBG Chief Financial Officer	Bertrand Badré
Corporate Secretary and President's Special Envoy	Mahmoud Mohieldin
Senior Vice President and Chief Economist	Kaushik Basu
Director-General and Senior Vice President, WBG Independent Evaluation Group	Caroline Heider
Senior Vice President and WBG General Counsel	Anne-Marie Leroy
Vice President, Budget, Performance Review and Strategic Planning	Pedro Alba
Vice President, Middle East and North Africa Region	Inger Andersen
Vice President and Treasurer	Madelyn Antoncic
Vice President, Latin America and the Caribbean Region	Jorge Familiar Calderon
Vice President, Africa Region	Makhtar Diop
Vice President, WBG Global Practices	Keith Hansen
Vice President and WBG Special Envoy For Climate Change	Rachel Kyte
Vice President and WBG Controller	Bernard Lauwers
Vice President, South Asia Region	Philippe Le Houerou
Vice President, WBG Integrity	Leonard F. McCarthy
Vice President, WBG Human Resources	Sean McGrath
Vice President, WBG External and Corporate Relations	Cyril Muller
Vice President and Auditor General	Hiroshi Naka
Vice President, Operations Policy and Country Services	Kyle Peters
Vice President, Leadership, Learning and Innovation	Sanjay Pradhan
Vice President and WBG Chief Risk Officer	Lakshmi Shyam-Sunder
Vice President, WBG Global Practices	Snezana Stoiljkovic
Vice President, Europe and Central Asia Region	Laura Tuck
Vice President, East Asia and Pacific Region	Axel van Trotsenburg
Vice President, Development Finance	Joachim von Amsberg
Vice President, WBG Chief Information Officer, Information and Technology Solutions	Stephanie von Friedeburg
Vice President and Chief Ethics Officer	Xian Zhu

SECTION XV: THE ARTICLES OF AGREEMENT

The Articles constitute IBRD's governing charter. They establish the status, privileges and immunities of IBRD, prescribe IBRD's purposes, capital structure and organization, authorize the operations in which it may engage and impose limitations on the conduct of those operations. The Articles also contain, among other things, provisions with respect to the admission of additional members, the increase of the authorized capital stock of IBRD, the terms and conditions under which IBRD may make or guarantee loans, the use of currencies held by IBRD, the distribution of net income of IBRD to its members, the withdrawal and suspension of members, and the suspension of operations of IBRD.

The Articles provide that they may be amended (except for certain provisions the amendment of which requires acceptance by all members) by consent of three-fifths of the members having 85% of the total voting power. The Articles further provide that questions of interpretation of provisions of the Articles arising between any member and IBRD or between members of IBRD shall be decided by the Executive Directors. Their decisions may be referred by any member to the Board of Governors, whose decision is final. Pending the result of such reference, IBRD may act on the basis of the decision of the Executive Directors.

The Articles and the decisions made by the Executive Directors on questions of interpretation may be obtained from IBRD.

SECTION XVI: LEGAL STATUS, PRIVILEGES AND IMMUNITIES

The Articles contain provisions which accord to IBRD, in the territories of each of its members, legal status and certain privileges and immunities. The following is a summary of the more important of these provisions.

IBRD has full juridical personality with capacity to make contracts, to acquire and dispose of property and to sue and be sued. Actions may be brought against IBRD in a court of competent jurisdiction in territories of any member in which IBRD has an office, has appointed an agent for accepting service or notice of process or has issued or guaranteed securities, but no actions against IBRD may be brought by its members or persons acting for or deriving claims from its members.

The Governors and Executive Directors, and their Alternates, and the officers and employees of IBRD are immune from legal process for acts performed by them in their official capacity, except when IBRD waives such immunity.

The archives of IBRD are inviolable. The assets of IBRD are immune from seizure, attachment or execution prior to delivery of final judgment against IBRD.

IBRD, its assets, property and income, and its operations and transactions authorized by the Articles, are immune from all taxation and from all customs duties. IBRD is also immune from liability for the collection or payment of any tax or duty.

The securities issued by IBRD and the interest thereon are not exempt from taxation generally.

Under the Articles, securities issued by IBRD and the interest thereon are not subject to any tax by a member (a) which tax discriminates against such securities solely because they are issued by IBRD, or (b) if the sole jurisdictional basis for the tax is the place or currency in which such securities are issued, made payable or paid, or the location of any office or place of business maintained by IBRD. Also, under the Articles, IBRD is not under any obligation to withhold or pay any tax on any interest on such securities.

SECTION XVII: FISCAL YEAR, ANNOUNCEMENTS, AND ALLOCATION OF NET INCOME

FISCAL YEAR

IBRD's fiscal year runs from July 1 to June 30.

ANNOUNCEMENTS

Pursuant to the Articles, IBRD published an annual report containing its audited financial statements and distributed quarterly financial statements to its members.

ALLOCATION OF NET INCOME

The Board of Governors determines annually what part of IBRD's net income, after making provisions for reserves, shall be allocated to surplus and what part, if any, shall be distributed. Since its inception, IBRD has neither declared nor paid any dividend to its member countries. However, IBRD has periodically transferred a portion of its net income to IDA or to other uses that promote the purpose of IBRD (see Section II of the MD&A-Allocable Income and Income Allocation and the Notes to Financial Statements—Note G—Retained Earnings, Allocations and Transfers).

SECTION XVIII: AUDIT FEES

For FY 2014 and FY 2013, KPMG LLP (KPMG) served as IBRD's independent external auditors. The aggregate fees for professional services rendered for IBRD and IDA by KPMG for FY 2014 and FY 2013 are as follows: $2.6 million for audit services ($2.5 million – FY 2013), and $0.3 million for audit-related services ($0.1 million – FY 2013). Audit related services include accounting consultations concerning financial accounting and reporting standards. No tax services were provided in FY 2014 and 2013. IBRD records its share of these fees as part of administrative expenses based on an agreed cost sharing formula. (See the Notes to the Financial Statements—Note H—Transactions with Affiliated Organizations, for a description of the allocation of administrative expenses between IBRD and IDA.)

The external auditor is appointed to a five-year term of service and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board of Executive Directors. In FY 2014, KPMG began a second five-year term as IBRD's external auditor.

See the Governance section of this Information Statement for additional discussion of auditor independence issues.

SECTION XIX: GLOSSARY OF TERMS

Asset-backed Securities: Asset-backed securities are instruments whose cash flow is based on a pool of underlying assets.

Available-for-Sale (AFS) Securities: Investments not classified as either trading securities or as held-to-maturity securities. Investments in debt securities are classified as held-to-maturity only if there is intent and ability to hold these securities to maturity.

Board: The Board of Executive Directors

Capital Adequacy: A measure of IBRD's ability to withstand unexpected shocks and is based on the amount of IBRD's usable equity expressed as a percentage of its loans and other related exposures.

Committee of Sponsoring Organizations of the Treadway Commission (COSO): Formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the causal factors that can lead to fraudulent financial reporting. In 1992, COSO issued its Internal Control-Integrated Framework, which provided a common definition of internal control and guidance on judging its effectiveness.

Consultative Loss Limit: Reflects a level of IBRD tolerance for risk of underperforming the benchmark in any fiscal year.

Credit Default Swaps (CDS): A derivative contract that provides protection against deteriorating credit quality and allows one party to receive payment in the event of a default or specified credit event by a third party.

Currency Swaps (including Currency Forward Contracts): Currency swaps are agreements between two parties to exchange cash flows denominated in different currencies at one or more certain times in the future. The cash flows are based on a predetermined formula reflecting rates of interest and an exchange of principal.

Duration: Provides an indication of the interest rate sensitivity of a fixed income security to changes in its underlying yield.

Equity-to-Loans Ratio: This ratio is the sum of usable paid-in capital plus the special and general reserves, cumulative translation adjustment (excluding amounts associated with unrealized gain/loss on non-trading portfolios, net), the proposed transfer from unallocated net income to general reserves (where there are firm estimates available), net underfunded status of IBRD's pension plans, and income earned on PEBP assets, divided by the sum of loans outstanding, the present value of guarantees, effective but undisbursed DDOs, net of the accumulated provision for losses on loans and other exposures, and deferred loan income.

Forward Starting Swaps: An agreement under which the cash flow exchanges of the underlying interest rate swaps would begin to take effect from a specified future date.

Futures: Contracts for delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Futures contracts are traded on U.S. and international regulated exchanges.

Government and Agency Obligations: These include marketable bonds, notes and other obligations issued by governments.

Interest Margin: The spread between loan returns and associated debt cost.

Interest Rate Cap: An option that provides a payoff when a specified interest rate is above a certain level.

Interest Rate Collar: A combination of an interest-rate cap and an interest rate floor. An interest rate floor is an option that provides a payoff when an interest rate is below a certain level.

Interest Rate Swaps: Agreements involving the exchange of periodic interest payments of differing character, based on an underlying notional principal amount for a specified time.

Maintenance of Value: Subscription from members required for the maintenance of the value, from the time of subscription. Additional payments to (or from) IBRD are required in the event the par value of the currency is reduced (or increased) to a significant extent.

Net Loan Disbursements: Loan disbursements net of repayments and prepayments.

Options: Contracts that allow the holder of the option the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified period of time from or to the seller of the option. The purchaser of an option pays a premium at the outset to the seller of the option, who then bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Prudential Minimum: The minimum amount of liquidity that IBRD is required to hold. The amount is equal to the highest consecutive six months of projected debt service obligations plus one-half of projected net disbursements on approved loans (if positive) for the relevant fiscal year.

Strategic Capital Adequacy Framework: Evaluates IBRD's capital adequacy as measured by stress tests and an appropriate long term equity-to-loans ratio range. The equity-to-loans ratio range provides a background framework in the context of annual net income allocation decisions, as well as in the assessment of the initiatives for the use of capital. The framework has been approved by the Board.

Statutory Lending Limit: Under IBRD's Articles, as applied, the total amount outstanding of loans, participations in loans, and callable guarantees may not exceed the sum of subscribed capital, reserves and surplus.

Swaptions: An option that gives the holder the right to enter into an Interest Rate Swap or Currency Swap at a future date.

Time Deposits: These include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks and other financial institutions.

Trading Securities: Securities acquired with the intent of selling in the near-term. An investment security expected to be sold in the near term and held for only a short period of time. Classification of a security as trading is not precluded simply because the entity does not intend to sell it in the near term.

World Bank Group (WBG): The World Bank Group consists of the IBRD, IDA, IFC, MIGA, and the International Centre for Settlement of Investment Disputes (ICSID).

Abbreviations and Acronyms

AMC: Advance Market Commitment for Vaccines against Pneumococcal Diseases

AOCI: Accumulated Other Comprehensive Income

CRO: Chief Risk Officer

DTCs: Developing and transitional countries

EDF: Expected default frequency

FASB: Financial Accounting Standards Board

GCI: General Capital Increase

IBRD: International Bank for Reconstruction and Development

IDA: International Development Association

IFC: International Finance Corporation

IFFIm: International Finance Facility for Immunization

IFLs: IBRD Flexible Loans

LIBOR: London Interbank Offered Rate

MDCFO: Managing Director and World Bank Group Chief Financial Officer

MIGA: Multilateral Investment Guarantee Agency

NCPIC: National Currency Paid-in Capital

OTTI: Other-Than-Temporary Impairment

PCRF: Post Retirement Contribution Reserve Fund

PEBP: Post-Employment Benefit Plan

SCI: Selective Capital Increase

International Bank for Reconstruction and Development

Financial Statements and Internal Control Reports June 30, 2014

Management's Financial Reporting Assurance

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

Management's Financial Reporting Assurance

August 7, 2014

Audit Committee of the Board of Executive Directors
International Bank for Reconstruction and Development

We have reviewed the financial statements for the period ending on June 30, 2014, and the accompanying management's discussion and analysis of the International Bank for Reconstruction and Development (IBRD) (collectively, the "Reports"). Based on our knowledge, the Reports do not (1) contain any untrue statement of a material fact, or (2) omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Reports.

Based on our knowledge, the financial statements and other financial information included in the Reports fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows of IBRD for the periods presented in the Reports.

Management is responsible for establishing and maintaining internal controls and procedures over external financial reporting for IBRD. As part of carrying out these responsibilities, Management has:

- designed internal controls and procedures to ensure that material information required to meet the accuracy and completeness standards set forth above with regard to the Reports is recorded, processed, summarized and reported in a timely manner, as well as to ensure that such information is accumulated and communicated to Management as appropriate to allow timely decisions regarding required disclosure; and
- designed internal control over external financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management has evaluated the effectiveness of IBRD's internal controls and procedures as of the date of the Reports; and presented in management's discussion and analysis its conclusions about the effectiveness of such controls and procedures, as of the end of the period covered by the Reports, based on such evaluation. Management has disclosed in the Reports any change in IBRD's internal control over external financial reporting that occurred during the period covered by the Reports that has materially affected, or is reasonably likely to materially affect, IBRD's internal control over external financial reporting.

Further, Management has disclosed, based on its most recent evaluation of internal control over external financial reporting, to IBRD's external auditors and the Audit Committee of IBRD's Board of Executive Directors:

- all significant deficiencies in the design or operation of internal control over external financial reporting which are reasonably likely to adversely affect IBRD's ability to record, process, summarize, and report financial information; and
- any fraud, whether or not material, that involves Management or other employees who have a significant role in IBRD's internal control over external financial reporting.

Jim Yong Kim
President

Bertrand Badré
Managing Director and World Bank
Group Chief Financial Officer

Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

Management's Report Regarding Effectiveness of Internal
Control Over External Financial Reporting

August 7, 2014

The management of the International Bank for Reconstruction and Development (IBRD) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of IBRD's financial statements and attestation of its internal control over external financial reporting was valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over external financial reporting, which is subject to scrutiny by management and the internal auditors, and is revised as considered necessary, supports the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

IBRD assessed its internal control over external financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2014. This assessment was based on the criteria for effective internal control over external financial reporting described in the *1992 Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IBRD maintained effective internal control over external financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2014. The independent audit firm that audited the financial statements has issued an attestation report on management's assertion on IBRD's internal control over external financial reporting.

August 7, 2014

The Executive Directors of IBRD have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IBRD. The Audit Committee is comprised entirely of Executive Directors who are independent of IBRD's management. The Audit Committee is responsible for recommending to the Executive Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of IBRD in addition to reviewing IBRD's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

Jim Yong Kim
President

Bertrand Badré
Managing Director and World Bank Group Chief Financial Officer

Bernard Lauwers
Vice President and World Bank Group Controller

Independent Auditors' Report on Management's Assertion Regarding Effectiveness of Internal Control Over Financial Reporting

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Executive Directors
International Bank for Reconstruction and Development:

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the International Bank for Reconstruction and Development (IBRD) maintained effective internal control over financial reporting as of June 30, 2014, based on criteria established in the *1992 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IBRD's management is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that IBRD maintained effective internal control over financial reporting as of June 30, 2014 is fairly stated, in all material respects, based on criteria established in the *1992 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the accompanying financial statements of IBRD, which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of income, comprehensive income, changes in retained earnings and cash flows for each of the years in the three-year period ended June 30, 2014, and our report dated August 7, 2014 expressed an unqualified opinion on those financial statements.

KPMG LLP

Washington, D.C.
August 7, 2014

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Executive Directors
International Bank for Reconstruction and Development:

Report on the Financial Statements

We have audited the accompanying financial statements of the International Bank for Reconstruction and Development (IBRD), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of income, comprehensive income, changes in retained earnings and cash flows for each of the years in the three-year period ended June 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IBRD as of June 30, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summary statement of loans and the statement of subscriptions to capital stock and voting power as of June 30, 2014 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting,* that IBRD maintained effective internal control over financial reporting as of June 30, 2014, based on criteria established in the *1992 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 7, 2014 expressed an unqualified opinion on management's assertion.

KPMG LLP

Washington, D.C.
August 7, 2014

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

Balance Sheet

June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2014	2013
Assets		
Due from Banks		
Unrestricted cash	$ 3,606	$ 4,555
Restricted cash	95	208
	3,701	4,763
Investments		
Trading (including securities transferred under repurchase or securities lending agreements of $155 million—June 30, 2014; $123 million—June 30, 2013)—Note C	42,412	32,594
Available for sale (AFS) (including securities transferred under repurchase or securities lending agreements of $2,538 million—June 30, 2013)—Note C	—	2,570
	42,412	35,164
Securities Purchased Under Resale Agreements—Note C	3,070	1,710
Derivative Assets		
Investments—Notes C, F and L	13,514	14,550
Client operations—Notes F, H and L	36,517	23,907
Borrowings—Notes E, F and L	101,934	96,956
Others—Notes F and L	2,105	3,433
	154,070	138,846
Other Receivables		
Receivable from investment securities traded—Note C	47	73
Accrued income on loans	510	505
	557	578
Loans Outstanding (Summary Statement of Loans, Notes D, H and L)		
Total loans	212,470	205,082
Less undisbursed balance	58,449	61,306
Loans outstanding (including loans at fair value of $141 million—June 30, 2014; $148 million—June 30, 2013)	154,021	143,776
Less:		
Accumulated provision for loan losses	1,626	1,659
Deferred loan income	417	425
Net loans outstanding	151,978	141,692
Other Assets		
Premises and equipment, net	1,010	969
Miscellaneous—Notes H and I	2,085	1,879
	3,095	2,848
Total Assets	$358,883	$325,601

Balance Sheet

June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2014	2013
Liabilities		
Borrowings—Note E	$161,026	$142,406
Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received—Note C	3,390	7,028
Derivative Liabilities		
Investments—Notes C, F and L	13,820	14,783
Client operations—Notes F, H and L	36,539	23,887
Borrowings—Notes E, F and L	95,700	91,558
Others—Notes F and L	826	903
	146,885	131,131
Payable to Maintain Value of Currency Holdings on Account of Subscribed Capital	11	6
Other Liabilities		
Payable for investment securities purchased—Note C	2,553	137
Payable for Board of Governors-approved transfers—Note G	—	55
Liabilities under retirement benefits plans—Notes J and K	2,747	2,094
Accounts payable and miscellaneous liabilities—Notes D, H and I	3,286	3,221
	8,586	5,507
Total Liabilities	319,898	286,078
Equity		
Capital Stock (Statement of Subscriptions to Capital Stock and Voting Power, Note B)		
Authorized capital (2,307,600 shares—June 30, 2014, and June 30, 2013) Subscribed capital (1,929,711 shares—June 30, 2014, and 1,850,047 shares— June 30, 2013)	232,791	223,181
Less uncalled portion of subscriptions	218,786	209,747
Paid-in capital	14,005	13,434
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital	(406)	(456)
Receivable Amounts to Maintain Value of Currency Holdings—Note B	(221)	(201)
Deferred Amounts to Maintain Value of Currency Holdings—Note B	382	402
Retained Earnings (Statement of Changes in Retained Earnings, Note G)	28,287	29,265
Accumulated Other Comprehensive Loss—Note K	(3,062)	(2,921)
Total Equity	38,985	39,523
Total Liabilities and Equity	$358,883	$325,601

The Notes to Financial Statements are an integral part of these Statements.

Statement of Income

For the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012
Expressed in millions of U.S. dollars

	2014	*2013*	*2012*
Revenue			
Loans, net—Notes D and L			
Interest, net	$2,133	$ 2,359	$2,572
Commitment charges	19	21	13
Unrealized (losses) gains	(2)	4	(1)
Investments, net—Trading—Notes C and F	78	241	214
Equity management, net—Notes C, F and L			
Interest, net	1,119	1,107	1,095
Unrealized (losses) gains, net (includes $160 million of other-than-temporary impairment (OTTI) loss on AFS, for the year ended June 30, 2013)	(994)	(1,538)	1,521
Other, net—Notes H, I and L	598	572	412
(including net unrealized gains (losses) of: $2 million, $55 million and $(82) million—years ended June 30, 2014, 2013 and 2012, respectively)			
Total revenue	2,951	2,766	5,826
Expenses			
Borrowings, net—Notes E, F and L			
Interest, net	1,294	1,483	1,652
Unrealized losses (gains), net	36	(1,484)	2,247
Administrative—Notes H, I, and J	1,821	1,761	1,631
Contributions to special programs	162	147	133
Provision for losses on loans and other exposures, (release) charge—Note D	(60)	(22)	189
Board of Governors-approved transfers—Note G	676	663	650
Total expenses	3,929	2,548	6,502
Net (loss) income	$ (978)	$ 218	$ (676)

The Notes to Financial Statements are an integral part of these Statements.

Statement of Comprehensive Income

For the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012
Expressed in millions of U.S. dollars

	2014	2013	2012
Net (loss) income	$ (978)	$ 218	$ (676)
Other comprehensive income (loss)—Note K			
Reclassification to net income:			
Derivatives and hedging transition adjustment	2	3	5
Net actuarial (losses) gains on benefit plans	(424)	1,105	(2,158)
Prior service (cost) credit on benefit plans, net	(39)	4	(141)
Currency translation adjustments	320	384	(704)
Total other comprehensive (loss) income	(141)	1,496	(2,998)
Comprehensive (loss) income	$(1,119)	$1,714	$(3,674)

Statement of Changes in Retained Earnings

For the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012
Expressed in millions of U.S. dollars

	2014	2013	2012
Retained earnings at beginning of the fiscal year	$29,265	$29,047	$29,723
Net (loss) income for the fiscal year	(978)	218	(676)
Retained earnings at end of the fiscal year	$28,287	$29,265	$29,047

The Notes to Financial Statements are an integral part of these Statements.

Statement of Cash Flows

For the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012

Expressed in millions of U.S. dollars

	2014	*2013*	*2012*
Cash flows from investing activities			
Loans			
Disbursements	$(18,738)	$(16,002)	$(19,733)
Principal repayments	9,681	9,053	9,246
Principal prepayments	132	425	2,733
Loan origination fees received	23	23	22
Sales (purchases) of AFS securities	2,484	(2,724)	—
Other investing activities, net	(124)	(108)	(116)
Net cash used in investing activities	(6,542)	(9,333)	(7,848)
Cash flows from financing activities			
Medium and long-term borrowings			
New issues	50,588	26,586	44,351
Retirements	(35,532)	(31,335)	(26,778)
Net short-term borrowings	(1,656)	8,395	(7,659)
Net derivatives-borrowings	(33)	1,895	604
Capital subscriptions	571	1,016	690
Other capital transactions, net	83	336	215
Net cash provided by financing activities	14,021	6,893	11,423
Cash flows from operating activities			
Net (loss) income	(978)	218	(676)
Adjustment to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Unrealized losses (gains) on non-trading portfolios, net	1,030	(5)	809
Change in fair value of AFS securities sold	80	—	—
Depreciation, amortization and other non-cash items	766	809	880
Provision for losses on loans and other exposures, (release) charge	(60)	(22)	189
Changes in:			
Investments-Trading, net	(9,148)	256	(2,288)
Net investment securities traded/purchased	2,227	194	(1,119)
Net derivatives-Investments	(558)	663	490
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(2,558)	(718)	1,341
Accrued income on loans	97	96	(47)
Miscellaneous assets	219	(167)	299
Payable for transfers approved by Board of Governors	(55)	55	—
Accrued interest on borrowings	(19)	(182)	(7)
Accounts payable and miscellaneous liabilities	420	109	(76)
Net cash (used in) provided by operating activities	(8,537)	1,306	(205)
Effect of exchange rate changes on unrestricted cash	109	7	—
Net (decrease) increase in unrestricted cash	(949)	(1,127)	3,370
Unrestricted cash at beginning of the fiscal year	4,555	5,682	2,312
Unrestricted cash at end of the fiscal year	$ 3,606	$ 4,555	$ 5,682
Supplemental disclosure			
Increase (Decrease) in ending balances resulting from exchange rate fluctuations			
Loans outstanding	$ 1,294	$ 888	$ (3,939)
Investment portfolio	61	(91)	(169)
Borrowing portfolio	975	536	(3,095)
Capitalized loan origination fees included in total loans	23	28	44
Interest paid on borrowings	244	636	646

The Notes to Financial Statements are an integral part of these Statements.

Summary Statement of Loans

June 30, 2014

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Loans approved but not yet effective*[a]	*Undisbursed balance of effective loans*[b]	*Loans Outstanding*	*Percentage of total loans outstanding*[c]
Albania	$ 488	$ 218	$ 187	$ 83	0.05%
Algeria	2	—	—	2	*
Antigua and Barbuda	10	—	8	2	*
Argentina	8,090	—	2,191	5,899	3.83
Armenia	470	38	112	320	0.21
Azerbaijan	2,134	34	971	1,129	0.73
Barbados	39	—	6	33	0.02
Belarus	937	180	183	574	0.37
Belize	19	—	7	12	0.01
Bolivia	*	—	—	*	*
Bosnia and Herzegovina	585	—	125	460	0.30
Botswana	370	—	251	119	0.08
Brazil	19,800	887	4,947	13,966	9.07
Bulgaria	1,258	—	118	1,140	0.74
Cabo Verde, Republic of	54	—	30	24	0.02
Cameroon	5	—	—	5	*
Chile	132	—	27	105	0.07
China	19,887	1,195	5,907	12,785	8.30
Colombia	8,696	200	1,004	7,492	4.86
Costa Rica	891	—	293	598	0.39
Croatia	2,228	307	310	1,611	1.05
Dominica	*	—	—	*	*
Dominican Republic	970	—	82	888	0.58
Ecuador	507	305	1	201	0.13
Egypt, Arab Republic of	6,849	300	2,983	3,566	2.32
El Salvador	1,123	—	175	948	0.62
Estonia	2	—	—	2	*
Gabon	105	18	52	35	0.02
Georgia	608	130	77	401	0.26
Grenada	9	—	—	9	0.01
Guatemala	1,933	340	76	1,517	0.98
Hungary	2	—	—	2	*
India	20,595	1,800	6,820	11,975	7.78
Indonesia	16,561	—	4,948	11,613	7.54
Iran, Islamic Republic of	560	—	—	560	0.36
Iraq	605	355	—	250	0.16
Jamaica	878	42	74	762	0.49
Jordan	1,472	—	79	1,393	0.90
Kazakhstan	4,925	139	1,712	3,074	2.00
Kosovo	270	—	—	270	0.18
Latvia	547	—	—	547	0.36
Lebanon	539	99	252	188	0.12
Lithuania	9	—	—	9	0.01
Macedonia, former Yugoslav Republic of	593	49	131	413	0.27
Mauritius	342	—	4	338	0.22

Summary Statement of Loans (Continued)

June 30, 2014

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Loans approved but not yet effective*[a]	*Undisbursed balance of effective loans*[b]	*Loans Outstanding*	*Percentage of total loans outstanding*[c]
Mexico	$ 16,004	$ 356	$ 738	$ 14,910	9.68
Moldova	37	—	—	37	0.02
Montenegro	344	—	29	315	0.20
Morocco	5,371	550	693	4,128	2.68
Pakistan	1,973	—	606	1,367	0.89
Panama	936	—	158	778	0.51
Papua New Guinea	93	—	—	93	0.06
Paraguay	622	100	169	353	0.23
Peru	3,338	195	1,249	1,894	1.23
Philippines	5,499	—	1,804	3,695	2.40
Poland	7,991	—	95	7,896	5.13
Romania	6,647	1,365	550	4,732	3.07
Russian Federation	1,421	—	404	1,017	0.66
Serbia	2,537	339	239	1,959	1.27%
Seychelles	32	—	—	32	0.02
Slovak Republic	60	—	—	60	0.04
Slovenia	*	—	—	*	*
South Africa	3,712	—	2,201	1,511	0.98
Sri Lanka	315	102	160	53	0.03
St. Kitts and Nevis	4	—	—	4	*
St. Lucia	12	—	—	12	0.01
St. Vincent and the Grenadines	5	—	—	5	*
Swaziland	48	—	40	8	*
Thailand	1,049	—	—	1,049	0.68
Timor-Leste	15	—	15	—	*
Trinidad and Tobago	9	—	—	9	0.01
Tunisia	2,651	422	175	2,054	1.33
Turkey	15,115	297	1,178	13,640	8.86
Turkmenistan	5	—	—	5	*
Ukraine	5,489	632	761	4,096	2.66
Uruguay	1,702	—	705	997	0.65
Uzbekistan	584	168	235	181	0.12
Vietnam	2,068	200	740	1,128	0.73
Zimbabwe	462	—	—	462	0.30
Subtotal	**$212,249**	**$11,362**	**$47,087**	**$153,800**	**99.86%**
International Finance Corporation	221	—	—	221	0.14%
Total—June 30, 2014	**$212,470**	**$11,362**	**$47,087**	**$154,021**	**100.00%**
Total—June 30, 2013	**$205,082**	**$10,980**	**$50,326**	**$143,776**	

* Indicates amount less than 0.005 percent

Summary Statement of Loans (Continued)

June 30, 2014

Expressed in millions of U.S. dollars

Notes

a. Loans totaling \$5,403 million (\$6,572 million—June 30, 2013) have been approved by IBRD, but the related agreements have not been signed. Loan agreements totaling \$5,959 million (\$4,408 million—June 30, 2013) have been signed, but the loans are not effective and disbursements do not start until the borrowers and/or guarantors take certain actions and furnish documents to IBRD.

b. Of the undisbursed balance, IBRD has entered into irrevocable commitments to disburse \$127 million (\$80 million—June 30, 2013).

c. May differ from the sum of individual figures shown due to rounding.

The Notes to Financial Statements are an integral part of these Statements

Statement of Subscriptions to Capital Stock and Voting Power

June 30, 2014

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total[b]*	*Total amounts*	*Amounts paid in[a]*	*Amounts subject to call[a,b]*	*Number of votes*	*Percentage of total[b]*
Afghanistan	300	0.02%	$ 36.2	$ 3.6	$ 32.6	903	0.04%
Albania	830	0.04	100.1	3.6	96.5	1,433	0.07
Algeria	10,611	0.55	1,280.1	76.9	1,203.2	11,214	0.55
Angola	2,676	0.14	322.8	17.5	305.3	3,279	0.16
Antigua and Barbuda	520	0.03	62.7	1.3	61.4	1,123	0.05
Argentina	18,180	0.94	2,193.1	132.2	2,060.9	18,783	0.92
Armenia	1,139	0.06	137.4	5.9	131.5	1,742	0.09
Australia[c]	28,927	1.50	3,489.6	214.1	3,275.5	29,530	1.45
Austria[c]	13,262	0.69	1,599.9	96.6	1,503.3	13,865	0.68
Azerbaijan	1,646	0.09	198.6	9.7	188.9	2,249	0.11
Bahamas, The	1,071	0.06	129.2	5.4	123.8	1,674	0.08
Bahrain	1,103	0.06	133.1	5.7	127.4	1,706	0.08
Bangladesh	4,854	0.25	585.6	33.9	551.7	5,457	0.27
Barbados	948	0.05	114.4	4.5	109.9	1,551	0.08
Belarus	3,903	0.20	470.8	26.5	444.3	4,506	0.22
Belgium[c]	32,414	1.68	3,910.3	240.6	3,669.7	33,017	1.62
Belize	586	0.03	70.7	1.8	68.9	1,189	0.06
Benin	868	0.04	104.7	3.9	100.8	1,471	0.07
Bhutan	565	0.03	68.2	1.2	67.0	1,168	0.06
Bolivia, Plurinational State of	1,785	0.09	215.3	10.8	204.5	2,388	0.12
Bosnia and Herzegovina	549	0.03	66.2	5.8	60.4	1,152	0.06
Botswana	615	0.03	74.2	2.0	72.2	1,218	0.06
Brazil	34,022	1.76	4,104.2	245.7	3,858.5	34,625	1.69
Brunei Darussalam	2,373	0.12	286.3	15.2	271.1	2,976	0.15
Bulgaria	5,215	0.27	629.1	36.5	592.6	5,818	0.28
Burkina Faso	868	0.04	104.7	3.9	100.8	1,471	0.07
Burundi	716	0.04	86.4	3.0	83.4	1,319	0.06
Cabo Verde, Republic of	508	0.03	61.3	1.2	60.1	1,111	0.05
Cambodia	214	0.01	25.8	2.6	23.2	817	0.04
Cameroon	1,527	0.08	184.2	9.0	175.2	2,130	0.10
Canada[c]	58,354	3.02	7,039.5	433.1	6,606.4	58,957	2.89
Central African Republic	862	0.04	104.0	3.9	100.1	1,465	0.07
Chad	862	0.04	104.0	3.9	100.1	1,465	0.07
Chile	8,259	0.43	996.3	59.2	937.1	8,862	0.43
China	106,594	5.52	12,859.0	774.8	12,084.2	107,197	5.25
Colombia	9,730	0.50	1,173.8	69.7	1,104.1	10,333	0.51
Comoros	282	0.01	34.0	0.3	33.7	885	0.04
Congo, Democratic Republic of	2,643	0.14	318.8	25.4	293.4	3,246	0.16
Congo, Republic of	927	0.05	111.8	4.3	107.5	1,530	0.07
Costa Rica	233	0.01	28.1	1.9	26.2	836	0.04
Cote d'Ivoire	3,012	0.16	363.4	18.2	345.2	3,615	0.18
Croatia	2,662	0.14	321.1	20.0	301.1	3,265	0.16
Cyprus	1,461	0.08	176.2	8.4	167.8	2,064	0.10
Czech Republic[c]	7,441	0.39	897.6	54.1	843.5	8,044	0.39
Denmark[c]	17,796	0.92	2,146.8	129.2	2,017.6	18,399	0.90
Djibouti	559	0.03	67.4	1.6	65.8	1,162	0.06
Dominica	504	0.03	60.8	1.1	59.7	1,107	0.05
Dominican Republic	2,092	0.11	252.4	13.1	239.3	2,695	0.13
Ecuador	2,771	0.14	334.3	18.2	316.1	3,374	0.17
Egypt, Arab Republic of	8,896	0.46	1,073.2	63.9	1,009.3	9,499	0.46

Statement of Subscriptions to Capital Stock and Voting Power (Continued)

June 30, 2014

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total*[b]	*Total amounts*	*Amounts paid in*[a]	*Amounts subject to call*[a,b]	*Number of votes*	*Percentage of total*[b]
El Salvador	141	0.01%	$ 17.0	$ 1.7	$ 15.3	744	0.04%
Equatorial Guinea	715	0.04	86.3	2.7	83.6	1,318	0.06
Eritrea	593	0.03	71.5	1.8	69.7	1,196	0.06
Estonia	985	0.05	118.8	4.7	114.1	1,588	0.08
Ethiopia	978	0.05	118.0	4.7	113.3	1,581	0.08
Fiji	987	0.05	119.1	4.8	114.3	1,590	0.08
Finland[c]	10,357	0.54	1,249.4	74.9	1,174.5	10,960	0.54
France[c]	82,292	4.26	9,927.3	613.7	9,313.6	82,895	4.06
Gabon	987	0.05	119.1	5.1	114.0	1,590	0.08
Gambia, The	543	0.03	65.5	1.5	64.0	1,146	0.06
Georgia	1,584	0.08	191.1	9.3	181.8	2,187	0.11
Germany[c]	92,501	4.79	11,158.9	688.4	10,470.5	93,104	4.56
Ghana	1,525	0.08	184.0	12.7	171.3	2,128	0.10
Greece[c]	1,684	0.09	203.1	14.1	189.0	2,287	0.11
Grenada	531	0.03	64.1	1.4	62.7	1,134	0.06
Guatemala	2,001	0.10	241.4	12.4	229.0	2,604	0.13
Guinea	1,292	0.07	155.9	7.1	148.8	1,895	0.09
Guinea-Bissau	540	0.03	65.1	1.4	63.7	1,143	0.06
Guyana	1,058	0.05	127.6	5.3	122.3	1,661	0.08
Haiti	1,067	0.06	128.7	5.4	123.3	1,670	0.08
Honduras	641	0.03	77.3	2.3	75.0	1,244	0.06
Hungary	9,415	0.49	1,135.8	67.9	1,067.9	10,018	0.49
Iceland[c]	1,258	0.07	151.8	6.8	145.0	1,861	0.09
India	61,890	3.21	7,466.1	450.0	7,016.1	62,493	3.06
Indonesia	18,658	0.97	2,250.8	135.6	2,115.2	19,261	0.94
Iran, Islamic Republic of	31,205	1.62	3,764.4	227.1	3,537.3	31,808	1.56
Iraq	2,808	0.15	338.7	27.1	311.6	3,411	0.17
Ireland[c]	6,404	0.33	772.5	45.3	727.2	7,007	0.34
Israel	6,019	0.31	726.1	42.4	683.7	6,622	0.32
Italy[c]	50,952	2.64	6,146.6	379.4	5,767.2	51,555	2.52
Jamaica	2,715	0.14	327.5	17.8	309.7	3,318	0.16
Japan[c]	165,444	8.57	19,958.3	1,222.2	18,736.1	166,047	8.13
Jordan	1,388	0.07	167.4	7.8	159.6	1,991	0.10
Kazakhstan	2,985	0.15	360.1	19.8	340.3	3,588	0.18
Kenya	2,461	0.13	296.9	15.9	281.0	3,064	0.15
Kiribati	465	0.02	56.1	0.9	55.2	1,068	0.05
Korea, Republic of[c]	30,962	1.60	3,735.1	222.7	3,512.4	31,565	1.54
Kosovo, Republic of	966	0.05	116.5	5.2	111.3	1,569	0.08
Kuwait	13,416	0.70	1,618.4	97.4	1,521.0	14,019	0.69
Kyrgyz Republic	1,107	0.06	133.5	5.7	127.8	1,710	0.08
Lao People’s Democratic Republic	178	0.01	21.5	1.5	20.0	781	0.04
Latvia	1,569	0.08	189.3	9.1	180.2	2,172	0.11
Lebanon	340	0.02	41.0	1.1	39.9	943	0.05
Lesotho	663	0.03	80.0	2.3	77.7	1,266	0.06
Liberia	463	0.02	55.9	2.6	53.3	1,066	0.05
Libya	7,840	0.41	945.8	57.0	888.8	8,443	0.41
Lithuania	1,507	0.08	181.8	8.7	173.1	2,110	0.10
Luxembourg[c]	1,652	0.09	199.3	9.8	189.5	2,255	0.11
Macedonia, Former Yugoslav Republic of	427	0.02	51.5	3.2	48.3	1,030	0.05
Madagascar	1,422	0.07	171.5	8.1	163.4	2,025	0.10
Malawi	1,094	0.06	132.0	5.6	126.4	1,697	0.08

Statement of Subscriptions to Capital Stock and Voting Power (Continued)

June 30, 2014

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total*[b]	*Total amounts*	*Amounts paid in*[a]	*Amounts subject to call*[a,b]	*Number of votes*	*Percentage of total*[b]
Malaysia	9,125	0.47%	$1,100.8	$ 65.9	$1,034.9	9,728	0.48%
Maldives	469	0.02	56.6	0.9	55.7	1,072	0.05
Mali	1,162	0.06	140.2	6.1	134.1	1,765	0.09
Malta	1,074	0.06	129.6	5.4	124.2	1,677	0.08
Marshall Islands	469	0.02	56.6	0.9	55.7	1,072	0.05
Mauritania	900	0.05	108.6	4.1	104.5	1,503	0.07
Mauritius	1,242	0.06	149.8	6.7	143.1	1,845	0.09
Mexico	19,098	0.99	2,303.9	139.0	2,164.9	19,701	0.96
Micronesia, Federated States of	479	0.02	57.8	1.0	56.8	1,082	0.05
Moldova	1,368	0.07	165.0	7.6	157.4	1,971	0.10
Mongolia	466	0.02	56.2	2.3	53.9	1,069	0.05
Montenegro	688	0.04	83.0	3.2	79.8	1,291	0.06
Morocco	6,339	0.33	764.7	42.9	721.8	6,942	0.34
Mozambique	930	0.05	112.2	4.8	107.4	1,533	0.08
Myanmar	2,484	0.13	299.7	16.1	283.6	3,087	0.15
Namibia	1,523	0.08	183.7	8.8	174.9	2,126	0.10
Nepal	968	0.05	116.8	4.6	112.2	1,571	0.08
Netherlands[c]	41,698	2.16	5,030.2	309.6	4,720.6	42,301	2.07
New Zealand[c]	7,236	0.37	872.9	51.9	821.0	7,839	0.38
Nicaragua	608	0.03	73.3	2.1	71.2	1,211	0.06
Niger	852	0.04	102.8	3.8	99.0	1,455	0.07
Nigeria	12,774	0.66	1,541.0	92.7	1,448.3	13,377	0.65
Norway[c]	12,851	0.67	1,550.3	93.3	1,457.0	13,454	0.66
Oman	1,561	0.08	188.3	9.1	179.2	2,164	0.11
Pakistan	9,927	0.51	1,197.5	72.0	1,125.5	10,530	0.52
Palau	16	*	1.9	0.2	1.7	619	0.03
Panama	385	0.02	46.4	3.2	43.2	988	0.05
Papua New Guinea	1,294	0.07	156.1	7.1	149.0	1,897	0.09
Paraguay	1,229	0.06	148.3	6.6	141.7	1,832	0.09
Peru	6,856	0.36	827.1	48.6	778.5	7,459	0.37
Philippines	8,825	0.46	1,064.6	63.2	1,001.4	9,428	0.46
Poland[c]	10,977	0.57	1,324.2	79.6	1,244.6	11,580	0.57
Portugal[c]	5,460	0.28	658.7	38.5	620.2	6,063	0.30
Qatar	1,389	0.07	167.6	11.1	156.5	1,992	0.10
Romania	4,011	0.21	483.9	30.5	453.4	4,614	0.23
Russian Federation	45,831	2.38	5,528.8	333.9	5,194.9	46,434	2.27
Rwanda	1,046	0.05	126.2	5.2	121.0	1,649	0.08
St. Kitts and Nevis	275	0.01	33.2	0.3	32.9	878	0.04
St. Lucia	552	0.03	66.6	1.5	65.1	1,155	0.06
St. Vincent and the Grenadines	278	0.01	33.5	0.3	33.2	881	0.04
Samoa	531	0.03	64.1	1.4	62.7	1,134	0.06
San Marino	595	0.03	71.8	2.5	69.3	1,198	0.06
Sao Tome and Principe	495	0.03	59.7	1.1	58.6	1,098	0.05
Saudi Arabia	45,831	2.38	5,528.8	335.0	5,193.8	46,434	2.27
Senegal	2,072	0.11	250.0	13.0	237.0	2,675	0.13
Serbia	2,846	0.15	343.3	21.5	321.8	3,449	0.17
Seychelles	263	0.01	31.7	0.2	31.5	866	0.04
Sierra Leone	718	0.04	86.6	3.0	83.6	1,321	0.06
Singapore	5,569	0.29	671.8	41.9	629.9	6,172	0.30
Slovak Republic[c]	3,216	0.17	388.0	23.0	365.0	3,819	0.19

Statement of Subscriptions to Capital Stock and Voting Power (Continued)

June 30, 2014

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	Shares	Percentage of total[b]	Total amounts	Amounts paid in[a]	Amounts subject to call[a,b]	Number of votes	Percentage of total[b]
Slovenia[c]	1,536	0.08%	$ 185.3	$ 11.5	$ 173.8	2,139	0.10%
Solomon Islands	513	0.03	61.9	1.2	60.7	1,116	0.05
Somalia	552	0.03	66.6	3.3	63.3	1,155	0.06
South Africa	16,180	0.84	1,951.9	117.5	1,834.4	16,783	0.82
South Sudan	1,437	0.07	173.4	8.6	164.8	2,040	0.10
Spain[c]	42,298	2.19	5,102.6	310.3	4,792.3	42,901	2.10
Sri Lanka	3,817	0.20	460.5	26.1	434.4	4,420	0.22
Sudan	850	0.04	102.5	7.2	95.3	1,453	0.07
Suriname	412	0.02	49.7	2.0	47.7	1,015	0.05
Swaziland	440	0.02	53.1	2.0	51.1	1,043	0.05
Sweden[c]	17,988	0.93	2,170.0	132.0	2,038.0	18,591	0.91
Switzerland[c]	32,646	1.69	3,938.3	240.9	3,697.4	33,249	1.63
Syrian Arab Republic	2,202	0.11	265.6	14.0	251.6	2,805	0.14
Tajikistan	1,060	0.05	127.9	5.3	122.6	1,663	0.08
Tanzania	1,295	0.07	156.2	10.0	146.2	1,898	0.09
Thailand	9,567	0.50	1,154.1	68.5	1,085.6	10,170	0.50
Timor-Leste	517	0.03	62.4	1.9	60.5	1,120	0.05
Togo	1,105	0.06	133.3	5.7	127.6	1,708	0.08
Tonga	494	0.03	59.6	1.1	58.5	1,097	0.05
Trinidad and Tobago	2,664	0.14	321.4	17.6	303.8	3,267	0.16
Tunisia	719	0.04	86.7	5.7	81.0	1,322	0.06
Turkey	25,643	1.33	3,093.4	185.1	2,908.3	26,246	1.28
Turkmenistan	526	0.03	63.5	2.9	60.6	1,129	0.06
Tuvalu	461	0.02	55.6	1.5	54.1	1,064	0.05
Uganda	617	0.03	74.4	4.4	70.0	1,220	0.06
Ukraine	10,977	0.57	1,324.2	79.3	1,244.9	11,580	0.57
United Arab Emirates	2,385	0.12	287.7	22.6	265.1	2,988	0.15
United Kingdom[c]	82,292	4.26	9,927.3	632.9	9,294.4	82,895	4.06
United States[c]	306,189	15.87	36,937.1	2,296.7	34,640.4	306,792	15.02
Uruguay	3,063	0.16	369.5	20.4	349.1	3,666	0.18
Uzbekistan	2,493	0.13	300.7	16.1	284.6	3,096	0.15
Vanuatu	586	0.03	70.7	1.8	68.9	1,189	0.06
Venezuela, Republica Bolivariana de	20,361	1.06	2,456.2	150.8	2,305.4	20,964	1.03
Vietnam	968	0.05	116.8	8.1	108.7	1,571	0.08
Yemen, Republic of	2,212	0.11	266.8	14.0	252.8	2,815	0.14
Zambia	2,810	0.15	339.0	20.0	319.0	3,413	0.17
Zimbabwe	3,575	0.19	431.3	22.4	408.9	4,178	0.20
Total—June 30, 2014	1,929,711	100.00%	$ 232,791	$ 14,005	$ 218,786	2,043,075	100.00%
Total—June 30, 2013	1,850,047		$ 223,181	$ 13,434	$ 209,747	1,958,711	

* Indicates amounts less than 0.005 percent.

NOTES

a. See Notes to Financial Statements, Note B—Capital Stock, Maintenance of Value, and Membership.
b. May differ from the calculated figures or sum of individual figures shown due to rounding.
c. A member of Development Assistance Committee of the Organization for Economic Cooperation and Development.

The Notes to Financial Statements are an integral part of these Statements.

Notes to Financial Statements

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Bank for Reconstruction and Development (IBRD) is an international organization which commenced operations in 1946. The principal purpose of IBRD is to promote sustainable economic development and reduce poverty in its member countries, primarily by providing loans, guarantees and related technical assistance for specific projects and for programs of economic reform in developing member countries. The activities of IBRD are complemented by those of three affiliated organizations, the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IBRD, with separate assets and liabilities, and IBRD is not liable for their respective obligations. Transactions with these affiliated organizations are disclosed in the notes that follow. IDA's main goal is to reduce poverty through promoting sustainable economic development in the less developed countries who are members of IDA, by extending grants, development credits, guarantees and related technical assistance. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA was established to encourage the flow of investments for productive purposes between member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

IBRD is immune from taxation pursuant to Article VII, Section 9, *Immunities from Taxation*, of IBRD's Articles of Agreement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IBRD's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant judgment has been used in the valuation of certain financial instruments, the determination of the adequacy of the accumulated provisions for losses on loans and other exposures (deferred drawdown options-DDOs, irrevocable commitments, exposures to member countries' derivatives and guarantees), the determination of net periodic cost from pension and other postretirement benefits plans, and the present value of projected benefit obligations.

Certain reclassifications of the prior year's information have been made to conform with the current year's presentation. The reclassifications included the following: effective July 1, 2013, accrued interest on borrowings and derivatives (Client operations, Borrowings and Others), which was previously shown as part of other assets and other liabilities, is now included in the corresponding line items under borrowings, derivative assets and derivative liabilities. As a result, borrowings, derivative assets and derivative liabilities as of June 30, 2013 have increased by $906 million, $1,461 million and $1,322 million, respectively. Correspondingly, other assets and other liabilities have decreased by $227 million and $994 million, respectively. There was no net effect on IBRD's equity. In addition, effective from the quarter ended March 31, 2014, all unrealized gains or losses, net, associated with the loans, borrowings, equity management and client operations (non-trading portfolios) were reclassified from the Fair value adjustments on non-trading portfolios, net line to the respective revenue and expense lines on the Statement of Income. As a result, for the fiscal year ended June 30, 2013, total revenue decreased by $1,479 million, total expenses decreased by $1,484 million and fair value adjustments on non-trading portfolios, net of $5 million gains is no longer shown on the Statement of Income. For the fiscal year ended June 30, 2012, total revenue increased by $1,438 million, total expenses increased by $2,247 million and fair value adjustments on non-trading portfolios, net of $809 million losses is no longer shown on the Statement of Income. There was no effect on IBRD's equity and net income due to these reclassifications.

On August 7, 2014, the Executive Directors approved these financial statements for issue.

Translation of Currencies: IBRD's financial statements are expressed in terms of U.S. dollars for the purpose of summarizing IBRD's financial position and the results of its operations, for the convenience of its members and other users. IBRD is an international organization which, conducts its operations in the currencies of all of its members and considers each of its member's currencies to be a functional currency.

IBRD's resources are derived from its capital, borrowings, and accumulated earnings in those various currencies. IBRD has a number of general policies aimed at minimizing exchange rate risk in a multicurrency environment. Under these policies, IBRD endevours to match its borrowing obligations in any one currency (after swaps) with assets in the same currency, as prescribed by its Articles of Agreement. In addition, IBRD periodically undertakes currency conversions to more closely match the currencies underlying its Equity with those of the net loans outstanding.

Assets and liabilities are translated at market exchange rates in effect at the end of the accounting period. Revenue and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during each month. Translation adjustments are reflected in Accumulated Other Comprehensive Income.

Valuation of Capital Stock: In the Articles of Agreement, the capital stock of IBRD is expressed in terms of "U.S. dollars of the weight and fineness in effect on July 1, 1944" (1944 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1944 dollars into current dollars or into any other currency was eliminated. The Executive Directors of IBRD have decided, until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on July 1, 1944" in Article II, Section 2(a) of the Articles of Agreement of IBRD are interpreted to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund, as valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being $1.20635 for one SDR (1974 SDR).

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of value (MOV), at the time of subscription, of national currencies paid in, which are subject to certain restrictions. MOV is determined by measuring the foreign exchange value of a member's national currency against the standard of value of IBRD's capital based on the 1974 SDR. MOV receivable relates to amounts due from members on account of movements in exchange rates from the date of initial subscription, resulting in the reduction in the value of their paid-in capital denominated in national currencies. Members are required to make payments to IBRD if their currencies depreciate significantly relative to the standard of value. These amounts may be settled either in cash or a demand note, which are due on demand. Certain demand notes are due on demand only after IBRD's callable subscribed capital has been entirely called pursuant to Article IV, Section 2 (a) of the Articles of Agreement. Furthermore, the Executive Directors have adopted a policy of reimbursing members whose national currencies appreciate significantly in terms of the standard of value.

MOV is deferred when the restriction of national currencies paid in is lifted and these currencies are being used in IBRD's operations and/or are being invested, swapped, or loaned to members by IBRD or through IFC. Once these restricted currencies are no longer being used in operations, the related MOV is no longer deferred, but rather, becomes due on the same terms as other MOV obligations.

All MOV receivable balances are shown as components of Equity, under Receivable Amounts to Maintain Value of Currency Holdings. The net receivable or payable MOV amounts relating to national currencies used in

IBRD's lending and investing operations are also included as a component of Equity under Deferred Amounts to Maintain Value of Currency Holdings. All MOV payable balances are included in Liabilities, under Payable to Maintain Value of Currency Holdings on Account of Subscribed Capital.

Withdrawal of Membership: Under IBRD's Articles of Agreement, in the event a member withdraws from IBRD, the withdrawing member is entitled to receive the value of its shares payable to the extent the member does not have any outstanding obligations to IBRD. IBRD's Articles of Agreement also state that the former member has continuing obligations to IBRD after withdrawal. Specifically, the former member remains fully liable for its entire capital subscription, including both the previously paid-in portion and the callable portion, so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding.

Transfers Approved by the Board of Governors: In accordance with IBRD's Articles of Agreement, as interpreted by the Executive Directors, the Board of Governors may exercise its reserved power to approve transfers to other entities for development purposes. These transfers, referred to as "Board of Governors-approved transfers", are reported as expenses when incurred, upon approval. The transfers are funded either from the immediately preceding fiscal year's Net Income or Surplus.

Retained Earnings: Retained Earnings consist of allocated amounts (Special Reserve, General Reserve, Pension Reserve, Surplus, Cumulative Fair Value Adjustments, Long-Term Income Portfolio (LTIP) reserve, and Restricted Retained Earnings) and Unallocated Net Income (Loss).

The Special Reserve consists of loan commissions set aside pursuant to Article IV, Section 6 of the Articles of Agreement, which are to be held in liquid assets. These assets may be used only for the purpose of meeting liabilities of IBRD on its borrowings and guarantees in the event of defaults on loans made, participated in, or guaranteed by IBRD. The Special Reserve assets are included under Investments—Trading, and comprise obligations of the United States Government, its agencies, and other official entities. The allocation of such commissions to the Special Reserve was discontinued in 1964 with respect to subsequent loans and no further additions are being made to it.

The General Reserve consists of earnings from prior fiscal years which, in the judgment of the Executive Directors, should be retained in IBRD's operations.

The Pension Reserve consists of the difference between the cumulative actual funding of the Staff Retirement Plan (SRP) and other postretirement benefits plans, and the cumulative accounting income or expense for these plans, from prior fiscal years. This reserve is reduced when pension accounting expenses exceed the actual funding of these plans. In addition, the pension reserve also includes investment income earned on the Post-Employment Benefits Plan (PEBP) portfolio.

Surplus consists of earnings from prior fiscal years which are retained by IBRD until a further decision is made on their disposition or the conditions of transfer for specified uses have been met.

The Cumulative Fair Value Adjustments consist of the effects associated with the application of Financial Accounting Standards Board's (FASB's) fair value guidance relating to prior fiscal years. This amount includes the cumulative effect of the adoption of this guidance, the reclassification and amortization of the transition adjustments, and the unrealized gains or losses on non-trading portfolios.

The LTIP Reserve consists of the cumulative difference between the actual portfolio return and the fixed draw amount, representing the long-term average return on the portfolio.

Restricted Retained Earnings consists of contributions or income from prior years which are restricted as to their purpose.

Unallocated Net Income (Loss) consists of the current fiscal year's net income (loss) adjusted for Board of Governors-approved transfers.

Loans and Other Exposures: All of IBRD's loans are made to or guaranteed by countries that are members of IBRD, except for those loans made to IFC. IBRD does not currently sell its loans. The majority of IBRD's loans have repayment obligations based on specific currencies. IBRD also holds multicurrency loans which have repayment obligations in various currencies determined on the basis of a currency pooling system.

Loans are carried at amortized cost, except those which contain embedded derivatives that require bifurcation, which IBRD has elected to measure at fair value. The fair value of these loans is calculated using a discounted cash flow method. This method incorporates Credit Default Swaps spreads for each borrower. Basis adjustments are applied to market recovery levels to reflect IBRD's recovery experience.

Any loan origination fees incorporated in the terms of a loan are deferred and recognized over the life of the loan as an adjustment of yield. The unamortized balance of loan origination fees is included as a reduction of Loans outstanding on the Balance Sheet, and the loan origination fee amortization is included in Interest under Revenue from Loans on the Statement of Income.

It is IBRD's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans.

Exceptions were made to this practice during fiscal years 1996 and 2002 with regard to Bosnia and Herzegovina (BiH) and Serbia and Montenegro (SaM), formerly the Federal Republic of Yugoslavia, respectively, in connection with their succession to membership of the former Socialist Federal Republic of Yugoslavia. These exceptions were based on criteria approved by the Executive Directors in fiscal year 1996, which limit eligibility for such treatment to a country: (a) that has emerged from a current or former member of IBRD; (b) that is assuming responsibility for a share of the debt of such member; (c) that, because of a major armed conflict in its territory involving extensive destruction of physical assets, has limited creditworthiness for servicing the debt it is assuming; and (d) for which rescheduling/ refinancing would result in a significant improvement in its repayment capacity, if appropriate supporting measures are taken. This treatment was based on a precedent established in 1975 after Bangladesh became independent from Pakistan. Currently, there are no borrowers with loans in nonaccrual status that meet these eligibility criteria.

When modifications are made to the terms of existing loans, IBRD performs an evaluation to determine the required accounting treatment, including whether the modifications would result in the affected loans being accounted for as new loans, or as a continuation of the existing loans.

Other exposures include: Deferred Drawdown Options (DDOs), Irrevocable Commitments, Exposures to member Countries' Derivatives, and Guarantees.

It is the policy of IBRD to place into nonaccrual status all loans and other exposures (exposures) made to or guaranteed by a member of IBRD if principal, interest, or other charges with respect to any such exposures are overdue by more than six months, unless IBRD's management determines that the overdue amount will be collected in the immediate future. IBRD considers all exposures in nonaccrual status to be impaired. In addition, if development credits and other exposures made by IDA to a member government are placed in nonaccrual status, all loans and other exposures made to or guaranteed by that member government will also be placed in nonaccrual status by IBRD. On the date a member's exposures are placed into nonaccrual status, unpaid interest and other charges accrued on exposures to the member are deducted from the revenue of the current period. Interest and other charges on nonaccruing exposures are included in revenue only to the extent that payments have been received by IBRD. If collectability risk is considered to be particularly high at the time of arrears clearance, the member's exposures may not automatically emerge from nonaccrual status. In such instances, a decision on the restoration of accrual status is made on a case-by-case basis and in certain cases that decision may be deferred until a suitable period of payment performance has passed.

Guarantees: Financial guarantees are commitments issued by IBRD to guarantee payment performance to a third party.

Guarantees are regarded as outstanding when the underlying financial obligation of the debtor is incurred, and called when a guaranteed party demands payment under the guarantee. IBRD would be required to perform under its guarantees if the payments guaranteed were not made by the debtor and the guaranteed party called the guarantee by demanding payment from IBRD in accordance with the terms of the guarantee. In the event that a guarantee of a member country is called, IBRD has the contractual right to require payment from the member country that has provided the counter guarantee to IBRD on demand, or as IBRD may otherwise direct.

IBRD records the fair value of the obligation to stand ready, and a corresponding asset in the financial statements.

Upfront guarantee fees received are deferred and amortized over the life of the guarantee.

IBRD records a contingent liability for the probable losses related to guarantees outstanding. This provision, as well as the unamortized balance of the deferred guarantee fees, and the unamortized balance of the obligation to stand ready, are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

Accumulated Provision for Losses on Loans and Other Exposures: Delays in receiving loan payments result in present value losses to IBRD since it does not charge additional interest on any overdue interest or loan charges. These present value losses are equal to the difference between the present value of payments of interest and charges made according to the related loan's contractual terms and the present value of its expected future cash flows. It is IBRD's practice not to write off its loans.

Management determines the appropriate level of accumulated provisions for losses on exposures, which reflects the probable losses inherent in IBRD's exposures. There are several steps required to determine the appropriate level of provisions. First, the exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. In each group, exposures for each borrower are then assigned a credit risk rating of that borrower. With respect to countries with exposures in accrual status, these exposures are grouped according to the assigned borrower risk rating. Second, each risk rating is mapped to an expected default frequency using IBRD's credit migration matrix. Finally, the provision required is calculated by multiplying the outstanding exposure, by the expected default frequency (probability of default to IBRD) and by the estimated severity of the loss given default. The severity of loss, which is assessed periodically, is dependent on the borrower's eligibility, namely: IBRD, Blend (IBRD and IDA) and IDA, with the highest severity of loss associated with IDA. The borrower's eligibility is assessed at least annually. This methodology is also applied to countries with exposures in nonaccrual status. Generally, all exposures in nonaccrual status have the same risk rating.

The determination of borrowers' ratings is based on various factors (see Note D—Loans and Other Exposures). IBRD periodically reviews these factors and reassesses the adequacy of the accumulated provision for losses on loans and other exposures accordingly. Adjustments to the accumulated provision are recorded as a charge or addition to revenue.

For loans that are reported at fair value, the determination of the fair value takes credit risk into consideration.

Statement of Cash Flows: For the purpose of IBRD's Statement of Cash Flows, cash is defined as the amount of unrestricted cash Due from Banks.

Restricted Cash: This includes amounts which have been received from members as part of their capital subscriptions, as well as from donors and other sources, which are restricted for speficied purposes. For capital subscriptions, a portion of these subscriptions have been paid to IBRD in the national currencies of the members. These amounts, referred to as restricted cash, are usable by IBRD in its lending and investing operations, only with the consent of the respective members, and for administrative expenses incurred in national currencies.

Investments*:* Investment securities are classified based on management's intention on the date of purchase, their nature, and IBRD's policies governing the level and use of such investments. These securities are carried and reported at fair value or at face value, which approximates fair value. Where available, quoted market prices are used to determine the fair value of trading securities. These include most government and agency securities, mutual funds, futures contracts, exchange-traded equity securities, Assets-backed Securities (ABS) and Mortgage-backed Securities To-Be-Announced (TBA securities). For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Where applicable, unobservable inputs such as constant prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits are reported at face value which approximates fair value, as they are short term in nature. The first-in first-out method is used to determine the cost of securities sold in computing the realized gains and losses on these instruments. Unrealized gains and losses for investment securities and related financial instruments held in the trading portfolio are included in the Statement of Income. Derivative instruments used in liquidity management are not designated as hedging instruments.

As of June 30, 2013, IBRD classified and accounted for its investment securities as either trading or AFS. The AFS portfolio was established during the year ended June 30, 2013 as part of IBRD's equity duration extension strategy. During the fiscal year ended June 30, 2014, the AFS portfolio was liquidated.

Dividends and interest revenue, including amortization of the premium and discount arising at acquisition, are included in net income.

Unrealized gains and losses for investment securities and related financial instruments held in the trading portfolio are included as part of Investments, net-Trading in the Statement of Income.

Unrealized gains and losses relating to AFS securities are included in Accumulated Other Comprehensive income (AOCI).

Realized gains and losses on trading and AFS securities are recognized in the Statement of Income when securities are sold.

At the end of each reporting period IBRD evaluates each AFS security for impairment. An impairment is considered to have occurred when the fair value has declined below amortized cost. In determining whether an impairment is other-than-temporary, IBRD considers the severity and duration of the decline in fair value, the length of time expected for recovery, the financial condition of the issuer, and other qualitative factors, as well as whether IBRD either plans to sell the security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. If IBRD does not intend to sell an AFS security and it is not more likely than not that it will be required to sell the security before the recovery of the amortized cost, the impairment is separated between credit related and non-credit related. The credit related impairment is recorded in net income while the noncredit-related impairment is recognized in AOCI. If IBRD intends to sell an AFS security or it will more likely than not be required to sell the security before recovery of the amortized cost, IBRD records the full amount of the impairment in net income as OTTI.

IBRD may require collateral in the form of approved liquid securities from individual counterparties or cash in order to mitigate its credit exposure to these counterparties. For collateral received in the form of cash from counterparties, IBRD records the cash and a corresponding obligation to return the cash. Collateral received in the form of liquid securities is only recorded on IBRD's Balance Sheet to the extent that it has been transferred under securities lending agreements in return for cash. IBRD does not offset the fair value amounts recognized for derivative instruments that have been executed with the same counterparty under master netting agreements; as a result, the fair value amounts recognized for the obligation to return cash collateral received from counterparties are not offset with the fair value amounts recognized for these derivative instruments.

Securities Purchased Under Resale Agreements, Securities Lent Under Securities Lending Agreements and Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received: Securities purchased under resale agreements, securities lent under securities lending agreements, and securities sold under repurchase agreements are reported at face value which approximates fair value, as they are short term in nature. IBRD receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The securities transferred to counterparties under repurchase and security lending arrangements and the securities transferred to IBRD under resale agreements have not met the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Balance Sheet, and securities received under resale agreements are not recorded on the Balance Sheet. Securities lent under securities lending agreements and sold under securities repurchase agreements as well as securities purchased under resale agreements are presented on a gross basis which is consistent with the manner in which these instruments are settled.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital: All demand obligations are held in bank accounts, which bear IBRD's name and are carried and reported at face value as a reduction to equity. Payments on some of these instruments are due to IBRD upon demand. Others are due to IBRD on demand, but only after the Bank's callable subscribed capital has been entirely called pursuant to Article IV, Section 2 (a) of the Articles of Agreement.

Premises and Equipment: Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. IBRD computes depreciation and amortization using the straight-line method over the estimated useful lives of the owned assets, which range between two and fifty years. For leasehold improvements, depreciation and amortization is computed over the lesser of the remaining term of the leased facility or the estimated economic life of the improvement.

Maintenance and repairs are charged to expense as incurred, while major improvements are capitalized and amortized over the estimated useful life.

Borrowings: To ensure funds are available for lending and liquidity purposes, IBRD borrows in the international capital markets offering its securities (discount notes, vanilla and structured bonds) to private and governmental buyers. IBRD issues debt instruments of varying maturities denominated in various currencies with both fixed and variable interest rates.

Discount notes and vanilla bonds are valued using the standard discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. Where available, quoted market prices are used to determine the fair value of short-term notes.

Structured bonds issued by IBRD have coupon or repayment terms linked to the level or the performance of interest rates, foreign exchange rates, equity indices or commodities. The fair value of the structured bonds is derived using the discounted cash flow method based on estimated future pay-offs determined by applicable models and computation of embedded optionality such as caps, floors and calls. A wide range of industry standard models such as one factor Hull-White, Libor Market Model and Black-Scholes are used depending on the specific structure. These models incorporate market observable inputs, such as yield curves, foreign exchange rates, basis spreads, funding spreads, interest rate volatilities, equity index volatilities and equity indices. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities.

IBRD fair values all the financial instruments in the borrowing portfolio with the changes in fair value recognized in the related Unrealized gains and losses, net, line in the Statement of Income.

Interest expense relating to the debt instruments carried at fair value is measured on an effective yield basis and is reported as part of the Borrowing expenses in the Statement of Income.

For presentation purposes, amortization of discounts and premiums is included in Borrowing expenses in the Statement of Income.

Accounting for Derivatives: IBRD has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value on the Balance Sheet, with changes in fair values accounted for through the Statement of Income. The presentation of derivative instruments is consistent with the manner in which these instruments are settled. Interest rate swaps are settled on a net basis, while currency swaps are settled on a gross basis.

IBRD uses derivative instruments in its investment trading portfolio to manage interest rate and currency risks. These derivatives are carried and reported at fair value. Interest income/expenses as well as gains and losses on these derivatives are reflected as part of Investments, net-Trading in the Statement of Income.

IBRD uses derivatives in its borrowing and asset/liability management activities. In the borrowing portfolio, derivatives are used to modify the interest rate and/or currency characteristics of the borrowing portfolio, and are carried at fair value. The interest component of these derivatives is recognized as an adjustment to the borrowing cost over the life of the derivative contract and included in Borrowing expenses on the Statement of Income. Changes in fair values of these derivatives are accounted for through the Statement of Income as Unrealized gains and losses, net.

For the purpose of the Statement of Cash Flows, IBRD has elected to report the cash flows associated with the derivative instruments that are used to economically hedge borrowings, in a manner consistent with the presentation of the borrowings-related cash flows.

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and futures contracts, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are either plain vanilla or structured. Currency forward contracts and plain vanilla currency and interest rate swaps are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. For structured currency and interest rate swaps, which primarily consist of callable swaps linked to interest rates, foreign exchange rates, and equity indices, valuation models and inputs similar to the ones applicable to structured bonds valuation are used. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rates volatilities.

Valuation of Financial Instruments: IBRD has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models and other established valuation models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs, some of which may be significant. Selection of these inputs may involve some judgment.

To ensure that the valuations are appropriate where internally-developed models are used, IBRD has various controls in place, which include both internal and periodic external verification and review. In instances where management relies on valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

As of June 30, 2014 and June 30, 2013, IBRD had no financial assets or liabilities measured at fair value on a non-recurring basis.

Fair Value Hierarchy

Financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3).

Financial assets and liabilities recorded at fair value on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

IBRD's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Accounting for Grant Expenses: IBRD recognizes an expense for grants, such as Contributions to Special Programs, and Board of Governors-approved transfers, when incurred.

Donor Receivables: Donors' conditional promises to give are not recognized until the conditions to which they are subject are substantially met and the promise to give is considered unconditional. Donors' unconditional promises to give are recognized upon receipt as revenue, unless the donor specifies a third party beneficiary. In those cases IBRD is deemed to be acting as an intermediary agent and assets held on behalf of the specified beneficiaries are recognized with corresponding liabilities. If the contributions that IBRD receives can only be used for purposes specified by the donor, the proceeds are considered restricted until applied by IBRD for the donor-specified purposes.

Donor promises to give which are expected to be collected within one year are recorded at face value, while promises expected to be collected over a period greater than one year are recorded initially at fair value, with subsequent measurement on an amortized cost basis.

Donor Contributions to Trust Funds: For those IBRD-executed trust funds where IBRD acts as an intermediary agent, undisbursed third party donor contributions are recorded as assets held on behalf of the specified beneficiaries, with corresponding liabilities. Amounts disbursed from the trust funds are recorded as expenses with corresponding amounts recognized as revenue. For Recipient-executed trust funds, since IBRD acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

In some trust funds, execution is split between Recipient-executed and IBRD-executed portions. Decisions on assignment of funding resources between the two types of execution may be made on an ongoing basis; therefore the execution of a portion of these available resources may not yet be assigned. For those IBRD-executed trust funds where IBRD acts as an intermediary agent, undisbursed third party donor contributes are recorded as assets held on behalf of the specified beneficiaries, with corresponding liabilities. Amounts disbursed from these trust funds are recorded as expenses with corresponding amounts recognized as revenues.

IBRD also acts as a financial intermediary to provide specific administrative or financial services with a limited fiduciary or operational role. These arrangements, referred to as Financial Intermediary Funds, include, for example, administration of debt service trust funds, financial intermediation and other more specialized limited fund management roles. For these arrangements, funds are held and disbursed in accordance with instructions from donors or, in some cases, an external governance structure or a body operating on behalf of donors. For Financial Intermediary Funds and Recipient-executed trust funds, since IBRD acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

Accounting and Reporting Developments

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act seeks to reform the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities, and activities. The implementation of the Act is dependent on the development of various rules to clarify and interpret its requirements. As the rules are being developed, IBRD continues to assess the impact on its business. As of June 30, 2014, IBRD believes that the Act has not had any significant effect on its business.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The ASU requires entities to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position, and instruments and transactions subject to a master netting agreement and agreements similar to master netting agreements. Subsequently, in January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* which has clarified that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with *Topic 815, Derivatives and Hedging*, including bifurcated embedded derivatives, as well as repurchase agreements, reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with US GAAP or subject to an enforceable master netting arrangement or similar agreement. For IBRD, the ASUs were effective from the quarter ended September 30, 2013, and resulted in additional disclosures, which are reflected in Note C—Investments and Note F-Derivative Instruments.

In February 2013, the FASB issued ASU 2013-02 *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (AOCI)*. The ASU introduces new presentation requirements about the amounts reclassified out of AOCI. It requires an entity to present information about the reclassified amounts by component and to provide additional details about such reclassifications. The ASU does not change the current requirements for reporting net income or other comprehensive income in the financial statements or which items could be reclassified from other comprehensive income into net income. For IBRD, the new requirements were effective from the quarter ended September 30, 2013 and resulted in additional disclosures, which are reflected in Note J—Pension and Other Post Retirement Benefits and Note K—Comprehensive Income.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* The ASU provides a common framework for revenue recognition for U.S. GAAP and International Financial Reporting Standards (IFRS), and supersedes most of the existing revenue recognition guidance in US GAAP. The core principle of the guidance is that an entity recognizes revenue when it transfers control of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled. The ASU also requires additional quantitative and qualitative disclosures to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. For IBRD, the ASU will be effective from the quarter ending September 30, 2017. IBRD is currently evaluating the impact of this ASU on its financial statements.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures.* The ASU requires repurchase-to-maturity transactions and some repurchase financing arrangements to be accounted as secured borrowings. It also requires additional disclosures about certain transactions accounted for as sales and the nature of collateral pledged for transactions accounted for as secured borrowings. For IBRD, the ASU will be effective from the quarter ending March 31, 2015. IBRD is currently evaluating the impact of this ASU on its financial statements.

NOTE B—CAPITAL STOCK, MAINTENANCE OF VALUE, AND MEMBERSHIP

Capital Stock: The following table provides a summary of the changes in IBRD's authorized and subscribed shares during the fiscal years ended June 30, 2014 and June 30, 2013:

	Authorized shares	*Subscribed shares*
As of June 30, 2012	2,307,600	1,702,605
General and Selective Capital Increase (GCI/SCI)	—	147,442
As of June 30, 2013	2,307,600	1,850,047
GCI/SCI	—	79,664
As of June 30, 2014	2,307,600	1,929,711

The following table provides a summary of the changes in subscribed capital, uncalled portion of subscriptions, and paid-in capital during the fiscal years ended June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	Subscribed capital	*Uncalled portion of subscriptions*	*Paid-in capital*
As of June 30, 2012	$205,394	$(192,976)	$12,418
GCI/SCI	17,787	(16,771)	1,016
As of June 30, 2013	$223,181	$(209,747)	$13,434
GCI/SCI	9,610	(9,039)	571
As of June 30, 2014	$232,791	$(218,786)	$14,005

The uncalled portion of subscriptions is subject to call only when required to meet the obligations incurred by IBRD as a result of borrowings, or guaranteeing loans.

Amounts To Maintain the Value of Currency Holdings

The following table summarizes the amounts to maintain the value of currency holdings classified as components of equity at June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
(Receivable) Payable		
MOV receivable	$(221)	$(201)
Net Deferred MOV payable	512	532
Deferred demand obligations	(130)	(130)
Deferred MOV	$ 382	$ 402

NOTE C—INVESTMENTS

As of June 30, 2014, IBRD's investments include the liquid assets portfolio, holdings relating to the Advance Market Commitment for Pneumococcal Vaccines Initiative (AMC), PEBP holdings and Post Retirement Contribution Reserve Fund (PCRF) which is used to stabilize IBRD's contributions to the pension plan. During the fiscal year ended June 30, 2014, the AFS portfolio was liquidated.

The composition of IBRD's net investment portfolio as of June 30, 2014 and June 30, 2013 was as follows:

In millions of U.S. dollars

Net investments portfolio	*June 30, 2014*	*June 30, 2013*
Liquid assets portfolio	$41,568	$32,566
AFS securities	—	(154)
PCRF holdings	44	39
AMC holdings	280	257
PEBP holdings	816	683
Total	$42,708	$33,391

Investments held by IBRD are designated as trading or AFS and are carried and reported at fair value, or at face value which approximates fair value. As of June 30, 2014, the majority of Investments is comprised of time deposits and government and agency obligations (52% and 36%, respectively), with all the instruments being classified as Level 1 and Level 2 within the fair value hierarchy.

The majority of the instruments in the Investment portfolio are denominated in U.S. dollars (USD), euro (EUR) and Japanese yen (JPY) (72%, 9% and 6%, respectively). IBRD uses derivative instruments to manage the associated currency and interest rate risk in the portfolio. After considering the effects of these derivatives, IBRD's investment portfolio has an average repricing of 0.28 years, and is predominantly denominated in USD (96%).

A summary of IBRD's Investments at June 30, 2014 and June 30, 2013, is as follows:

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
Trading		
Equity securities	$ 477[a]	$ 274
Government and agency obligations	15,377	16,381
Time deposits	22,104	12,482
ABS	4,454	3,457
	42,412	32,594
AFS		
Government obligations	—	2,538
Time deposits	—	32
	—	2,570
Total	$42,412	$35,164

a. Includes $50 million of alternative investments held in PEBP holdings.

The following table summarizes the currency composition of IBRD's Investments, at June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014		*June 30, 2013*	
Currency	*Carrying Value*	*Average Repricing (years)[a]*	*Carrying Value*	*Average Repricing (years)[a]*
Trading				
Euro	$ 3,924	0.65	$ 5,092	0.72
Japanese yen	2,400	0.58	2,128	0.33
U.S. dollars	30,559	0.50	18,348	0.66
Others	5,529	0.56	7,026	0.64
	$42,412	0.53	$32,594	0.64
AFS				
U.S. dollars	$ —	—	$ 2,570	9.76
Total	$42,412		$35,164	

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed. Equity securities are not subject to repricing.

IBRD manages its investments on a net portfolio basis. The following table summarizes IBRD's net portfolio position as of June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
Investments		
Trading	$ 42,412	$ 32,594
AFS	—	2,570
Total	42,412	35,164
Securities purchased under resale agreements	3,070	1,710
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received		
Investments-Trading	(3,390)	(4,489)
Investments-AFS[a]	—	(2,539)
Total	(3,390)	(7,028)
Derivative assets		
Currency forward contracts	5,167	4,989
Currency swaps	8,264	9,464
Interest rate swaps	80	89
Swaptions, exchange traded options and futures contracts	3	8
Other[b]	*	—
Total	13,514	14,550
Derivative liabilities		
Currency forward contracts	(5,154)	(4,996)
Currency swaps	(8,520)	(9,574)
Interest rate swaps	(133)	(212)
Swaptions, exchange traded options and futures contracts	(13)	(*)
Other[b]	—	(1)
Total	(13,820)	(14,783)
Cash held in investment portfolio[c]	3,428	4,251
Receivable from investment securities traded	47	73
Short term borrowings[d]	—	(409)
Payable for investment securities purchased	(2,553)	(137)
Net Investment Portfolio	$ 42,708	$ 33,391

a. This amount is included under New issues-Medium and long-term borrowings on the Statement of Cash Flows.
b. These amounts relate to TBA securities.
c This amount is included in Unrestricted cash under Due from Banks on the Balance Sheet.
d As of June 30, 2013, this amount is included in Borrowings on the Balance Sheet; on the Statement of Cash Flows, $227 million is included under Investments-Trading, net while $182 million is included under Net short-term borrowings.
* Indicates amount less than $0.5 million.

The following table summarizes the currency composition of IBRD's net investment portfolio at June 30, 2014 and June 30, 2013:

In millions of U.S. dollars equivalent

	June 30, 2014		June 30, 2013	
Currency	*Carrying value*	*Average Repricing (years)[a]*	*Carrying value*	*Average Repricing (years)[a]*
Trading				
U.S. dollars	$41,089	0.27	$31,856	0.26
Others	1,619	0.55	1,689	0.53
	$42,708	0.28	$33,545	0.27
AFS				
U.S. dollars	$ —	—	$ (154)	†
Total	$42,708		$33,391	

† Indicates amounts not meaningful.

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed. Equity securities are not subject to repricing.

IBRD uses derivative instruments to manage currency and interest rate risk in the investment portfolio. For details regarding these instruments, see Note F—Derivative Instruments.

As of June 30, 2014, there was $38 million short sales included in Payable for investment securities purchased on the Balance Sheet (Nil—June 30, 2013).

For the fiscal year ended June 30, 2014, IBRD's revenue included $176 million of net unrealized losses (net unrealized gains of $49 million—fiscal year ended June 30, 2013 and net unrealized losses of $8 million—fiscal year ended June 30, 2012).

During the fiscal year ended June 30, 2014, the AFS portfolio was liquidated, resulting in $240 million of realized losses, included in Equity management, net on the Statement of Income. The total proceeds from the sale of these securities were $2,484 million.

At June 30, 2013, due to the intent to sell, IBRD determined that the government obligations included in its AFS portfolio were other than temporarily impaired (OTTI). For the fiscal year ended June 30, 2013, IBRD recorded OTTI losses of $160 million on these securities in the Statement of Income. These losses, which were due to interest rate increases, represented write-downs to fair value.

The following table presents the amortized cost, gross unrealized gains and losses, and fair value by major type of AFS security, as at June 30, 2013:

In millions of U.S. dollars

	AFS			
	Total amortized cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair Value*
Government obligations	$2,698	$—	$(160)	$2,538
Time deposits	32	—	—	32
Total	$2,730	$—	$(160)	$2,570

The maturity structure of IBRD's AFS investments by major type, at June 30, 2013 was as follows:

In millions of U.S. dollars

	AFS		
	Government Obligations	*Time Deposits*	*Total*
Less than 1 year	$ —	$32	$ 32
1-5 years	—	—	—
5-10 years	2,538	—	2,538
More than 10 years	—	—	—
Total	$2,538	$32	$2,570

Fair Value Disclosures

The following tables present IBRD's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments—Trading				
Equity securities	$ 276	$ 201[a]	$—	$ 477
Government and agency obligations	4,521	10,856	—	15,377
Time deposits	2,433	19,671	—	22,104
ABS	—	4,454	—	4,454
Total Investments—Trading	7,230	35,182	—	42,412
Investments—AFS				
Government obligations	—	—	—	—
Time deposits	—	—	—	—
Total Investments—AFS	—	—	—	—
Securities purchased under resale agreements	19	3,051	—	3,070
Derivative assets-Investments				
Currency forward contracts	—	5,167	—	5,167
Currency swaps	—	8,264	—	8,264
Interest rate swaps	—	80	—	80
Swaptions, exchange traded options and futures contracts	—	3	—	3
Other[b]	—	*	—	*
Total Derivative assets—Investments	—	13,514	—	13,514
Total	$7,249	$51,747	$—	$58,996
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[c]	$ —	$ 156	$—	$ 156
Derivative liabilities—Investments				
Currency forward contracts	—	5,154	—	5,154
Currency swaps	—	8,520	—	8,520
Interest rate swaps	—	133	—	133
Swaptions, exchange traded options and futures contracts	10	3	—	13
Other[b]	—	—	—	—
Total Derivative liabilities—Investments	10	13,810	—	13,820
Total	$ 10	$13,966	$—	$13,976

a. Includes $50 million of alternative investments held in PEBP holdings.
b. These amounts relate to TBA securities.
c. Excludes $3,234 million relating to payable for cash collateral received.
* Indicates amount less than $0.5 million.

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments—Trading				
Equity securities	$ 219	$ 55	$—	$ 274
Government and agency obligations	3,242	13,139	—	16,381
Time deposits	1,750	10,732	—	12,482
ABS	—	3,457	—	3,457
Total Investments—Trading	5,211	27,383	—	32,594
Investments—AFS				
Government obligations	2,538	—	—	2,538
Time deposits	32	—	—	32
Total investments—AFS	2,570	—	—	2,570
Securities purchased under resale agreements	1,311	399	—	1,710
Derivative assets—Investments				
Currency forward contracts	—	4,989	—	4,989
Currency swaps	—	9,464	—	9,464
Interest rate swaps	—	89	—	89
Swaptions, exchange traded options and futures contracts	8	—	—	8
Other[a]	—	—	—	—
Total Derivative assets—Investments	8	14,542	—	14,550
Total	$9,100	$42,324	$—	$51,424
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$ —	$ 2,662	$—	$ 2,662
Derivative liabilities—Investments				
Currency forward contracts	—	4,996	—	4,996
Currency swaps	—	9,574	—	9,574
Interest rate swaps	—	212	—	212
Swaptions, exchange traded options and futures contracts	*	—	—	*
Other[a]	—	1	—	1
Total Derivative liabilities—Investments	*	14,783	—	14,783
Total	$ *	$17,445	$—	$17,445

a. These amounts relate to TBA securities.

b. Excludes $4,366 million relating to payable for cash collateral received.

* Indicates amount less than $0.5 million.

Commercial Credit Risk

For the purpose of risk management, IBRD is party to a variety of financial transactions, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. For all securities, IBRD limits trading to a list of authorized dealers and counterparties. In addition, IBRD receives collateral in connection with resale agreements as well as swap agreements. This collateral serves to mitigate IBRD's exposure to credit risk.

Swap Agreements: Credit risk is mitigated through the application of eligibility criteria and volume limits for transactions with individual counterparties and through the use of mark-to-market collateral arrangements for swap transactions. IBRD may require collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

IBRD has entered into master derivative agreements which contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. Credit risk with financial assets subject to a master derivatives arrangement is further reduced under these agreements to the extent that payments and receipts with the counterparty are netted at settlement. The reduction in exposure as a result of these netting provisions can vary due to the impact of changes in market conditions on existing and new transactions. The extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date. For more information on netting and offsetting provisions see note F—Derivative Instruments.

The following is a summary of the collateral received by IBRD in relation to swap transactions as of June 30, 2014 and June 30, 2013.

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
Collateral received		
Cash	$3,234	$ 4,366
Securities	2,785	3,258
Total collateral received	6,019	7,624
Collateral permitted to be repledged	$6,019	$ 7,624
Amount of collateral repledged	—	—

As of June 30, 2014, IBRD received total cash collateral of $3,234 million ($4,366 million—June 30, 2013), of which $2,114 million was invested in highly liquid instruments ($2,076 million—June 30, 2013).

Securities Lending: IBRD may engage in securities lending and repurchases against adequate collateral, as well as securities borrowing and reverse repurchases (resales) of government and agency obligations, and corporates and ABS. These transactions have been conducted under legally enforceable master netting arrangements, which allow IBRD to reduce its gross credit exposure related to these transactions. For balance sheet presentation purposes, IBRD presents its securities lending and repurchases, as well as resales, on a gross basis. As of June 30, 2014 and June 30, 2013, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements.

The following is a summary of the carrying amount of the securities transferred under repurchase or securities lending agreements, and the related liabilities:

In millions of U.S. dollars

	June 30, 2014	June 30, 2013	Financial Statement Presentation
Securities transferred under repurchase or securities lending agreements			
Investments—Trading	$155	$123	Included under Investments—Trading on the Balance Sheet
Investments—AFS	$—	$2,538	Included under Investments—AFS on the Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$ 156	$ 2,662	Included under Securities Sold Under Repurchase Agreements, Securities Lent Under Securities Lending Agreements, and Payable for Cash Collateral Received, on the Balance Sheet.

At June 30, 2014, and June 30, 2013 there were no liabilities relating to securities transferred under repurchase or securities lending agreements that had not settled at that date.

In the case of resale agreements, IBRD receives collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IBRD's Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2014, securities purchased under resale agreements included $2,027 million of securities which had not settled at that date (Nil—June 30, 2013). For the remaining purchases, IBRD received securities with a fair value of $1,069 million ($1,711 million—June 30, 2013). None of these securities had been transferred under repurchase or security lending agreements as of that date (Nil—June 30, 2013).

NOTE D—LOANS AND OTHER EXPOSURES

IBRD's loans and other exposures (exposures) are generally made to, or guaranteed by, member countries of IBRD. In addition, IBRD may also make loans to the IFC, an affiliated organization without any guarantee. IBRD's loans are carried and reported at amortized cost, with the exception of one loan which is carried and reported at fair value, because it contains an embedded derivative.

IBRD's loan portfolio includes loans with multicurrency terms, single currency pool terms, variable spread terms and fixed spread terms. At June 30, 2014, only loans with variable spread terms and fixed spread terms (including special development policy loans), were available for new commitments.

As of June 30, 2014, 83% of IBRD's loans carried variable interest rates. IBRD uses derivatives to manage repricing risk between loans and borrowings. These derivatives are included under borrowing derivatives and other derivatives on the Balance Sheet. After considering the effects of these derivatives, the loan portfolio carried variable interest rates, with a weighted average interest rate of 0.85% as of June 30, 2014 (0.88%—June 30, 2013).

The majority of the loans in the loan portfolio are denominated in USD (76%) and EUR (22%).

As of June 30, 2014, only 0.30% of IBRD's loans were in nonaccrual status and were all related to one borrower. The total provision for losses on accrual and nonaccrual loans accounted for 1.1% of the total loan portfolio. Based on IBRD's internal quality indicators, the majority of loans outstanding are in the Medium risk or High risk classes.

A summary of IBRD's outstanding loans by currency and by interest rate characteristics (fixed or variable) at June 30, 2014 and June 30, 2013 is as follows:

In millions of U.S. dollars

	June 30, 2014										
	Euro		*Japanese yen*		*U.S. dollars*		*Others*		*Loans Outstanding*		
	Fixed	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Total*
Multicurrency terms[a]											
Amount	$ 56	$ 55	$ 47	$ 48	$ 63	$ 452	$ 105[b]	$ 74	$ 271	$ 629	$ 900
Weighted average rate (%)[c]	4.00	6.68	3.20	6.61	6.41	7.37	3.37	6.46	4.18	7.15	6.25
Average Maturity (years)	3.91	0.62	4.30	0.66	2.58	0.06	3.71	0.74	3.59	0.23	1.24
Single currency pool terms											
Amount	$ —	$ 16	$ —	$ —	$ 81	$ 3	$ —	$ —	$ 81	$ 19	$ 100
Weighted average rate (%)[c]	—	0.53	—	—	4.18	6.93	—	—	4.18	1.57	3.69
Average Maturity (years)	—	0.75	—	—	0.53	0.45	—	—	0.53	0.70	0.56
Variable-spread terms											
Amount	$ —	$19,748	$ —	$ 107	$ 18	$ 75,637	$ —	$ 908	$ 18	$ 96,400	$ 96,418
Weighted average rate (%)[c]	—	0.69	—	0.64	5.77	0.67	—	8.91	5.77	0.75	0.75
Average Maturity (years)	—	11.17	—	3.54	0.34	10.07	—	13.03	0.34	10.31	10.31
Fixed-spread terms											
Amount	$5,148	$ 8,499	$ 27	$ 289	$20,275	$ 20,602[b]	$ 832[d]	$ 931	$26,282	$ 30,321	$ 56,603
Weighted average rate (%)[c]	4.38	1.01	2.59	0.69	4.11	0.89	7.14	3.11	4.26	0.99	2.51
Average maturity (years)	7.50	8.60	8.10	5.73	7.46	8.65	8.80	10.99	7.51	8.68	8.14
Loans Outstanding											
Amount	$5,204	$28,318	$ 74	$ 444	$20,437	$ 96,694	$ 937	$1,913	$26,652	$127,369	$154,021
Weighted average rate (%)[c]	4.37	0.80	2.97	1.31	4.12	0.75	6.72	5.99	4.26	0.84	1.43
Average Maturity (years)	7.46	10.37	5.68	4.66	7.41	9.72	8.23	11.56	7.45	9.87	9.45
Loans Outstanding											$154,021
Less accumulated provision for loan losses and deferred loan income											2,043
Net loans outstanding											$151,978

Note: For footnotes see the following page.

In millions of U.S. dollars

	June 30, 2013										
	Euro		*Japanese yen*		*U.S. dollars*		*Others*		*Loans Outstanding*		
	Fixed	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Fixed*	*Variable*	*Total*
Multicurrency terms[a]											
Amount	$ 109	$ 142	$ 102	$ 133	$ 105	$ 515	$ 100[b]	$ 87	$ 416	$ 877	$ 1,293
Weighted average rate (%)[c]	3.82	5.90	3.40	5.85	5.27	6.75	3.57	5.82	4.02	6.39	5.62
Average Maturity (years)	3.22	0.95	3.35	0.98	2.58	0.20	3.01	1.01	3.04	0.52	1.33
Single currency pool terms											
Amount	$ —	$ 34	$ —	$ —	$ 217	$ 11	$ —	$ —	$ 217	$ 45	$ 262
Weighted average rate (%)[c]	—	0.98	—	—	4.03	3.12	—	—	4.03	1.51	3.59
Average Maturity (years)	—	1.04	—	—	0.86	0.53	—	—	0.86	0.91	0.87
Variable-spread terms											
Amount	$ 1	$16,151	$ —	$ 132	$ 117	$ 69,497	$ —	$ 42	$ 118	$ 85,822	$ 85,940
Weighted average rate (%)[c]	3.85	0.56	—	0.66	5.15	0.76	—	0.65	5.14	0.73	0.73
Average Maturity (years)	0.45	11.60	—	3.35	0.67	9.86	—	8.22	0.66	10.18	10.16
Fixed-spread terms											
Amount	$4,254	$ 8,118	$ 29	$ 308	$21,745	$ 20,035[b]	$ 814[e]	$ 978	$26,842	$ 29,439	$ 56,281
Weighted average rate (%)[c]	4.58	0.86	2.57	0.76	4.12	0.99	7.33	3.67	4.29	1.04	2.59
Average maturity (years)	5.99	8.25	8.58	6.50	7.69	8.90	8.85	11.41	7.46	8.78	8.15
Loans Outstanding											
Amount	$4,364	$24,445	$ 131	$ 573	$22,184	$ 90,058	$ 914	$1,107	$27,593	$116,183	$143,776
Weighted average rate (%)[c]	4.56	0.69	3.21	1.92	4.13	0.85	6.92	3.72	4.29	0.85	1.51
Average Maturity (years)	5.92	10.41	4.51	4.49	7.56	9.59	8.21	10.47	7.31	9.75	9.28
Loans Outstanding											$143,776
Less accumulated provision for loan losses and deferred loan income											2,084
Net loans outstanding											$141,692

a. Variable rates for multicurrency loans are based on the weighted average cost of allocated debt.

b. Include loans to IFC.

c. Excludes effects of any waivers of loan interest.

d. Includes loans at fair value of $141 million.

e. Includes loans at fair value of $148 million.

The maturity structure of IBRD's loans at June 30, 2014 and June 30, 2013 is as follows:

In millions of U.S. dollars

	June 30, 2014				
Terms / Rate Type	*July 1, 2014 through June 30, 2015*	*July 1, 2015 through June 30, 2019*	*July 1, 2019 through June 30, 2024*	*Thereafter*	*Total*
Multicurrency terms					
Fixed	$ 100	$ 87	$ 60	$ 24	$ 271
Variable	574	55	—	—	629
Single currency pool terms					
Fixed	71	10	—	—	81
Variable	15	4	—	—	19
Variable-spread terms					
Fixed	18	—	—	—	18
Variable	4,685	18,112	24,176	49,427	96,400
Fixed-spread terms					
Fixed	2,300	9,860[a]	6,120	8,002	26,282
Variable	1,822	8,671	9,380	10,448	30,321
All Loans					
Fixed	2,489	9,957	6,180	8,026	26,652
Variable	7,096	26,842	33,556	59,875	127,369
Total loans outstanding	$9,585	$36,799	$39,736	$67,901	$154,021

a. Includes loans at fair value of $141 million.

In millions of U.S. dollars

	June 30, 2013				
Terms / Rate Type	*July 1, 2013 through June 30, 2014*	*July 1, 2014 through June 30, 2018*	*July 1, 2018 through June 30, 2023*	*Thereafter*	*Total*
Multicurrency terms					
Fixed	$ 175	$ 145	$ 60	$ 36	$ 416
Variable	674	203	—	—	877
Single currency pool terms					
Fixed	136	81	—	—	217
Variable	27	18	—	—	45
Variable-spread terms					
Fixed	100	18	—	—	118
Variable	4,944	17,716	20,564	42,598	85,822
Fixed-spread terms					
Fixed	2,150	10,227[a]	6,522	7,943	26,842
Variable	1,841	7,965	8,872	10,761	29,439
All Loans					
Fixed	2,561	10,471	6,582	7,979	27,593
Variable	7,486	25,902	29,436	53,359	116,183
Total loans outstanding	$10,047	$36,373	$36,018	$61,338	$143,776

a. Includes loans at fair value of $148 million.

Credit Quality of Sovereign Exposures

Based on an evaluation of IBRD's exposures, management has determined that IBRD has one portfolio segment—Sovereign Exposures. IBRD's loans constitute the majority of the Sovereign Exposures portfolio segment.

IBRD's country risk ratings are an assessment of its borrowers' ability and willingness to repay IBRD on time and in full. These ratings are internal credit quality indicators. Individual country risk ratings are derived on the basis of both quantitative and qualitative analysis. The components considered in the analysis can be grouped broadly into eight categories: political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks, and corporate sector debt and vulnerabilities. For the purpose of analyzing the risk characteristics of IBRD's exposures, these exposures are grouped into three classes in accordance with assigned borrower risk ratings which relate to the likelihood of loss: Low, Medium and High risk classes, as well as exposures in nonaccrual status.

IBRD's borrowers' country risk ratings are key determinants in the provision for losses. Country risk ratings are determined in review meetings that take place several times a year. All countries are reviewed at least once a year, or more frequently, if circumstances warrant, to determine the appropriate ratings.

IBRD considers loans to be past due when a borrower fails to make payment on any principal, interest or other charges due to IBRD on the dates provided in the contractual loan agreement.

The following table provides an aging analysis of the loan portfolio as at June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$—	$—	$—	$—	$ —	$ —	$ 13,319	$ 13,319
Medium	—	—	—	—	—	—	85,477	85,477
High	—	—	—	—	—	—	54,622	54,622
Loans in accrual status[a]	—	—	—	—	—	—	153,418	153,418
Loans in nonaccrual status[a]	—	—	—	5	457	462	—	462
Loan at fair value[b]	—	—	—	—	—	—	141	141
Total	$—	$—	$—	$ 5	$457	$462	$153,559	$154,021

In millions of U.S. dollars

	June 30, 2013							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$—	$—	$—	$—	$ —	$ —	$ 14,609	$ 14,609
Medium	—	—	—	—	—	—	78,553	78,553
High	10	—	—	35	—	45	49,959	50,004
Loans in accrual status[a]	10	—	—	35	—	45	143,121	143,166
Loans in nonaccrual status[a]	—	—	—	5	447	452	10	462
Loan at fair value[b]	—	—	—	—	—	—	148	148
Total	$10	$—	$—	$40	$447	$497	$143,279	$143,776

a. At amortized cost.

b. For the loan that is reported at fair value, and which is in accrual status, credit risk assessment is incorporated in the determination of fair value.

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provisions for losses, which reflects the probable losses inherent in IBRD's exposures. Probable losses comprise estimates of potential losses arising from default and nonpayment of principal amounts due, as well as present value losses. Delays in receiving loan payments result in present value losses to IBRD since it does not charge fees or additional interest on any overdue interest or charges. These present value losses are equal to the difference between the present value of payments of interest and charges made according to the related instrument's contractual terms and the present value of its expected future cash flows. It is IBRD's practice not to write off its loans. All contractual obligations associated with exposures in nonaccrual status have eventually been cleared, thereby allowing borrowers to eventually emerge from nonaccrual status. To date, no loans have been written off.

Notwithstanding IBRD's historical experience, the risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on loans and other exposures.

Changes to the Accumulated provision for losses on loans and other exposures for the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012 are summarized below:

In millions of U.S. dollars

	June 30, 2014			*June 30, 2013*			*June 30, 2012*		
	Loans	*Other*	*Total*	*Loans*	*Other*	*Total*	*Loans*	*Other*	*Total*
Accumulated provision, beginning of the fiscal year	$1,659	$54	$1,713	$ 1,690	$35	$1,725	$1,549	$29	$1,578
Provision—(release) charge	(46)	(14)	(60)	(40)	18	(22)	181	8	189
Translation adjustment	13	1	14	9	1	10	(40)	(2)	(42)
Accumulated provision, end of the fiscal year	$1,626	$41	$1,667	$ 1,659	$54	$1,713	$1,690	$35	$1,725
Composed of accumulated provision for losses on:									
Loans in accrual status	$1,395			$ 1,428			$1,459		
Loans in nonaccrual status	231			231			231		
Total	$1,626			$ 1,659			$1,690		
Loans, end of the fiscal year:									
Loans at amortized cost inaccrual status	$153,418			$143,166			$135,738		
Loans at amortized cost innonaccrual status	462			462			462		
Loan at fair value in accrual status	141			148			125		
Total	$154,021			$143,776			$136,325		

	Reported as Follows	
	Balance Sheet	***Statement of Income***
Accumulated Provision for Losses on:		
Loans	Accumulated provision for losses on loans	Provision for losses on loans and other exposures
Other exposures (excluding exposures to member countries' derivatives)	Accounts payable and miscellaneous liabilities	Provision for losses on loans and other exposures
Exposures to member countries' derivatives	Derivative Assets—Client Operations	Other, net

At June 30, 2014, there were no principal or interest amounts on loans in accrual status, which were overdue by more than three months.

Effective July 16, 2013, all loans made to or guaranteed by Iran were placed into nonaccrual status. The aggregate principal balance outstanding on these loans on June 30, 2013 was $697 million, of which $45 million was overdue on that date. Interest revenue for fiscal year ended June 30, 2013 was reduced by $7 million representing unpaid interest and other charges accrued on loans outstanding from Iran. The impact of this event was included in evaluating loan loss provision requirements associated with IBRD's exposure as at June 30, 2013. The accumulated provision for loans to Iran as of June 30, 2013 was $52 million.

Subsequently, on September 27, 2013, Iran cleared all of its overdue principal and charges due to IBRD and the loans to, or guaranteed by Iran were restored to accrual status on that date. Interest revenue for the fiscal year ended June 30, 2014, increased by $8 million, $7 million of which represented interest and other charges that would have been accrued as of June 30, 2013 had these loans not been placed in nonaccrual status.

During the fiscal year ended June 30, 2013 there were no loans placed into nonaccrual status or restored to accrual status.

During the fiscal year ended June 30, 2014, interest revenue recognized on loans in nonaccrual status was $2 million. During the fiscal years ended June 30, 2013 and June 30, 2012, no interest income was recognized on loans in nonaccrual status.

The following tables provide a summary of selected financial information related to loans in nonaccrual status as of and for the fiscal years ended June 30, 2014, and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
Recorded investment in nonaccrual loans[a]	$462	$462
Accumulated provision for loan losses on nonaccrual loans	231	231
Average recorded investment in nonaccrual loans for the fiscal year[b]	462	462
Overdue amounts of nonaccrual loans:	852	809
Principal	462	452
Interest and charges	390	357

a. A loan loss provision has been recorded against each of the loans in the nonaccrual portfolio.
b. For the fiscal year ended June 30, 2012: $464 million.

In millions of U.S. dollars

	2014	*2013*	*2012*
Interest income not recognized as a result of loans being in nonaccrual status	$34	$35[a]	$37

a. Excludes the effect of placing Iran's loans in nonaccrual status and subsequently restoring them to accrual status.

Information relating to the sole borrowing member with loans or guarantees in nonaccrual status at June 30, 2014 follows:

In millions of U.S. dollars

Borrower	*Principal outstanding*	*Principal, Interest and Charges overdue*	*Nonaccrual since*
Zimbabwe	$462	$852	October 2000

Guarantees

Guarantees of $1,804 million were outstanding at June 30, 2014 ($1,881 million—June 30, 2013). This amount represents the maximum potential amount of undiscounted future payments that IBRD could be required to make under these guarantees, and is not included in the Balance Sheet. These guarantees have original maturities ranging between 5 and 20 years, and expire in decreasing amounts through 2029.

At June 30, 2014, liabilities related to IBRD's obligations under guarantees of $60 million ($59 million—June 30, 2013), have been included in Accounts payable and miscellaneous liabilities on the Balance Sheet. These include the accumulated provision for guarantee losses of $25 million ($22 million—June 30, 2013).

During the fiscal years ended June 30, 2014 and June 30, 2013, no guarantees provided by IBRD were called.

Waivers of Loan Charges

IBRD provides waivers on eligible loans, which include a portion of interest on loans, a portion of the commitment charge on undisbursed balances and a portion of the front-end fee charged on all eligible loans. Waivers are approved annually by the Executive Directors of IBRD.

The reduction in net income for the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012 resulting from waivers of loan charges, is summarized in the following table:

In millions of U.S. dollars

	2014	*2013*	*2012*
Interest waivers	$115	$127	$139
Commitment charge waivers	9	15	26
Front-end fee waivers	21	15	25
Total	$145	$157	$190

Segment Reporting

Based on an evaluation of IBRD's operations, management has determined that IBRD has only one reportable segment since IBRD does not manage its operations by allocating resources based on a determination of the contribution to net income from individual borrowers.

Loan revenue comprises interest, commitment fees, loan origination fees and prepayment premia, net of waivers. For the fiscal year ended June 30, 2014, loans to three countries individually generated in excess of 10 percent of loan revenue; this amounted to $244 million, $227 million, and $226 million, respectively.

The following table presents IBRD's loan revenue and associated outstanding loan balances, by geographic region, as of and for the fiscal years ended June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	2014		*2013*	
Region	*Loans Outstanding*	*Loan Revenue*	*Loans Outstanding*	*Loan Revenue*
Africa	$ 2,534	$ 52	$ 2,252	$ 14
East Asia and Pacific	30,362	416	28,978	478
Europe and Central Asia	43,973	431	39,397	480
Latin America and the Caribbean	51,395	999	48,535	1,128
Middle East and North Africa	12,141	160	11,020	161
South Asia	13,395	90	13,364	121
Other[a]	221	2	230	2
Total	$ 154,021	$ 2,150	$ 143,776	$ 2,384

a. Represents loans to IFC, an affiliated organization.

Fair Value Disclosures

The only loan carried at fair value is classified as Level 3. This loan has an embedded derivative and its fair value is estimated on a matrix basis against the related bond. As IBRD's loans are not traded, the yield which is used as a key input to determining the fair value of this loan is not observable. The yield applied in determining the fair value of the loan at June 30, 2014 was 2.8%. An increase (decrease) in the yield would result in a decrease (increase) in the fair value of the loan.

The following table provides a summary of changes in the fair value of IBRD's Level 3 loan during the fiscal year ended June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	2014	*2013*
Beginning of the fiscal year	$ 148	$ 125
Total realized/unrealized gains (losses) in:		
Net income	9	14
Other comprehensive income	(16)	9
End of the fiscal year	$ 141	$ 148

The following table reflects the fair value adjustment on the loan and provides information on the unrealized gains or losses, relating to IBRD's Level 3 loan, included in revenue, for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012.

In millions of U.S. dollars

Unrealized (Losses) Gains	*2014*	*2013*	*2012*
Statement of Income Line			
Unrealized (losses) gains on Loans, net	$(2)	$4	$(1)

The table below presents the fair value of all IBRD's loans for disclosure purposes, along with their respective carrying amounts as of June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014		*June 30, 2013*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net Loans Outstanding	$151,978	$149,957	$141,692	$138,010

As of June 30, 2014 and June 30, 2013, IBRD's loans, including the one loan reported at fair value on a recurring basis, are classified as Level 3 within the fair value hierarchy.

Valuation Methods and Assumptions

All of IBRD's loans are made to or guaranteed by countries that are members of IBRD, except for those loans made to IFC. IBRD does not currently sell its loans.

As of June 30, 2014 and June 30, 2013, except for the one loan which is reported at fair value, all other loans are carried at amortized cost. The fair value of these loans is calculated using a discounted cash flow method. This method incorporates Credit Default Swap spreads for each borrower. Basis adjustments are applied to market recovery levels to reflect IBRD's recovery experience.

NOTE E—BORROWINGS

IBRD issues unsubordinated and unsecured fixed and variable rate debt in a variety of currencies. Some of these debt instruments are callable. Variable rates may be based on, for example, exchange rates, interest rates or equity indices.

Borrowings issued by IBRD are carried and reported at fair value. As of June 30, 2014, the majority of the instruments in the portfolio were classified as Level 2, within the fair value hierarchy. In addition, most of these instruments were denominated in USD, EUR, Australian dollar (AUD) and GBP (57%, 12%, 10% and 4%, respectively).

IBRD uses derivatives to manage the repricing risk between loans and borrowings. These derivatives also include derivatives which convert fixed interest rate loan repayments to variable interest rate loan repayments. After the effect of these derivatives (excluding those which convert fixed interest rate loan repayments to variable interest rate loan repayments), the borrowing portfolio carried variable interest rates, with a weighted average cost of 0.2% as of June 30, 2014 (0.3% as of June 30, 2013).

The following table provides a summary of the interest rate characteristics of IBRD's borrowings at June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014	*WAC[a] (%)*	*June 30, 2013*	*WAC[a] (%)*
Fixed	$131,334	2.70	$116,919	2.87
Variable	24,382	1.97	20,341	2.06
Borrowings[b]	$155,716	2.59%	$137,260	2.75%
Fair value adjustment	5,310		5,146	
Borrowings at fair value	$161,026		$142,406	

a. WAC refers to weighted average cost.

b. At amortized cost.

At June 30, 2014 and June 30, 2013, the currency composition of debt in IBRD's borrowings portfolio before derivatives was as follows:

	June 30, 2014	*June 30, 2013*
U.S. dollar	57.3%	55.8%
Euro	12.0	10.0
Australian dollar	10.2	9.2
Pound sterling	4.2	5.1
Japanese yen	3.9	6.4
New Zealand dollar	2.7	1.9
Others	9.7	11.6
	100.0%	100.0%

The maturity structure of IBRD's borrowings outstanding at June 30, 2014 and June 30, 2013 was as follows:

In millions of U.S. dollars

Period	*June 30, 2014*	*June 30, 2013*
Less than 1 year	$38,642	$ 35,709
Between		
1 - 2 years	32,748	29,138
2 - 3 years	28,718	20,902
3 - 4 years	10,738	19,095
4 - 5 years	20,363	4,790
Thereafter	29,817	32,772
	$161,026	$142,406

IBRD's borrowings have original maturities ranging from 25 days to 50 years, with the final maturity in 2064.

Fair Value Disclosures

IBRD's fair value hierarchy for borrowings measured at fair value on a recurring basis as of June 30, 2014 and June 30, 2013 is as follows:

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
Level 1	$ —	$ 225
Level 2	157,143	135,670
Level 3	3,883	6,511
	$161,026	$142,406

The following table provides a summary of changes in the fair value of IBRD's Level 3 borrowings during the fiscal years ended June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	2014	*2013*
Beginning of the fiscal year	$ 6,511	$11,014
Total realized/unrealized losses (gains) in:		
Net income	522	1,902
Other comprehensive income	(158)	(1,825)
Issuances	332	207
Settlements	(2,024)	(3,236)
Transfers (out of) into, net	(1,300)	(1,551)
End of the fiscal year	$ 3,883	$ 6,511

The following table provides information on the unrealized gains or losses included in revenue for the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012, relating to IBRD's Level 3 borrowings still held at June 30, 2014, June 30, 2013 and June 30, 2012, as well as where those amounts are included in the Statement of Income.

In millions of U.S. dollars

Unrealized (Losses) Gains	*2014*	*2013*	*2012*
Statement of Income Line			
Unrealized losses on Borrowings, net	$(306)	$(1,422)	$(880)

The following table provides information on the unrealized gains or losses included in revenue for the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012 relating to IBRD's borrowings held at June 30, 2014, June 30, 2013 and June 30, 2012, as well as where those amounts are included in the Statement of Income.

In millions of U.S. dollars

Unrealized Gains (Losses)	*2014*	*2013*	*2012*
Statement of Income Line			
Unrealized gains (losses) on Borrowings, net	$87	$1,532	$(4,558)

During the fiscal years ended June 30, 2014 and June 30, 2013, IBRD's credit spreads remained largely unchanged.

IBRD's Level 3 borrowings primarily relate to structured bonds. The fair value of these bonds is estimated using valuation models that incorporate model parameters, observable market inputs, and unobservable inputs. The significant unobservable inputs used in the fair value measurement of structured bonds are correlations and long-dated interest rate volatilities. Generally, the movements in correlations are considered to be independent from the movements in long-dated interest rate volatilities.

Correlation is the statistical measurement of the relationship between two variables. For contracts where the holder benefits from the convergence of the underlying index prices (e.g. interest rates and foreign exchange rates), an increase in correlation generally results in an increase in the fair value of the instrument. The magnitude and direction of the fair value adjustment will depend on whether the holder is short or long the option.

Interest rate volatility is the extent to which the level of interest rates change over time. For purchased options, an increase in volatility will generally result in an increase in the fair value. In general, the volatility used to price the option depends on the maturity of the underlying instrument and the option strike price. For IBRD, interest rate volatilities are considered an unobservable input for maturities greater than ten years for certain currencies.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used.

In millions of U.S. dollars

Portfolio	*Fair Value at June 30, 2014*	*Fair Value at June 30, 2013*	*Valuation Technique*	*Unobservable input*	*Range (average) June 30, 2014*	*Range (average) June 30, 2013*
Borrowings	$3,883	$6,511	Discounted cash flow	Correlations	-39% to 77% (5%)	-30% to 88% (11%)
				Long-dated interest rate volatilities	14% to 33% (22%)	15% to 30% (21%)

The table below provides the details of all inter-level transfers for the fiscal year ended June 30, 2014 and June 30, 2013. Transfers from Level 3 to Level 2 are due to increased price transparency.

In millions of U.S. dollars

	June 30, 2014		*June 30, 2013*	
	Level 2	*Level 3*	*Level 2*	*Level 3*
Borrowings				
Transfers into (out of), net	$1,300	$(1,300)	$1,551	$(1,551)
	$1,300	$(1,300)	$1,551	$(1,551)

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of borrowings:

In millions of U.S. dollars

	Fair Value	*Principal Amount Due Upon Maturity*	*Difference*
June 30, 2014	$161,026	$161,751	$(725)
June 30, 2013	$142,406	$144,175	$(1,769)

The following table summarizes IBRD's borrowings portfolio after derivatives as of June 30, 2014 and June 30, 2013.

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
Borrowings	$161,026	$142,406
Currency swaps, net	(3,769)	(2,706)
Interest rate swaps, net	(2,465)	(2,692)
	$154,792	$137,008

IBRD uses derivative contracts to manage the repricing risk between its loans and borrowings. For details regarding Currency swaps and Interest rate swaps, see Note F—Derivative Instruments.

NOTE F—DERIVATIVE INSTRUMENTS

IBRD uses derivative instruments in its investment and borrowing portfolios, and for asset/liability management purposes. It also offers derivatives intermediation services to clients and concurrently enters into offsetting transactions with market counterparties.

The following table summarizes IBRD's use of derivatives in its various financial portfolios:

Portfolio	*Derivative instruments used*	*Purpose / Risk being managed*
Risk management purposes:		
Investments	Currency swaps, interest rate swaps, currency forward contracts, options, swaptions and futures contracts, TBA securities	Manage currency and interest rate risks in the portfolio
Borrowings	Currency swaps, and interest rate swaps	Manage currency risk as well as repricing risks between loans and borrowings
Other assets/liabilities	Currency swaps, and interest rate swaps	Manage currency risk and the duration of IBRD's equity
Other purposes:		
Client operations	Currency swaps, and interest rate swaps	Assist clients in managing risks

IBRD engages in an equity management strategy, which employs interest rate swaps to increase the duration of its equity from approximately three months to approximately three years, as of June 30, 2014. This strategy seeks to increase the stability of income by taking greater exposure to long-term interest rates.

Under client operations, derivative intermediation services are provided to the following:

Borrowing Countries: Currency and interest rate swap transactions are executed between IBRD and its borrowers under master derivatives agreements.

Non-Affiliated Organizations: IBRD has a master derivatives agreement with the International Finance Facility for Immunisation (IFFIm), under which several transactions have been executed.

Affiliated Organizations: Derivative contracts are executed between IBRD and IDA, under an agreement allowing IBRD to intermediate derivative contracts on behalf of IDA.

On July 1, 2000, IBRD adopted FASB's guidance on derivatives and hedging. This guidance requires that derivative instruments be recorded on the balance sheet at fair value. IBRD has elected not to designate any qualifying hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value, with the changes in fair value recognized in net income. While IBRD believes that its hedging strategies achieve its objectives, the application of qualifying hedging criteria for accounting purposes would not appropriately reflect IBRD's risk management strategies.

Upon adoption of this guidance, $500 million was reported in other comprehensive income, representing the difference between the carrying value and the fair value of those derivatives that were hedging a cash flow exposure prior to adoption. This amount is being reclassified into earnings in the same period or periods in which the hedged forecasted transactions affect earnings.

Any unrealized gains or losses on those borrowings for which a fair value exposure was being hedged prior to adoption of the guidance, were recorded in net income at the time of implementation, and were offset by the unrealized gains or losses on the related derivative instruments. The unrealized gains or losses on those bonds are being amortized into earnings over the remaining lives of the related bonds, through the Unrealized gains and losses, net, under Borrowings, net in the Statement of Income.

The following tables provide information on the fair value amounts and the location of the derivative instruments on the Balance Sheet, as well as notional amounts and credit risk exposures of those derivative instruments as of June 30, 2014 and June 30, 2013:

Fair value of derivative instruments on the Balance Sheet:

In millions of U.S. dollars

	Balance Sheet Location			
	Derivative Assets		*Derivative Liabilities*	
	June 30, 2014	*June 30, 2013*	*June 30, 2014*	*June 30, 2013*
Derivatives not designated as hedging instruments				
Swaptions, exchange traded options and futures contracts—Investment—Trading[a]	$ 3	$ 8	$ 13	$ *
Interest rate swaps	7,769	9,312	4,151	4,270
Currency swaps[a]	146,298	129,526	142,721	126,860
Other[b]	*	—	—	1
Total Derivatives	$154,070	$138,846	$146,885	$131,131

a. Includes currency forward contracts and structured swaps.
b. These amounts relate to TBA securities.
* Indicates amount less than $0.5 million.

Notional amounts and credit risk exposure of the derivative instruments:

In millions of U.S. dollars

Type of contract	*June 30, 2014*	*June 30, 2013*
Investments—Trading		
Interest rate swaps		
Notional principal	$ 2,910	$ 6,920
Credit exposure	80	89
Currency swaps (including currency forward contracts)		
Credit exposure	59	173
Swaptions, exchange traded options and futures contracts[a]		
Notional long position	850	1,565
Notional short position	21,228	13,847
Credit exposure	3	1
Other derivatives[b]		
Notional long position	47	67
Notional short position	—	—
Credit exposure	1	—
Client operations		
Interest rate swaps		
Notional principal	22,691	21,908
Credit exposure	1,070	1,005
Currency swaps		
Credit exposure	1,701	1,322
Borrowing portfolio		
Interest rate swaps		
Notional principal	180,538	150,930
Credit exposure	5,115	5,409
Currency swaps		
Credit exposure	10,059	9,018
Other derivatives		
Interest rate swaps		
Notional principal	43,598	38,626
Credit exposure	1,504	2,809
Currency swaps		
Credit exposure	41	66

a. Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All swaptions, options and futures contracts are interest rate contracts.

b. These amounts relate to TBA securities.

IBRD is not required to post collateral under its derivative agreements as long as it maintains a AAA credit rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position as of June 30, 2014 is $1,216 million ($1,094 million—June 30, 2013). IBRD has not posted any collateral with these counterparties due to its AAA credit rating.

If the credit-risk related contingent features underlying these agreements were triggered to the extent that IBRD would be required to post collateral as of June 30, 2014, the amount of collateral that would need to be posted would be $164 million ($131 million June 30, 2013). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $1,216 million ($1,094 million—June 30, 2013). In contrast, IBRD received collateral totaling $6,019 million as of June 30, 2014 ($7,624 million—June 30, 2013) in relation to swap transactions (see Note C-Investments).

Amount of gains and losses on non-trading derivatives and their location on the Statement of Income during the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012 is as follows:

In millions of U.S. dollars

		(Losses) Gains		
	Income Statement Location	*2014*	*2013*	*2012*
Derivatives not designated as hedging instruments, and not held in a trading portfolio[a]				
Interest rate swaps	Unrealized (losses) gains on Equity management, Borrowings and Other, net	$(1,443)	$(1,377)	$1,092
Currency swaps (including currency forward contracts and structured swaps)		169	6	2,658
Total		$(1,274)	$(1,371)	$3,750

a. For alternative disclosures about trading derivatives see the following table.

All of the instruments in IBRD's investment portfolio are classified either as trading or AFS. Within the investment portfolio, IBRD holds highly rated fixed income securities, equity securities as well as derivatives.

The following table provides information on the location and amount of gains and (losses) on the net investment-trading portfolio and their location on the Statement of Income during the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012:

In millions of U.S. dollars

	Investments, net-trading[a]		
Statement of Income Line	*2014*	*2013*	*2012*
Type of instrument			
Fixed income	$(202)	$36	$ 8
Equity	26	13	(16)
	$(176)	$49	$ (8)

a. Amounts associated with each type of instrument include gains and losses on both derivative instruments and non-derivative instruments.

Offsetting assets and liabilities

IBRD enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements with substantially all of its derivative counterparties. These legally enforceable master netting agreements give IBRD the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

The following table summarizes information on derivative assets and liabilities (before and after netting adjustments) that are reflected on IBRD's Balance Sheet as of June 30, 2014 and June 30, 2013. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements. The net derivative asset positions have been further reduced by the cash and securities collateral received.

In millions of U.S. dollars

	June 30, 2014					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts Recognized on the Balance Sheet	*Gross Amounts Offset on the Balance Sheet*	*Net Amounts Presented on the Balance Sheet*	*Gross Amounts Recognized on the Balance Sheet*	*Gross Amounts Offset on the Balance Sheet*	*Net Amounts Presented on the Balance Sheet*
Interest rate swaps	$ 22,482	$(14,713)	$ 7,769	$ 14,173	$(10,022)	$ 4,151
Currency swaps[a]	146,298	—	146,298	142,721	—	142,721
Other[b]	3	—	3	13	—	13
Total	$168,783	$(14,713)	$ 154,070	$156,907	$(10,022)	$ 146,885
Amounts subject to legally enforcable master netting agreements[c]			(145,595)			(145,595)
Net derivative positions at counterparty level before collateral			8,475			1,290
Less:						
Cash collateral received[d]			2,840			
Securities collateral received[d]			2,485			
Net derivative exposure after collateral			$ 3,150			

a. Includes currency forward contracts and structured swaps.

b. These amounts relate to swaptions, exchange traded options, futures contracts and TBA securities.

c. Not offset on the Balance Sheet.

d. Does not include excess collateral received.

In millions of U.S. dollars

	June 30, 2013					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts Recognized on the Balance Sheet	*Gross Amounts Offset on the Balance Sheet*	*Net Amounts Presented on the Balance Sheet*	*Gross Amounts Recognized on the Balance Sheet*	*Gross Amounts Offset on the Balance Sheet*	*Net Amounts Presented on the Balance Sheet*
Interest rate swaps	$ 22,150	$(12,838)	$ 9,312	$ 16,285	$(12,015)	$ 4,270
Currency swaps[a]	129,526	—	129,526	126,860	—	126,860
Other[b]	13	(5)	8	1	—	1
Total	$151,689	$(12,843)	$ 138,846	$143,146	$(12,015)	$ 131,131
Amounts subject to legally enforcable master netting agreements[c]			(129,900)			(129,958)
Net derivatives positions at counterparty level before collateral			8,946			1,173
Less:						
Cash collateral received[d]			3,823			
Securities collateral received[d]			2,731			
Net derivative exposure after collateral			$ 2,392			

a. Includes currency forward contracts and structured swaps.

b. These amounts relate to swaptions, exchange traded options, futures contracts and TBA securities.

c. Not offset on the Balance Sheet.

d. Does not include excess collateral received.

Fair Value Disclosures

IBRD's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and June 30, 2013 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative Assets:				
Investments				
Currency forward contracts	$ —	$ 5,167	$ —	$ 5,167
Currency swaps	—	8,264	—	8,264
Interest rate swaps	—	80	—	80
Swaptions, exchange traded options and futures contracts	—	3	—	3
Other[a]	—	*	—	*
	—	13,514	—	13,514
Client operations				
Currency swaps	—	35,447	—	35,447
Interest rate swaps	—	1,070	—	1,070
	—	36,517	—	36,517
Borrowings				
Currency swaps	—	92,643	4,176	96,819
Interest rate swaps	—	5,054	61	5,115
	—	97,697	4,237	101,934
Other assets/liabilities				
Currency swaps	—	601	—	601
Interest rate swaps	—	1,504	—	1,504
	—	2,105	—	2,105
Total derivative assets	$ —	$149,833	$4,237	$154,070
Derivative Liabilities:				
Investments				
Currency forward contracts	$ —	$ 5,154	$ —	$ 5,154
Currency swaps	—	8,520	—	8,520
Interest rate swaps	—	133	—	133
Swaptions, exchange traded options and futures contracts	10	3	—	13
Other[a]	—	—	—	—
	10	13,810	—	13,820
Client operations				
Currency swaps	—	35,435	—	35,435
Interest rate swaps	—	1,104	—	1,104
	—	36,539	—	36,539
Borrowings				
Currency swaps	—	89,335	3,715	93,050
Interest rate swaps	—	2,615	35	2,650
	—	91,950	3,750	95,700
Other assets/liabilities				
Currency swaps	—	562	—	562
Interest rate swaps	—	264	—	264
	—	826	—	826
Total derivative liabilities	$ 10	$143,125	$3,750	$146,885

a. These amounts relate to TBA securities.

* Indicates amount less than $0.5 million.

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative Assets:				
Investments				
Currency forward contracts	$ —	$ 4,989	$ —	$ 4,989
Currency swaps	—	9,464	—	9,464
Interest rate swaps	—	89	—	89
Swaptions, exchange traded options and futures contracts	8	—	—	8
	8	14,542	—	14,550
Client operations				
Currency swaps	—	22,902	—	22,902
Interest rate swaps	—	1,005	—	1,005
	—	23,907	—	23,907
Borrowings				
Currency swaps	—	83,018	8,529	91,547
Interest rate swaps	—	5,380	29	5,409
	—	88,398	8,558	96,956
Other assets / liabilities				
Currency swaps	—	624	—	624
Interest rate swaps	—	2,809	—	2,809
	—	3,433	—	3,433
Total derivative assets	$ 8	$130,280	$8,558	$138,846
Derivative Liabilities:				
Investments				
Currency forward contracts	$ —	$ 4,996	$ —	$ 4,996
Currency swaps	—	9,574	—	9,574
Interest rate swaps	—	212	—	212
Swaptions, exchange traded options and futures contracts	*	—	—	*
Other[a]	—	1	—	1
	*	14,783	—	14,783
Client operations				
Currency swaps	—	22,891	—	22,891
Interest rate swaps	—	996	—	996
	—	23,887	—	23,887
Borrowings				
Currency swaps	—	80,940	7,901	88,841
Interest rate swaps	—	2,690	27	2,717
	—	83,630	7,928	91,558
Other assets / liabilities				
Currency swaps	—	558	—	558
Interest rate swaps	—	345	—	345
	—	903	—	903
Total derivative liabilities	$ *	$123,203	$7,928	$131,131

a. These amounts relate to TBA securities.

* Indicates amount less than $0.5 million.

The following tables provide a summary of changes in the fair value of IBRD's Level 3 derivatives, net during the fiscal years ended June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014			*June 30, 2013*		
	Currency Swaps	*Interest Rate Swaps*	*Total*	*Currency Swaps*	*Interest Rate Swaps*	*Total*
Beginning of the fiscal year	$ 628	$ 2	$ 630	$ 1,995	$(18)	$ 1,977
Total realized/unrealized gains or (losses) in:						
Net income	414	27	441	1,376	20	1,396
Other comprehensive income	(122)	—	(122)	(1,827)	—	(1,827)
Issuances	(4)	(2)	(6)	(13)	—	(13)
Sales/Settlements	(307)	—	(307)	(609)	—	(609)
Transfers (out of) in, net	(148)	(1)	(149)	(294)	—	(294)
End of the fiscal year	$ 461	$26	$ 487	$ 628	$ 2	$ 630

Unrealized gains or losses included in revenue for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012 relating to IBRD's Level 3 derivatives, net, still held as at these dates as well as where those amounts are included in the Statement of Income, are presented in the following table:

In millions of U.S. dollars

Unrealized Gains (Losses)	*2014*	*2013*	*2012*
Statement of Income Line			
Unrealized gains (losses) on Equity management, Borrowings and Other, net	$300	$1,080	$1,002

The table below provides the details of all inter-level transfers during the fiscal years ended June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014		*June 30, 2013*	
	Level 2	*Level 3*	*Level 2*	*Level 3*
Derivatives, net				
Transfer into (out of)	$149	$(149)	$294	$(294)

Transfers from Level 3 to Level 2 are due to increased price transparency.

The fair value of IBRD's Level 3 borrowings related derivatives is estimated using valuation models that incorporate model parameters, observable market inputs and unobservable inputs. The significant unobservable inputs used in the fair value measurement of these derivatives are correlations and long dated interest rate volatilities. See Note E—Borrowings for details on these unobservable inputs.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used.

In millions of U.S. dollars

Portfolio	*Fair Value at June 30, 2014*	*Fair Value at June 30, 2013*	*Valuation Technique*	*Unobservable input*	*Range (average) June 30, 2014*	*Range (average) June 30, 2013*
Currency swaps, swaps interest rate	$487	$630	Discounted cash flow	Correlations	-39% to 77% (5%)	-30% to 88% (11%)
				Long-dated interest rate volatilities	14% to 33% (22%)	15% to 30% (21%)

NOTE G—RETAINED EARNINGS, ALLOCATIONS AND TRANSFERS

The changes in the components of Retained Earnings for each of the fiscal periods from June 30, 2011 to June 30, 2014, are summarized below:

In millions of US dollars

	Special Reserve	*General Reserve*[c]	*Pension Reserve*	*Surplus*	*Cumulative Fair Value Adjustments*	*LTIP Reserve*	*Unallocated Net Income (Loss)*[c]	*Restricted Retained Earnings*[c]	*Total*
As of June 30, 2011	$293	$25,951	$1,248	$ 227	$ 437	$ 116	$1,442	$ 9	$29,723
Net income allocation[a]	—	401	(86)	75	420	109	(923)	4	—
Board of Governors-approved transfers funded from Surplus[b]	—	—	—	(130)	—	—	130	—	—
Net loss for the year	—	—	—	—	—	—	(676)	—	(676)
As of June 30, 2012	$293	$26,351	$1,162	$ 172	$ 857	$ 225	$ (26)	$13	$29,047
Net income allocation[a]	—	390	(3)	—	(809)	(225)	634	13	—
Board of Governors-approved transfers funded from Surplus[b]	—	—	—	(55)	—	—	55	—	—
Net income for the year	—	—	—	—	—	—	218	—	218
As of June 30, 2013	$293	$26,742	$1,159	$ 117	$ 48	$ —	$ 881	$25	$29,265
Net income allocation[a]	—	147	(99)	200	5	—	(260)	7	—
Board of Governors-approved transfers funded from Surplus[b]	—	—	—	(55)	—	—	55	—	—
Net loss for the year	—	—	—	—	—	—	(978)	—	(978)
As of June 30, 2014	$293	$26,889	$1,060	$ 262	$ 53	$ —	$ (302)	$32	$28,287

a. Amounts retained as Surplus from net income allocation are approved by the Board of Governors.

b. A concurrent transfer is made from Surplus to Unallocated Net Income (Loss) for all transfers reported on the Statement of Income and authorized to be funded from Surplus.

c. May differ from the sum of individual figures due to rounding.

IBRD makes net income allocation decisions on the basis of reported net income, adjusted to exclude the unrealized gains and losses on non-trading portfolios, net, restricted income and Board of Governors-approved transfers, and after considering the allocation to the pension reserve.

On August 7, 2013, IBRD's Executive Directors approved the allocation of $147 million out of the net income earned in the fiscal year ended June 30, 2013 to the General Reserve. In addition, the Executive Directors also approved a reduction in the Pension Reserve by $99 million and an increase in Restricted Retained Earnings by $7 million.

On October 11, 2013, IBRD's Board of Governors approved an immediate transfer to IDA of $621 million and $200 million to Surplus. The transfer to IDA was made on October 16, 2013.

On June 23, 2014, IBRD's Board of Governors approved the immediate transfer of $55 million from Surplus to the Trust Fund for Gaza and the West Bank, by way of grant. The payment for this transfer was made on June 26, 2014.

Transfers approved during the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012, are included in the following table.

In millions of U.S. dollars

Transfers funded from:	*2014*	*2013*	*2012*
Unallocated Net Income:			
IDA	$621	$608	$520
Surplus:			
IDA	—	—	—
Trust Fund for Gaza and West Bank	55	55	55
South Sudan Transition Trust Fund	—	—	75
	55	55	130
Total	$676	$663	$650

There was no amount payable for the transfers approved by the Board of Governors at June 30, 2014 and a $55 million amount payable at June 30, 2013.

NOTE H—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

IBRD transacts with affiliated organizations by providing loans, administrative and derivative intermediation services, as well as through its pension and other postretirement benefit plans.

At June 30, 2014 and June 30, 2013, IBRD had the following receivables from (payables to) its affiliated organizations.

In millions of U.S. dollars

	June 30, 2014					
			Derivative Transactions[a]			
	Loans	*Administrative Services*	*Receivable*	*Payable*	*Pension and Other Postretirement Benefits*	*Total*
IDA	$ —	$416	$12,221	$(12,102)	$ (854)	$(319)
IFC	221	22	—	—	(181)	62
MIGA	—	3	—	—	(8)	(5)
	$221	$441	$12,221	$(12,102)	$(1,043)	$(262)

In millions of U.S. dollars

	June 30, 2013					
			Derivative Transactions[a]			
	Loans	*Administrative Services*	*Receivable*	*Payable*	*Pension and Other Postretirement Benefits*	*Total*
IDA	$ —	$413	$5,242	$(5,307)	$ (887)	$(539)
IFC	230	45	—	—	(144)	131
MIGA	—	2	—	—	(6)	(4)
	$230	$460	$5,242	$(5,307)	$(1,037)	$(412)

a. For details on derivative transactions relating to the swap intermediation services provided by IBRD to IDA see Note F—Derivative Instruments

The (payables) receivables balances to (from) these affiliated organizations are reported in the Balance Sheet as follows:

Receivables / Payables related to:	*Reported as:*
Loans	Loans outstanding
Receivable for Administrative Services[a]	Other Assets—Miscellaneous
Receivables (payables) for Derivative Transactions	Derivative Assets/Liabilities—Client operations
Payable for Pension and Other Postretirement Benefits	Other Liabilities—Accounts payable and miscellaneous liabilities

a. Include amounts payable to IDA for its share of investments associated with PCRF. This payable is included in Accounts payable and miscelleaneous liabilities on the Balance Sheet.

Loans and other exposures

IBRD has a Local Currency Loan Facility Agreement with IFC which is capped at $300 million. At June 30, 2014, the loan balance under this facility amounted to $25 million ($34 million—June 30, 2013) at a fixed interest rate of 3.96% and weighted average maturity of 1.71 years. This loan is not eligible for interest waivers.

In addition, on July 5, 2012, the Board of Executive Directors approved for IBRD to lend up to $197 million to IFC. The loan is at LIBOR minus 25 basis points (0.07% as of June 30, 2014) and is not eligible for interest waivers. At June 30, 2014, the balance of this loan was $196 million ($196 million—June 30, 2013).

During FY 2014, IBRD entered into an exposure exchange agreement with MIGA under which IBRD and MIGA agreed to exchange $120 million each of notional amount of exposures on their respective balance sheets with one another. Under the agreement, MIGA provided a guarantee on one of IBRD’s loan principal and interest exposure in exchange for IBRD’s guarantee of principal and interest exposure of MIGA under its Non-Honoring of Sovereign Financial Obligation. As of June 30, 2014, liabilities related to IBRD’s obligation under this agreement amounted to $3 million. These include an accumulated provision for guarantee losses of less than $1 million.

Administrative Services

Expenses jointly incurred by IBRD and IDA are allocated based on an agreed cost sharing ratio, and amounts are settled quarterly. For the fiscal year ended June 30, 2014, IBRD’s administrative expenses are net of the share of expenses allocated to IDA of $1,650 million ($1,620 million—fiscal year ended June 30, 2013, and $1,365 million—fiscal year ended June 30, 2012).

At June 30, 2014, the amount receivable for administrative services was net of IDA’s share of investments associated with PCRF.

Other Revenue

Revenue jointly earned by IBRD and IDA is allocated based on the same agreed cost sharing ratio that is used to allocate administrative expenses. Amounts are settled quarterly. For the fiscal year ended June 30, 2014, IBRD’s other revenue is net of revenue allocated to IDA of $281 million ($250 million—fiscal year ended June 30, 2013, and $209 million—fiscal year ended June 30, 2012).

For the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012, the amount of fee revenue associated with services provided to affiliated organizations is included in Other Income on the Statement of Income, as follows:

In millions of U.S. dollars

	2014	*2013*	*2012*
Fees charged to IFC	$54	$39	$38
Fees charged to MIGA	5	5	6

Pension and Other Postretirement Benefits

The payable to IDA represents IDA's net share of prepaid cost for pension and other postretirement benefit plans and PEBP assets. These will be realized over the life of the plan participants.

The payables to IFC and MIGA represent their respective share of PEBP assets. The PEBP assets are managed by IBRD and are a part of the investment portfolio.

For Pension and Other Post Retirement Benefits related disclosures see Note J—Pension and Other Post Retirement Benefits.

Derivative transactions

These relate to currency forward contracts entered into by IDA with IBRD acting as the intermediary with the market.

NOTE I—MANAGEMENT OF EXTERNAL FUNDS AND OTHER SERVICES

Trust Funds

IBRD, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with donors. Specified uses could include, for example, co-financing of IBRD lending projects, debt reduction operations, technical assistance including feasibility studies and project preparation, global and regional programs, and research and training programs. These funds are held in trust with IBRD and/or IDA, and are held in a separate investment portfolio which is not commingled with IBRD and/or IDA funds.

Trust fund execution may be carried out in one of two ways: Recipient-executed or IBRD-executed.

Recipient-executed trust funds involve activities carried out by a recipient third-party "executing agency". IBRD enters into agreements with and disburses funds to those recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in the agreements.

IBRD-executed trust funds involve IBRD execution of activities as described in relevant administration agreements with donors which define the terms and conditions for use of the funds. Spending authority is exercised by IBRD, under the terms of the administration agreements. The executing agency services provided by IBRD vary and include for example, activity preparation, analytical and advisory activities and project-related activities, including procurement of goods and services.

The following table summarizes the expenses pertaining to IBRD-executed trust funds during the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012:

In millions of U.S. dollars

	2014	*2013*	*2012*
IBRD-executed trust funds expenses	$409	$357	$341

These amounts are included in Administrative expenses and the corresponding revenue is included in Other revenue in the Statement of Income.

The following table summarizes all undisbursed contributions made by third party donors to IBRD-executed trust funds, recognized on the Balance Sheet as of June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

	June 30, 2014	*June 30, 2013*
IBRD-executed trust funds	$471	$394

These amounts are included in Other Assets—Miscellaneous and the corresponding liabilities are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

Revenues

During the fiscal year ended June 30, 2014, June 30, 2013 and June 30, 2012, IBRD's revenues for the administration of trust fund operations were as follows:

In millions of U.S. dollars

	2014	*2013*	*2012*
Revenues	$56	$59	$64

These amounts are included in Other revenue in the Statement of Income.

Revenue collected from donor contributions but not yet earned by IBRD totaling $73 million at June 30, 2014 ($66 million—June 30, 2013) is included in Other Assets (Miscellaneous) and in Accounts payable and miscellaneous liabilities, correspondingly on the Balance Sheet.

Investment Management Services

IBRD offers treasury and investment management services to affiliated and non-affiliated organizations.

In addition, IBRD offers asset management and technical advisory services to central banks of member countries, under the Reserves Advisory and Management Program, for capacity building and other development purposes and receives a fee for these services.

During the fiscal year ended June 30, 2014, the fee revenue from all of these investment management activities in the amount of $26 million ($24 million—June 30, 2013) is included in Other revenue on the Statement of Income.

Other Services

Donors to AMC have provided IBRD with commitments to give $1.5 billion over a ten year period, with the GAVI Alliance (GAVI) as the named beneficiary. The assets will be drawn down by GAVI in accordance with the terms of the AMC which require that the funds be used to make payments for qualifying vaccines. Should a donor fail to pay, IBRD has committed to pay the shortfall. For this commitment, IBRD charges an annual 30 basis point premium on outstanding grant payments not yet paid by AMC donors.

As of June 30, 2014 investments and receivables from donors relating to AMC, had a net carrying value of $628 million ($742 million—June 30, 2013). Amounts relating to investments totaled $280 million ($257 million—as of June 30, 2013) and are included in IBRD's investment holdings. Receivables from donors are reported in Other Assets (Miscellaneous). The corresponding payables are reflected in Accounts payable and miscellaneous liabilities. Fee revenue recognized from these arrangements in the amount of $2 million ($2 million—June 30, 2013) is included in Other revenue. Amounts recorded for the non-contingent and contingent obligations arising from IBRD's obligation to pay in the event of a donor default are included in Note D—Loans and Other Exposures.

NOTE J—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, IFC and MIGA participate in SRP, a Retired Staff Benefits Plan (RSBP) and a PEBP that cover substantially all of their staff members.

The SRP provides pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

IBRD uses a June 30th measurement date for its pension and other postretirement benefit plans.

All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. Costs allocated to IBRD are then shared between IBRD and IDA based on an agreed cost sharing ratio. IDA, IFC and MIGA reimburse IBRD for their proportionate share of any contributions made to these plans by IBRD. Contributions to these plans are calculated as a percentage of salary.

As of June 30, 2014, the SRP and RSBP each had a negative funded status of $974 million and $700 million, respectively. The funded status of the PEBP, after reflecting IBRD and IDA's share of assets which are included in the IBRD's investment portfolio ($627 million), was negative $446 million.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP for IBRD and IDA for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012:

In millions of U.S. dollars

	SRP			*RSBP*			*PEBP*		
	2014	*2013*	*2012*	*2014*	*2013*	*2012*	*2014*	*2013*	*2012*
Benefit Cost									
Service cost	$ 353	$ 368	$ 303	$ 85	$ 84	$ 62	$33	$30	$23
Interest cost	621	533	618	113	98	102	33	27	28
Expected return on plan assets	(771)	(719)	(780)	(107)	(100)	(106)	—	—	—
Amortization of prior service cost[a]	7	7	7	16	14	—	*	*	*
Amortization of unrecognized net loss[a]	109	191	35	28	45	25	29	30	19
Net periodic pension cost[b]	$ 319	$ 380	$ 183	$ 135	$ 141	$ 83	$95	$87	$70
of which:									
IBRD's share	$ 147	$ 176	$ 89	$ 62	$ 65	$ 40	$44	$40	$34
IDA's share	$ 172	$ 204	$ 94	$ 73	$ 76	$ 43	$51	$47	$36

a. Included in Amounts reclassified into net income in Note K-Comprehensive Income/Loss.
b. Included in Administrative Expenses in the Statement of Income.
* Indicates amount less than $0.5 million.

IBRD's share of benefit costs is included in Administrative expenses. IDA's share of benefit costs is included as a payable to/receivable from IDA in Accounts payable and miscellaneous liabilities on the Balance Sheet (see Note H—Transactions with Affiliated Organizations).

The following table summarizes the Projected Benefit Obligations (PBO), fair value of plan assets, and funded status associated with the SRP, RSBP, and PEBP for IBRD and IDA for the fiscal years ended June 30, 2014, and June 30, 2013. While contributions made to the SRP and RSBP are irrevocable, contributions made to the PEBP are revocable. As a result, the assets for the PEBP do not qualify for off-balance sheet accounting and are therefore included in IBRD's investment portfolio. The assets of the PEBP are mostly invested in fixed income and equity instruments.

In millions of U.S. dollars

	SRP		*RSBP*		*PEBP*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
Projected Benefit Obligations						
Beginning of year	$13,985	$14,014	$2,382	$2,389	$ 755	$ 707
Service cost	353	368	85	84	33	30
Interest cost	621	533	113	98	33	27
Participant contributions	89	83	20	19	1	1
Federal subsidy received	n.a	n.a	1	1	n.a	n.a
Plan amendments	31	—	—	17	32	—
Benefits paid	(554)	(554)	(57)	(73)	(31)	(28)
Actuarial loss (gain)	1,297	(459)	249	(153)	250	18
End of year	$15,822	$13,985	$2,793	$2,382	$ 1,073	$ 755
Fair value of plan assets						
Beginning of year	13,256	12,591	1,772	1,624		
Participant contributions	89	83	20	19		
Actual return on assets	1,822	937	263	126		
Employer contributions	235	199	95	76		
Benefits paid	(554)	(554)	(57)	(73)		
End of year	14,848	13,256	2,093	1,772		
Funded status[a]	$ (974)	$ (729)	$ (700)	$ (610)	$(1,073)	$(755)
Accumulated Benefit Obligations	$14,429	$12,830	$2,793	$2,382	$ 910	$ 651

a. Positive funded status is reflected in Assets under retirement benefits plans; negative funded status is included in Liabilities under retirement benefits plans, on the Balance Sheet.

During the fiscal year ended June 30, 2013, IBRD decided not to transition the RSBP plan from Retiree Drug Subsidy to Employer Group Waiver Plan following further evaluations of the design and administrative requirements of the EGWP. The effect of this change was a $17 million increase to the projected benefit obligation at June 30, 2013.

During the fiscal year ended June 30, 2014, several amendments were made to the SRP. The primary amendments that resulted in an overall increase in SRP and PEBP PBO are as follows: (i) Improvements to the survivors' benefits, (ii) Increasing the Mandatory Retirement Age for all current and future participants from age 62 to age 67 for all staff on board on or after December 31, 2015, (iii) Increasing the Normal Retirement Age (NRA) to age 65 for all participants entering the SRP on or after December 31, 2015, the NRA remains at age 62 for all other participating in the SRP before that date, and (iv) Ceasing pension accrual for certain participants after the age of 62.

The following tables present the amounts included in Accumulated Other Comprehensive Income relating to Pension and Other Postretirement Benefits.

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2014:

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss	$2,699	$618	$545	$3,862
Prior service cost	36	137	32	205
Net amount recognized in Accumulated Other Comprehensive Loss	$2,735	$755	$577	$4,067

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2013:

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss	$2,561	$553	$324	$3,438
Prior service cost	13	152	1	166
Net amount recognized in Accumulated Other Comprehensive Loss	$2,574	$705	$325	$3,604

The estimated amounts that will be amortized from Accumulated Other Comprehensive Income (Loss) into net periodic benefit cost in the fiscal year ending June 30, 2015 are as follows:

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss	$106	$27	$45	$178
Prior service cost	5	16	3	24
Amount estimated to be amortized into net periodic benefit cost	$111	$43	$48	$202

Assumptions

The actuarial assumptions used are based on financial market interest rates, inflation expectations, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations.

The expected long-term rate of return for the SRP assets is a weighted average of the expected long-term (10 years or more) returns for the various asset classes, weighted by the portfolio allocation. Asset class returns are developed using a forward-looking building block approach and are not strictly based on historical returns. Equity returns are generally developed as the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of expected inflation, real bond yield, and risk premium/spread (as appropriate). Other asset class returns are derived from their relationship to equity and bond markets. The expected long-term rate of return for the RSBP is computed using procedures similar to those used for the SRP. The discount rate used in determining the benefit obligation is selected by reference to the year-end yield of AA corporate bonds.

Actuarial gains and losses occur when actual results are different from expected results. Amortization of these unrecognized gains and losses will be included in income if, at the beginning of the fiscal year, they exceed 10 percent of the greater of the PBO or the market-related value of plan assets. If required, the unrecognized gains and losses are amortized over the expected average remaining service lives of the employee group.

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012:

Weighted average assumptions used to determine projected benefit obligation

In percent, except years

	SRP			*RSBP*			*PEBP*		
	2014	*2013*	*2012*	*2014*	*2013*	*2012*	*2014*	*2013*	*2012*
Discount rate	4.20	4.60	3.90	4.40	4.80	4.10	4.30	4.50	3.90
Rate of compensation increase	5.40	5.70	5.40				5.40	5.70	5.40
Health care growth rates - at end of fiscal year				5.30	5.90	6.30			
Ultimate health care growth rate				4.10	3.90	3.60			
Year in which ultimate rate is reached				2022	2022	2022			

Weighted average assumptions used to determine net periodic pension cost

In percent, except years

	SRP			*RSBP*			*PEBP*		
	2014	*2013*	*2012*	*2014*	*2013*	*2012*	*2014*	*2013*	*2012*
Discount rate	4.60	3.90	5.30	4.80	4.10	5.50	4.50	3.90	5.20
Expected return on plan assets	5.90	5.80	6.40	6.00	6.10	6.70			
Rate of compensation increase	5.70	5.40	5.90				5.70	5.40	5.90
Health care growth rates - at end of fiscal year				5.90	6.30	6.90			
Ultimate health care growth rate				3.90	3.60	4.00			
Year in which ultimate rate is reached				2022	2022	2022			

The medical cost trend rate can significantly affect the reported postretirement benefit income or costs and benefit obligations for the RSBP. The following table shows the effects of a one-percentage-point change in the assumed healthcare cost trend rate:

In millions of U.S. dollars

	One percentage point increase	*One percentage point decrease*
Effect on total service and interest cost	$ 51	$ 38
Effect on postretirement benefit obligation	$592	$458

Investment Strategy

The investment policies establish the framework for investment of the plan assets based on long-term investment objectives and the trade-offs inherent in seeking adequate investment returns within acceptable risk parameters. A key component of the investment policy is to establish a Strategic Asset Allocation (SAA) representing the policy portfolio (i.e., policy mix of assets) around which the plans are invested. The SAA for the plans is reviewed in detail and reset about every three years, with more frequent reviews and changes if and as needed based on market conditions.

The key long-term objective is to target and secure asset performance that is reasonable in relation to the growth rate of the underlying liabilities and the assumed sponsor contribution rates. This is particularly so in the case of the SRP, which has liabilities that can be projected based on the actuarial assumptions. Given the relatively long investment horizons of the SRP and RSBP, and the relatively modest liquidity needs over the short-term to pay benefits and meet other cash requirements, the focus of the investment strategy is on generating sustainable long-term investment returns through various asset classes and strategies including public and private equity and real estate.

The SAA is derived using a mix of quantitative analysis that incorporates expected returns and volatilities by asset class as well as correlations across the asset classes, and qualitative considerations such as the desired liquidity needs of the plans. The SAA is comprised of a diversified portfolio drawn from among fixed-income, equity, real assets and absolute return strategies.

The following table presents the policy asset allocation at June 30, 2014 and the actual asset allocation at June 30,2014 and June 30, 2013 by asset category for the SRP and RSBP.

In percent

	SRP			*RSBP*		
	Policy Allocation 2014(%)	*% of Plan Assets 2014*	*% of Plan Assets 2013*	*Policy Allocation 2014(%)*	*% of Plan Assets 2014*	*% of Plan Assets 2013*
Asset Class						
Fixed Income & Cash	26	23	28	26	25	29
Public Equity	33	35	30	33	35	30
Private Equity	20	18	18	20	19	21
Market Neutral Hedge Funds	8	9	12	8	9	9
Real assets[a]	13	12	12	13	10	11
Other[b]	—	3	—	—	2	—
Total	100	100	100	100	100	100

a. Includes public and private real estate, infrastructure and timber.

b. Includes investments that are outside the policy allocations.

Significant Concentrations of Risk in Plan Assets

The assets of the SRP and RSBP are diversified across a variety of asset classes. Investments in these asset classes are further diversified across funds, managers, strategies, geographies and sectors, to limit the impact of any individual investment. In spite of such level of diversification, equity market risk remains the primary source of the overall return volatility of the Plans.

Risk management practices

Managing investment risk is an integral part of managing the assets of the Plans. Asset diversification and consideration of the characteristics of the liabilities are central to the overall investment strategy and risk management approach for the SRP. Absolute risk indicators such as the overall return volatility and drawdown of the Plans are the primary measures used to define the risk tolerance level and establish the overall level of investment risk. In addition, the level of active risk (defined as the annualized standard deviation of portfolio returns relative to those of the policy portfolio) is closely monitored and managed on ongoing basis.

Market risk is regularly monitored at the absolute level, as well as at the relative levels with respect to the investment policy, manager benchmarks, and liabilities of the Plans. Stress tests are performed periodically using relevant market scenarios to assess the impact of extreme market events.

Monitoring of performance (at both manager and asset class levels) against benchmarks, and compliance with investment guidelines, is carried out on a regular basis as part of the risk monitoring process. Risk management for different asset classes is tailored to their specific characteristics and is an integral part of the external managers' due diligence and monitoring processes.

Credit risk is monitored on a regular basis and assessed for possible credit event impacts. The liquidity position of the Plans is analyzed at regular intervals and periodically tested using various stress scenarios to ensure that the Plans have sufficient liquidity to meet all cash flow requirements. In addition, the long-term cash flow needs of the Plans are considered during the SAA exercise and are one of the main drivers in determining maximum allocation to the illiquid investment vehicles. The plans mitigate operational risk by maintaining a system of internal controls along with other checks and balances at various levels.

Fair Value Measurements and Disclosures

All plan assets are measured at fair value on a recurring basis. The following table presents the fair value hierarchy of major categories of plan assets as of June 30, 2014 and June 30, 2013.

In millions of U.S. dollars

	June 30, 2014							
	SRP				*RSBP*			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Debt Securities								
Time deposits	$ —	$ 2	$ —	$ 2	$ —	$ *	$ —	$ *
Securities purchased under resale agreements	54	—	—	54	16	—	—	16
Government and agency securities	2,425	515	—	2,940	224	268	—	492
Corporate and convertible bonds	—	126	—	126	—	2	—	2
ABS	—	61	—	61	—	*	—	*
Mortgage backed securities	—	143	—	143	—	2	—	2
Total Debt Securities	2,479	847	—	3,326	240	272	—	512
Equity securities								
Stocks	3,113	—	—	3,113	410	—	—	410
Mutual funds	467	—	—	467	91	—	—	91
Real estate investment trusts (REITs)	340	—	—	340	37	—	—	37
Total Equity Securities	3,920	—	—	3,920	538	—	—	538
Commingled funds	—	1,651	—	1,651	—	230	—	230
Private equity	—	—	2,647	2,647	—	—	411	411
Real estate (including infrastructure and timber)	—	446	1,016	1,462	—	36	132	168
Hedge funds	—	1,358	440	1,798	—	177	48	225
Derivative assets / liabilities	1	(4)	—	(3)	*	(1)	—	(1)
Other assets / liabilities, net[a]	—	—	—	47	—	—	—	10
Total Assets	$6,400	$4,298	$4,103	$14,848	$778	$714	$591	$2,093

In millions of U.S. dollars

	June 30, 2013							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt Securities								
Time deposits	$ *	$ 203	$ —	$ 203	$ *	$ 33	$ —	$ 33
Securities purchased under resale agreements	278	—	—	278	20	—	—	20
Government and agency securities	2,605	601	—	3,206	185	273	—	458
Corporate and convertible bonds	—	124	—	124	—	10	—	10
ABS	—	71	—	71	—	*	—	*
Mortgage backed securities	—	165	—	165	—	2	—	2
Total Debt Securities	2,883	1,164	—	4,047	205	318	—	523
Equity securities								
Stocks	2,570	—	—	2,570	308	—	—	308
Mutual funds	138	—	—	138	35	—	—	35
REITs	285	—	—	285	31	—	—	31
Total Equity Securities	2,993	—	—	2,993	374	—	—	374
Commingled funds	—	1,142	—	1,142	—	191	—	191
Private equity	—	—	2,449	2,449	—	—	368	368
Real estate (including infrastructure and timber)	—	386	919	1,305	—	29	120	149
Hedge funds	—	1,041	400	1,441	—	111	43	154
Derivative assets / liabilities	1	8	—	9	(*)	4	—	4
Other assets / liabilities, net[a]	—	—	—	(130)	—	—	—	9
Total Assets	$5,877	$3,741	$3,768	$13,256	$579	$653	$531	$1,772

a. Includes receivables and payables carried at amounts that approximate fair value.
* Indicates amount less than $0.5 million.

The following tables present a reconciliation of Level 3 assets held during the year ended June 30, 2014 and 2013. For the fiscal year ended June 30, 2013, investments in certain real estate funds that were identified as redeemable within 90 days of the period end were transferred out of Level 3 into Level 2.

In millions of US dollars

	June 30, 2014 SRP						
	Corporate and Convertible Debt	ABS	Mortgage-backed Securities	Private Equity	Real Estate	Hedge Funds	Total
Beginning of the fiscal year	$—	$—	$—	$2,449	$ 919	$400	$3,768
Actual return on plan assets:							
Relating to assets still held at the reporting date	—	—	—	382	118	19	519
Relating to assets sold during the period	—	—	—	152	38	35	225
Purchases, issuance and settlements, net	—	—	—	(336)	(59)	(14)	(409)
Transfers in	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—
End of fiscal year	$—	$—	$—	$2,647	$1,016	$440	$4,103

In millions of US dollars

	June 30, 2013 SRP						
	Corporate and Convertible Debt	*ABS*	*Mortgage-backed Securities*	*Private Equity*	*Real Estate*	*Hedge Funds*	*Total*
Beginning of the fiscal year	$ 1	$ 2	$ 2	$2,539	$903	$354	$3,801
Actual return on plan assets:							
Relating to assets still held at the reporting date	*	—	*	444	10	26	480
Relating to assets sold during the period	—	—	(*)	(111)	63	2	(46)
Purchases, issuance and settlements, net	(*)	(2)	(2)	(423)	(57)	31	(453)
Transfers in	—	—	—	—	—	55	55
Transfers out	(1)	—	—	—	—	(68)	(69)
End of fiscal year	$—	$—	$—	$2,449	$919	$400	$3,768

* Indicates amount less than $0.5 million.

In millions of US dollars

	June 30, 2014 RSBP						
	Corporate and Convertible Debt	*ABS*	*Mortgage-backed Securities*	*Private Equity*	*Real Estate*	*Hedge Funds*	*Total*
Beginning of the fiscal year	$—	$—	$—	$368	$120	$43	$531
Actual return on plan assets:							
Relating to assets still held at the reporting date	—	—	—	68	15	1	84
Relating to assets sold during the period	—	—	—	32	4	4	40
Purchases, issuance and settlements, net	—	—	—	(57)	(7)	(*)	(64)
Transfers in	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—
End of fiscal year	$—	$—	$—	$411	$132	$48	$591

* Indicates amount less than $0.5 million.

In millions of US dollars

	June 30, 2013 RSBP						
	Corporate and Convertible Debt	*ABS*	*Mortgage-backed Securities*	*Private Equity*	*Real Estate*	*Hedge Funds*	*Total*
Beginning of the fiscal year	$—	$ 1	$ *	$389	$123	$39	$552
Actual return on plan assets:							
Relating to assets still held at the reporting date	—	—	—	61	*	2	64
Relating to assets sold during the period	—	—	—	(13)	8	*	(5)
Purchases, issuance and settlements, net	—	(1)	(*)	(69)	(12)	5	(77)
Transfers in	—	—	—	—	—	5	5
Transfers out	—	—	—	—	—	(8)	(8)
End of fiscal year	$—	$—	$—	$368	$120	$43	$531

* Indicates amount less than $0.5 million.

Valuation methods and assumptions

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of Plan assets. It is important to note that the investment amounts in the asset categories shown in the table above may be different from the asset category allocation shown in the Investment Strategy section of the note. Asset classes in the table above are grouped by the characteristics of the investments held. The asset class break-down in the Investment Strategy section is based on management's view of the economic exposures after considering the impact of derivatives and certain trading strategies.

Debt securities

Debt securities include time deposits, U.S. treasuries and agencies, debt obligations of foreign governments and debt obligations in corporations of domestic and foreign issuers. Fixed income also includes investments in ABS such as collateralized mortgage obligations and mortgage backed securities. These securities are valued by independent pricing vendors at quoted market prices for the same or similar securities, where available. If quoted market prices are not available, fair values are based on discounted cash flow models using market-based parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. Some debt securities are valued using techniques which require significant unobservable inputs. The selection of these inputs may involve some judgment. Management believes its estimates of fair value are reasonable given its processes for obtaining securities prices from multiple independent third-party vendors, ensuring that valuation models are reviewed and validated, and applying its approach consistently from period to period. Unless quoted prices are available, money market instruments and securities purchased under resale agreements are reported at face value which approximates fair value.

Equity securities

Equity securities (including REITs) are invested in companies in various industries and countries. Investments in public equity listed on securities exchanges are valued at the last reported sale price on the last business day of the fiscal year.

Commingled funds

Commingled funds are typically common or collective trusts reported at net asset value (NAV) as provided by the investment manager or sponsor of the fund based on valuation of underlying investments, and reviewed by management.

Private equity

Private equity includes investments primarily in leveraged buyouts, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. A large number of these funds are in the investment phase of their life cycle. Private Equity investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The underlying investments are valued using inputs such as cost, operating results, discounted future cash flows and trading multiples of comparable public securities.

Real estate

Real estate includes several funds which invest in core real estate as well as non-core type of real estate investments such as debt, value add, and opportunistic equity investments. Real estate investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The valuations of underlying investments are based on income and/or cost approaches or comparable sales approach, and taking into account discount and capitalization rates, financial conditions, local market conditions among others.

Hedge fund investments

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. Hedge Funds include investments in equity, event driven, fixed income, multi strategy and macro relative value strategies. These investments do not have a readily determinable fair market value and are reported at NAVs provided by external managers or fund administrators (based on the valuations of underlying investments) on a monthly basis, and reviewed by management, taking into consideration the latest audited financial statements of the funds.

Investments in hedge funds and commingled funds can typically be redeemed at NAV within the near term while investments in private equity and most real estate are inherently long term and illiquid in nature with a quarter lag in reporting by the fund managers. Reporting of those asset classes with a reporting lag, management estimates are based on the latest available information taking into account underlying market fundamentals and significant events through the balance sheet date.

Investment in derivatives

Investment in derivatives such as equity or bond futures, TBA securities, swaps, options and currency forwards are used to achieve a variety of objectives that include hedging interest rates and currency risks, gaining desired market exposure of a security, an index or currency exposure and rebalancing the portfolio. Over-the-counter derivatives are reported using valuations based on discounted cash flow methods incorporating market observable inputs.

Estimated Future Benefits Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation at June 30, 2014:

In millions of U.S. dollars

		RSBP		
	SRP	*Before Federal Subsidy*	*Federal Subsidy*	*PEBP*
July 1, 2014 - June 30, 2015	$ 691	$ 68	$ 2	$ 39
July 1, 2015 - June 30, 2016	721	74	2	41
July 1, 2016 - June 30, 2017	752	80	2	43
July 1, 2017 - June 30, 2018	789	87	2	46
July 1, 2018 - June 30, 2019	826	94	2	49
July 1, 2019 - June 30, 2024	4,635	584	14	299

Expected Contributions

IBRD's contribution to the SRP and RSBP varies from year to year, as determined by the Pension Finance Committee, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP by IBRD and IDA during the fiscal year beginning July 1, 2014 is $225 million and $89 million, respectively.

NOTE K—COMPREHENSIVE INCOME

Comprehensive income consists of net income and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income. Comprehensive income (loss) comprises currency translation adjustments, the cumulative effects of a change in accounting principle related to the implementation of FASB's derivatives and hedging guidance, pension-related items, unrealized gains and losses on AFS securities and net income. These items are presented in the Statement of Comprehensive Income.

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012:

In millions of U.S. dollars

	2014				
	Balance, beginning of the fiscal year	*Changes in fair value in AOCL*	*Amounts reclassified into net income*	*Net changes during the year*	*Balance, end of the fiscal year*
Cumulative Translation Adjustment	$ 696	$ 320	$ —	$ 320	$ 1,016
Cumulative Effect of Change in Accounting Principle[a]	500	—		—	500
Reclassification[a]	(513)	—	2[b]	2	(511)
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(3,438)	(590)	166[c]	(424)	(3,862)
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(166)	(62)	23[c]	(39)	(205)
Total Accumulated Other Comprehensive Loss	$(2,921)	$(332)	$191	$(141)	$(3,062)

In millions of U.S. dollars

	2013				
	Balance, beginning of the fiscal year	*Changes in fair value in AOCL*	*Amounts reclassified into net income*	*Net changes during the year*	*Balance, end of the fiscal year*
Cumulative Translation Adjustment	$ 312	$ 384	$ —	$ 384	$ 696
Cumulative Effect of Change in Accounting Principle[a]	500	—		—	500
Reclassification[a]	(516)	—	3[b]	3	(513)
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(4,543)	839	266[c]	1,105	(3,438)
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(170)	(17)	21[c]	4	(166)
Unrealized (losses) gains on AFS securities	—	(160)	160[d]	—	—
Total Accumulated Other Comprehensive Loss	$(4,417)	$1,046	$450	$1,496	$(2,921)

In millions of U.S. dollars

	2012				
	Balance, beginning of the fiscal year	*Changes in fair value in AOCL*	*Amounts reclassified into net income*	*Net changes during the year*	*Balance, end of the fiscal year*
Cumulative Translation Adjustment	$ 1,016	$ (704)	$—	$ (704)	$ 312
Cumulative Effect of Change in Accounting Principle[a]	500	—		—	500
Reclassification[a]	(521)	—	5[b]	5	(516)
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(2,385)	(2,237)	79[c]	(2,158)	(4,543)
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(29)	(149)	8[c]	(141)	(170)
Total Accumulated Other Comprehensive Loss	$(1,419)	$(3,090)	$92	$(2,998)	$(4,417)

a. The cumulative effect of change in accounting principle and subsequent reclassification to net income relates to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.

b. Reclassified into Borrowings, net in the Statement of Income.

c. See note J-Pension and Other Post Retirement Benefits.

d. Reclassified into Equity management, net in the Statement of Income.

NOTE L—OTHER FAIR VALUE DISCLOSURES

The table below presents IBRD's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts as of June 30, 2014 and June 30, 2013.

In millions of U.S. dollars

	June 30, 2014		June 30, 2013	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Due from Banks	$ 3,701	$ 3,701	$ 4,763	$ 4,763
Investments				
Trading (including Securities purchased under resale agreements)	45,482	45,482	34,304	34,304
AFS	—	—	2,570	2,570
Net Loans Outstanding	151,978	149,957	141,692	138,010
Derivative Assets				
Investments	13,514	13,514	14,550	14,550
Client operations	36,517	36,517	23,907	23,907
Borrowings	101,934	101,934	96,956	96,956
Other Asset/Liability	2,105	2,105	3,433	3,433
Borrowings	161,026	161,028[a]	142,406	142,403[a]
Securities sold/lent under repurchase agreements/securities lending agreements and payable for cash collateral received	3,390	3,390	7,028	7,028
Derivative Liabilities				
Investments	13,820	13,820	14,783	14,783
Client operations	36,539	36,539	23,887	23,887
Borrowings	95,700	95,700	91,558	91,558
Other Asset/Liability	826	826	903	903

a. Includes $2 million relating to transition adjustment on adoption of a new accounting standard on derivatives and hedging on July 1, 2000 ($3 million—June 30, 2013).

Valuation Methods and Assumptions

As of June 30, 2014 and June 30, 2013, IBRD had no assets or liabilities measured at fair value on a non-recurring basis.

For valuation methods and assumptions of the Investments, Loans, Borrowings and Derivative assets and liabilities refer to Note A—Summary of Significant Accounting and Related Policies.

Due from Banks

The carrying amount of unrestricted and restricted currencies is considered a reasonable estimate of the fair value of these positions.

Realized and Unrealized Gains or Losses on Non-Trading Portfolios, Net

The following table reflects the components of the realized and unrealized gains or losses on non-trading portfolios, net for the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012.

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2014		
	Realized gains (losses)	*Unrealized gains (losses)[c]*	*Total*
Non trading portfolios, net			
Equity management, net	$432	$ (994)	$(562)
Borrowings, including derivatives—Notes E and F[a]	(19)	(36)	(55)
Other assets/liabilities derivatives[b]	—	4	4
Client operations derivatives[b]	—	(2)	(2)
Loan—Note D	—	(2)	(2)
Total	$413	$(1,030)	$(617)

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2013		
	Realized gains (losses)	*Unrealized gains (losses)[c]*	*Total*
Non trading portfolios, net			
Equity management, net	$—	$(1,538)	$(1,538)
Borrowings, including derivatives—Notes E and F[a]	(5)	1,484	1,479
Other assets/liabilities derivatives[b]	—	46	46
Client operations derivatives[b]	—	9	9
Loan—Note D	—	4	4
Total	$ (5)	$ 5	$ —

In millions of U.S. dollars

	Fiscal Year Ended June 30, 2012		
	Realized gains (losses)	*Unrealized gains (losses)*[c]	*Total*
Non trading portfolios, net			
Equity management, net	$—	$ 1,521	$ 1,521
Borrowings, including derivatives—Notes E and F[a]	65	(2,247)	(2,182)
Other assets/liabilities derivatives[b]	—	(84)	(84)
Client operations derivatives[b]	—	2	2
Loan—Note D	—	(1)	(1)
Total	$65	$ (809)	$ (744)

a. Includes derivatives associated with loan portfolio which are used to manage the repricing risk between loans and borrowings.

b. Included in Other revenue in the Statement of Income.

c. Net of amounts reclassified to realized gains (losses).

Information Statement
International Bank for Reconstruction and Development

No person is authorized to give any information or to make any representation not contained in this Information Statement, any supplemental information statement or any prospectus; and any information or representation not contained herein must not be relied upon as having been authorized by IBRD or by any dealer, underwriter or agent of IBRD. Neither this Information Statement nor any supplemental information statement or prospectus constitutes an offer to sell or solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

The Information Statement contains forward looking statements which may be identified by such terms as "anticipates", "believes", "expects", "intends" or words of similar meaning. Such statements involve a number of assumptions and estimates that are based on current expectations, which are subject to risks and uncertainties beyond IBRD's control. Consequently, actual future results could differ materially from those currently anticipated.

TABLE OF CONTENTS

Annex C

Condensed Quarterly Financial Statements December 31, 2014 (Unaudited)

International Bank for Reconstruction and Development

Management's Discussion & Analysis
and
Condensed Quarterly Financial Statements
December 31, 2014

(Unaudited)

International Bank for Reconstruction and Development (IBRD)

Contents

December 31, 2014

Management's Discussion and Analysis

Condensed Quarterly Financial Statements

Box 1: Selected Financial Data

In millions of U.S. dollars, except ratios which are in percentages

	As of and for the six months ended		As of and for full year
	December 31, 2014	December 31, 2013	June 30, 2014
Lending Highlights (Section III)			
Commitments[a]	$ 14,350	$ 6,942	$ 18,604
Gross disbursements[b]	11,703	12,794	18,761
Net disbursements[b]	7,144	8,135	8,948
Reported Basis			
Income Statement (Section II)			
Board of Governors-approved and other transfers	$ 659	$ 621	$ 676
Net loss	1,514	69	978
Balance Sheet (Section III)			
Total assets	$351,634	$328,836	$358,883
Net investment portfolio	41,761	30,624	42,708
Net loans outstanding	154,861	151,332	151,978
Borrowing portfolio[c]	155,548	139,837	152,643
Key Management Indicators			
Allocable Income (Section II)	$ 549	$ 673	$ 769
Usable Equity[d] (Section IV)	$ 39,862	$ 40,483	$ 40,467
Equity-to-loans Ratio[e] (Section IV)	24.9%	25.8%	25.7%

a. Commitments include guarantee commitments and guarantee facilities that have been approved by the Executive Directors.
b. Amounts include transactions with the International Finance Corporation (IFC), and loan origination fees.
c. Net of borrowing derivatives.
d. Excluding amounts associated with unrealized mark-to-market gains/losses on non-trading portfolios, net and related cumulative translation adjustments.
e. Ratio is computed using usable equity and excludes the respective periods' income.

I. Introduction

This document should be read together with the International Bank for Reconstruction and Development's (IBRD) Financial Statements and Management's Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2014 (FY14). IBRD undertakes no obligation to update any forward looking statements. Box 1 provides IBRD's selected financial data as of, and for the six months ended, December 31, 2014 and 2013, as well as for the fiscal year ended June 30, 2014. Certain reclassifications of prior year's information have been made to conform with the current year's presentation. (For further details see Note A: Summary of Significant Accounting and Related Policies in the Notes to the Condensed Quarterly Financial Statements).

Business Model

IBRD, an international organization owned by its 188 member countries, is the largest multilateral development bank in the world and is one of the five institutions of the World Bank Group (WBG). The other institutions of the WBG are the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Each of these organizations is legally and financially independent from IBRD, with separate assets and liabilities, and IBRD is not liable for their respective obligations. The WBG's two main goals are to end extreme poverty and promote shared prosperity. To meet these goals, IBRD provides loans, guarantees, and technical assistance (including through reimbursable advisory services) for economic reform projects and programs. In addition, IBRD provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors. IBRD's ability to intermediate the funds it raises in international capital markets is important in helping it achieve the development goals of its member countries. IBRD's financial goal is not to maximize profits, but to earn adequate income to ensure its financial strength and sustain its development activities.

IBRD derives its financial strength from its capital base, through the support of its shareholders as well as its financial and risk management policies and practices. Shareholder support takes the form of capital subscriptions from members and their strong record in servicing their debt to IBRD. IBRD's sound financial and risk management policies and practices have enabled it to maintain its capital adequacy, diversify its funding sources, hold a portfolio of liquid investments to meet its financial commitments, and limit its risks – including credit and market risks.

Basis of Reporting

Financial Statements

IBRD's financial statements conform with accounting principles generally accepted in the United States of America (U.S. GAAP), referred to in this document as the "reported basis." All instruments in the investment and borrowing portfolios and all other derivatives are reported at fair value, with changes in fair value reported in the income statement. IBRD's loans are reported at amortized cost, except for loans with embedded derivatives, which are reported at fair value. This results in an asymmetry in the reported financial statements, as not all instruments are reported on the same basis. The disclosure of the fair value amounts of all instruments in the MD&A attempts to address this asymmetry. Management uses the reported financial statements to derive allocable income.

Fair Value

IBRD makes extensive use of financial instruments, including derivatives in its operations. In an attempt to address the asymmetry in the reported financial statements, whereby not all financial instruments are reported on the same basis, IBRD reflects all financial instruments at fair value in the MD&A. The fair value of these instruments is affected by changes in market variables such as interest rates, exchange rates, and credit risk. Management uses fair value to assess the performance of the investment-trading portfolio; to manage certain market risks, including interest rate risk and commercial counterparty credit risk; and to monitor the results of the Equity Management Framework (EMF), where IBRD uses derivatives to reduce the sensitivity of allocable income to short-term interest rates. Since fair value results constantly change in response to changes in the market environment, given IBRD's intention to hold its primary assets and related funding to maturity (in its loan and borrowing portfolios), Management does not use the fair value results as a basis to make decisions on income allocation.

Allocable Income

When looking at the long-term financial sustainability of IBRD, Management monitors IBRD's capital adequacy and uses allocable income as the basis for making allocations of net income. Allocable income is arrived at by excluding all unrealized mark-to-market gains and losses with the exception of those relating to the investment portfolio, which is a trading portfolio. In addition, allocable income also reflects adjustments such as pension, as well as adjustments to exclude Board of Governors-approved and other transfers from reported net income, since in the case of the Board of Governors-approved and other transfers, these amounts have been funded from prior year's allocable income (Table 1).

II. Summary of Allocable Income and Income Allocation

Reported Net Income

For the first six months of the fiscal year ending June 30, 2015 (FY15), IBRD had a net loss of $1.5 billion, versus a net loss of $69 million during the same period in FY14. The major variance between the periods related to unrealized mark-to-market losses incurred on the non-trading portfolios, primarily due to the borrowings and loans related derivatives (See Tables 1 and 11).

Table 1: Condensed Statement of Net and Allocable Income
In millions of U.S. dollars

For the six months ended December 31,	2014	2013	Variance
Interest revenue, net of funding costs			
Interest margin	$ 423	$ 433	$ (10)
Equity contribution[a]	750	813	(63)
Investments	34	48	(14)
Net interest revenue	$ 1,207	$1,294	$ (87)
Provision for losses on loans and other exposures	(70)	(15)	(55)
Other income, net	9	33	(24)
Net non-interest expenses[b]	(635)	(662)	27
Board of Governors-approved and other transfers	(659)	(621)	(38)
Unrealized mark-to-market losses on non-trading portfolios, net[a,c]	(1,366)	(98)	(1,268)
Net loss	$(1,514)	$ (69)	$(1,445)
Adjustments to reconcile net loss to allocable income:			
Pension and other adjustments	38	23	15
Board of Governors-approved and other transfers	659	621	38
Unrealized mark-to-market losses on non-trading portfolios, net[a,c]	1,366	98	1,268
Allocable income	$ 549	$ 673	$ (124)

a. This includes the reclassification of net realized mark-to-market gains of $581 million and $432 million for the first six months of FY15 and FY14, respectively, associated with the termination of certain positions under the EMF, from unrealized mark-to-market losses on non-trading portfolios, net, to equity contribution.
b. Primarily comprised of administrative expenses and reimbursable income.
c. See Table 11.

Allocable Income

The primary drivers of IBRD's allocable income in FY15 were interest earned on the loans funded by debt and revenue generated from IBRD's equity (equity contribution), partially offset by net non-interest expenses, and changes in the provision for losses on loans and other exposures[1] (Table 1 summarizes IBRD's net income and provides a reconciliation to allocable income).

IBRD's loans are funded by debt and equity. Revenue generated from IBRD's equity is primarily comprised of the following: a) interest earned from loans funded by equity; b) net interest income from EMF positions (See Section IV); and c) realized mark-to-market gains from the unwinding of certain EMF positions.

[1] *Other exposures include loans with a deferred drawdown option (DDO), irrevocable commitments, exposures to member countries' derivatives, and guarantees.*

Allocable income was $549 million for the first six months of FY15, $124 million lower than the same period in FY14. The major variances between the periods are explained below:

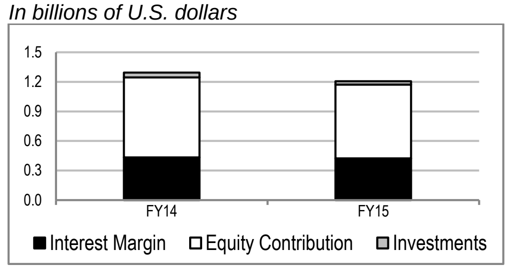
Provision for losses on loans and other exposures:

For the first six months of FY15, there was a charge of $70 million, primarily reflecting the growth in net loans outstanding during the period. This compares with a charge of $15 million in the same period in FY14, reflecting the impact of loans to Iran being restored to accrual status.

Equity Contribution:

During the first six months of FY15, equity contribution was $750 million as compared with $813 million during the same period in FY14. The reduction in the equity contribution of $63 million, was in line with the rebalancing of the EMF strategy.

Figure 1: Net Interest Revenue for the first six months of FY
In billions of U.S. dollars



Income Allocation

The allocable income for FY14 was $769 million. Of this amount, IBRD's Board of Governors approved on October 10, 2014, the transfer of $635 million to IDA and $134 million to Surplus. The transfer to IDA was made on October 14, 2014. In addition, IBRD's Board of Governors approved a transfer of $15 million to the Global Infrastructure Facility from Surplus, by way of grant.

III. Balance Sheet Analysis

Table 2: Condensed Balance Sheet
In millions of U.S. dollars

As of	December 31, 2014	June 30, 2014	Variance
Investments and due from banks	$ 48,745	$ 49,183	$ (438)
Net loans outstanding	154,861	151,978	2,883
Receivable from derivatives	144,679	154,070	(9,391)
Other assets	3,349	3,652	(303)
Total assets	$351,634	$358,883	$(7,249)
Borrowings	$160,083	$161,026	$ (943)
Payable for derivatives	140,832	146,885	(6,053)
Other liabilities	13,641	11,987	1,654
Equity	37,078	38,985	(1,907)
Total liabilities and equity	$351,634	$358,883	$(7,249)

Lending Highlights

IBRD's principal assets are its loans to member countries.

For the first six months of FY15, loan commitments totaled $14.4 billion, $7.4 billion above the same period in FY14 (Table 3). Commitments during the period were exceptionally high due to a strong pipeline developed in the second half of FY14. This was attributed to the increase in the Single Borrower Limit (SBL), and the end of the transition period on September 30, 2014, for approving loans under the pricing terms that were in effect through June 30, 2014 (see the June 30, 2014, MD&A for a detailed discussion on the new pricing terms and the new measures implemented during FY14).

Gross disbursements during the first six months of FY15 were $11.7 billion, $1.1 billion below the same period in FY14 (Table 4).

Figure 2: Commitments and Gross Disbursements Trend
In billions of U.S. dollars

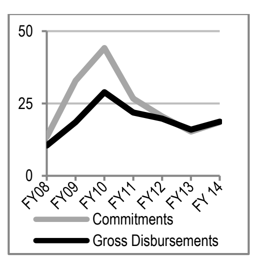
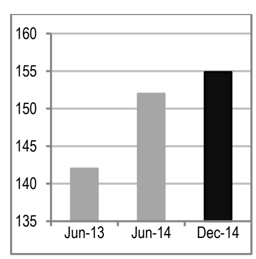


Figure 3: Net Loans Outstanding
In billions of U.S. dollars



As of December 31, 2014, IBRD's net loans outstanding were $154.9 billion, an increase of $2.9 billion from June 30, 2014. The increase was mainly due to $7.1 billion in net loan disbursements made in the first six months of FY15, partially offset by currency translation losses of $4.2 billion, consistent with the 11% depreciation of the euro against the U.S. dollar.

Table 3: Commitments by Region – For the Fiscal Year-To-Date
In millions of U.S. dollars

For the six months ended	December 31, 2014	% of total	December 31, 2013	% of total
Africa	$ 559	4%	$ 7	0%
East Asia and Pacific	3,617	25	2,060	30
Europe and Central Asia	4,970	35	268	4
Latin America and the Caribbean	3,415	24	2,881	41
Middle East and North Africa	1,789	12	1,052	15
South Asia	-	-	675	10
Total	$14,350	100%	$ 6,942	100%

Table 4: Gross Disbursements by Region - For the Fiscal Year-To-Date
In millions of U.S. dollars

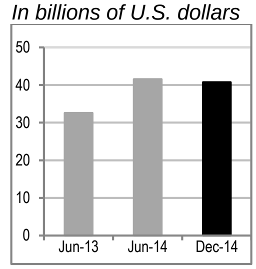
For the six months ended	December 31, 2014	% of total	December 31, 2013	% of total
Africa	$ 602	5%	$ 103	1%
East Asia and Pacific	1,805	15	2,084	16
Europe and Central Asia	4,062	35	4,569	36
Latin America and the Caribbean	3,825	33	4,573	36
Middle East and North Africa	1,095	9	1,102	9
South Asia	313	3	363	2
Total	$ 11,703	100%	$12,794	100%

Investment Highlights

As of December 31, 2014, IBRD's net investment portfolio totaled $41.8 billion, of which $40.7 billion represents the liquid asset portfolio (see Note C: Investments in the Notes to the Condensed Quarterly Financial Statements). The liquid asset portfolio was lower by $0.8 billion than on June 30, 2014, reflecting the impact of loan disbursements made during the first six months of FY15.

The objective of the liquid asset portfolio is to ensure the availability of sufficient cash flows, as reflected in the prudential minimum liquidity level, to meet all of IBRD's financial commitments. The prudential minimum liquidity level has been set at $26 billion for FY15, and the liquid asset portfolio was at 157% of the prudential minimum liquidity levels as of December 31, 2014, slightly above the targeted range of 100%-150%.

Figure 4: Liquid Asset Portfolio
In billions of U.S. dollars

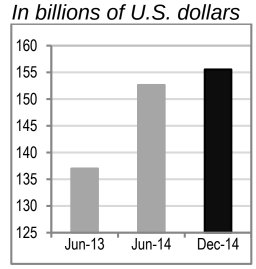


Borrowing Highlights

IBRD issues debt securities to both institutional and retail investors in a variety of currencies. During the first six months of FY15, IBRD raised medium and long-term debt of $27.5 billion in 18 currencies.

As of December 31, 2014, the borrowing portfolio totaled $155.5 billion, an increase of $2.9 billion from June 30, 2014 (see Note E: Borrowings in the Notes to the Condensed Quarterly Financial Statements). This increase was mainly due to net new issuances of $5.3 billion to support the increase in loan disbursements, partially offset by currency translation gains of $3.1 billion, consistent with the depreciation of the euro against the U.S. dollar.

Figure 5: Borrowing Portfolio
In billions of U.S. dollars



Capital Highlights

As a result of the General and Selective Capital Increase resolutions in the fiscal year ended June 30, 2011, subscribed capital is expected to increase by $87 billion over a five-year period, of which $5.1 billion will be paid-in. As of December 31, 2014, $51.3 billion was subscribed (including shares subscribed under the Voice Reform for which no paid-in capital was required), resulting in additional paid-in capital of $3.0 billion, of which $518 million was received during the first six months of FY15.

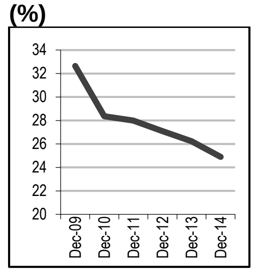
IV. Financial Risk Management

In an effort to maximize IBRD's capacity to lend to member countries for development purposes, IBRD limits its exposure to market and counterparty credit risks. In addition, to ensure that the financial risks associated with its loans and other exposures do not exceed its risk-bearing capacity, IBRD uses a strategic capital adequacy framework as a key medium-term capital planning tool.

Capital Adequacy

IBRD's capital adequacy is the degree to which its capital is sufficient to withstand unexpected shocks. IBRD's Executive Directors monitor IBRD's capital adequacy within a strategic capital adequacy framework and use the equity-to-loans ratio as a key indicator of capital adequacy.

Figure 6: Equity-to-Loans Ratio Trend (%)



At the beginning of the 2008 global financial crisis, the equity-to-loans ratio, at 38%, significantly exceeded the capital requirements of the Strategic Capital Adequacy Framework, allowing IBRD to respond effectively to the lending needs of its borrowing member countries and resulting in a decline in the ratio.

IBRD's equity-to-loans ratio decreased to 24.9% at December 31, 2014 from 25.7% on June 30, 2014, and was above the minimum ratio of 20% (Table 5). The decrease in the ratio was mainly driven by the $7.1 billion in net loan disbursements. Since IBRD minimizes the exchange rate sensitivity of its balance sheet, the depreciation of the euro against the U.S. Dollar in the first six months of FY15 has not had an impact on the equity-to-loans ratio.

Table 5: Equity-to-Loans Ratio
In millions of U.S. dollars, except ratio data in percentages

As of	December 31, 2014	June 30, 2014	Variance
Equity-to-loans ratio	24.9%	25.7%	(0.8)%
Usable equity	$ 39,862	$ 40,467	$ (605)
Net loans outstanding and other exposures	$160,150	$157,272	$2,878

Management of Credit and Market Risks

Among the various types of market risks, interest rate risk is the most significant risk faced by IBRD. IBRD's exposure to currency and liquidity risks is minimal as a result of its risk management policies. In addition, IBRD faces two types of credit risk: country credit risk and counterparty credit risk.

Country Credit Risk

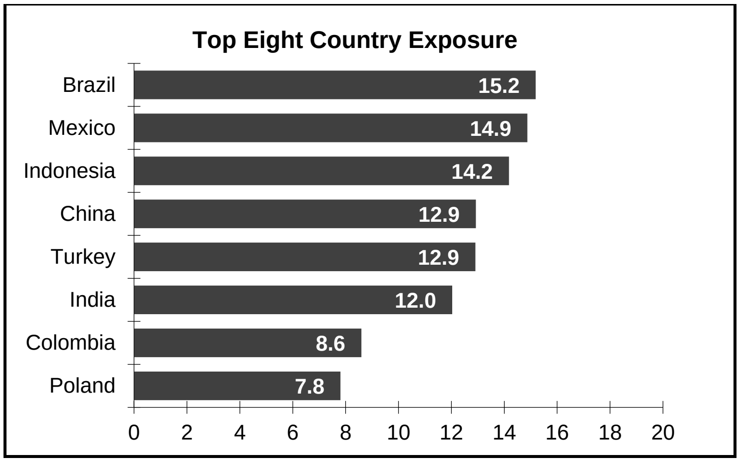
Country credit risk reflects potential losses arising from protracted arrears on payments from borrowers on loans and other exposures. IBRD manages this risk by applying individual country exposure limits. These limits take into account the creditworthiness and performance of borrowers.

IBRD's exposure to certain countries in the Europe and Central Asia Region experiencing geo-political tensions, was $5.6 billion as of December 31, 2014. This represents 3% of IBRD's total loans outstanding and other exposures. At December 31, 2014, no amounts were overdue from these countries.

Portfolio Concentration Risk

Portfolio concentration risk, which arises when a small group of borrowers account for a large share of loans outstanding, is a key concern for IBRD. It is carefully managed, in part, by applying an exposure limit for the aggregate balance of loans outstanding, the present value of guarantees, the undisbursed portion of DDOs, and other eligible exposures that have become effective, to a single borrowing country. Under the current guidelines, IBRD's exposure to a single borrowing country is restricted to the lower of an Equitable Access Limit (EAL) and the SBL. The effective SBL on December 31, 2014 was $20 billion for India and $19 billion for the other four SBL-eligible borrowing countries, lower than the EAL of $27 billion at December 31, 2014.

Figure 7: Country Exposures as of December 31, 2014
In billions of U.S. dollars



The eight countries with the highest exposures accounted for about 61% of IBRD's total exposure. In FY14, a surcharge of 50 basis points was introduced on balances above the previous SBL ($17.5 billion for India and $16.5 billion for the other four SBL eligible borrowing countries). As of December 31, 2014, no surcharge was applicable to any of the five countries.

Accumulated Provision on Loans and Other Exposures

As of December 31, 2014, only 0.3% of IBRD's loans were in nonaccrual status and all were related to Zimbabwe. IBRD's total provision for losses on loans was 1.1% of total loans outstanding (see Note D: Loans and Other Exposures in the Notes to the Condensed Quarterly Financial Statements).

Counterparty Credit Risk

Commercial Counterparty Credit Risk

Commercial counterparty credit risk is managed by applying eligibility criteria, volume limits for transactions with individual counterparties, and using mark-to-market collateral arrangements for swap transactions (Table 6). The effective management of this risk is vital to the success of IBRD's funding, investment, and asset/liability management. The monitoring and managing of this risk is continuous, given the changing market environment.

IBRD's overall commercial counterparty credit exposure increased by $747 million during the first six months of FY15. The credit quality of IBRD's portfolio remains concentrated in the upper end of the credit spectrum, with 68% of the portfolio rated AA or above and the remaining portfolio primarily rated A. The reduction in AA rated exposure from June 30, 2014 to December 31, 2014 was primarily due to a rating downgrade of one country, to single A. IBRD continues to have a preference for highly rated securities and counterparties across all categories of financial instruments.

Table 6: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating
In millions of U.S. dollars

	As of December 31, 2014				
	Investments				
Counterparty Rating	Sovereigns	Agencies, Commercial paper, Asset-Backed Securities, Corporates and Time Deposits	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 9,971	$ 8,973	$ –	$18,944	42%
AA	4,204	7,508	107	11,819	26
A	8,245	6,413	81	14,739	32
BBB	10	2	–	12	*
BB or lower	–	76	–	76	*
Total	$22,430	$22,972	$188	$45,590	100%

	As of June 30, 2014				
	Investments				
Counterparty Rating	Sovereigns	Agencies, Commercial paper, Asset-Backed Securities, Corporates and Time Deposits	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 8,323	$ 8,191	$ –	$16,514	37%
AA	5,108	12,360	509	17,977	40
A	1,055	8,627	163	9,845	22
BBB	408	2	–	410	1
BB or lower	–	97	–	97	*
Total	$14,894	$29,277	$672	$44,843	100%

** Indicates percentage less than 0.5%.*

Non-Commercial Counterparty Credit Risk

In addition to the derivative transactions with commercial counterparties, IBRD also offers derivative-intermediation services to borrowing member countries, as well as affiliated and non-affiliated organizations, to help meet their development needs or to carry out their development mandates.

- *Borrowing Member Countries:* Currency and interest rate swap transactions are executed between IBRD and its borrowers under master derivative agreements. As of December 31, 2014, the notional amounts and net fair value exposures under these agreements were $10.2 billion and $1.4 billion, respectively. Probable losses inherent in these exposures due to country credit risk are incorporated in the fair value of these instruments.
- *Affiliated Organizations:* Derivative contracts are executed between IBRD and IDA, under an agreement allowing IBRD to intermediate derivative contracts on behalf of IDA. As of December 31, 2014, the notional amount under this agreement was $11.7 billion and IBRD had no net fair value exposure to IDA. Under its derivative agreement with IBRD, IDA is not required to post collateral as long as it maintains liquidity holdings at pre-determined levels that are a proxy for an AAA credit rating. As of December 31, 2014, IDA had not posted any collateral with IBRD.
- *Non-Affiliated Organizations:* IBRD has a master derivatives agreement with the International Finance Facility for Immunisation (IFFIm), under which several transactions have been executed. As of December 31, 2014, the notional amounts and net fair value exposures under this agreement were $6.7 billion and $1.1 billion, respectively. IBRD has the right to call for collateral above an agreed specified threshold. As of December 31, 2014, IBRD had not exercised this right, but it reserves the right under the existing terms of the agreement. Rather than calling for collateral, IBRD and IFFIm have agreed to manage IBRD's exposure by applying a risk management buffer to the gearing ratio limit. The gearing ratio limit represents the maximum amount of net financial obligations of IFFIm less cash and liquid assets, as a percent of the net present value of IFFIm's financial assets.

Credit Valuation Adjustment (CVA)

IBRD calculates a CVA that represents the fair value of its commercial counterparty credit risk and non-commercial counterparty credit risks from IFFIm and IDA in connection with derivative-intermediation activities. The CVA is calculated using the fair value of the derivative contracts, net of collateral received under credit support agreements, and the probability of counterparty default based on the Credit Default Swaps (CDS) spread and, where applicable, proxy CDS spreads. As credit risk is an essential component of fair value, the CVA is included in the fair value of derivatives. The CVA on IBRD's balance sheet was $29 million as of December 31, 2014, and $34 million as of June 30, 2014.

Interest Rate Risk

Under its current interest rate risk management strategy, IBRD seeks to match the interest rate sensitivity of its assets (loan and investment trading portfolios) with those of its liabilities (borrowing portfolio) by using derivatives, such as interest rate swaps. These derivatives effectively convert IBRD's financial assets and liabilities into variable-rate instruments. This strategy helps IBRD to manage the interest margin on the proportion of loans funded by debt, against interest rate volatility. The interest revenue on the remaining proportion of loans funded by equity, if left unmanaged, would be highly sensitive to fluctuations in short-term interest rates. To manage this exposure, IBRD uses an EMF, which seeks to manage the sensitivity of IBRD's revenue from loans funded by equity to fluctuations in short-term interest rates. In particular, the EMF allows the flexibility of managing the duration of IBRD's invested equity within a range of zero to five years based on market and macroeconomic conditions. The strategy also allows IBRD to realize some of the unrealized mark-to-market gains from these positions. In line with this, during the six months ended December 31, 2014, certain derivatives were liquidated, resulting in realized mark-to-market gains of $581 million and a decline in the interest rate sensitivity of the position. As measured by duration, the interest rate sensitivity of IBRD's equity declined to approximately 2 years as of December 31, 2014, from approximately 3 years as of June 30, 2014.

V. Summary of Fair Value Results

Fair Value Adjustments

An important element in achieving IBRD's financial goals is its ability to minimize the cost of borrowing from capital markets for lending to member countries by using financial instruments, including derivatives. The fair value of these financial instruments is affected by changes in the market environment such as interest rates, exchange rates and credit risk.

Given IBRD's intention to hold its primary assets and related funding to maturity (in its loan and borrowing portfolios), Management does not use fair value to reach decisions on income allocation. Rather, fair value is used mainly to assess the performance of the investment trading portfolio, to monitor the results of the EMF, and to manage certain market risks, including interest rate and commercial credit risk for derivative counterparties.

As shown in Table 7, on a fair value basis, if interest rates increase by one basis point, IBRD would experience a net unrealized mark-to-market loss of approximately $11 million on its non-trading portfolios as of December 31, 2014.

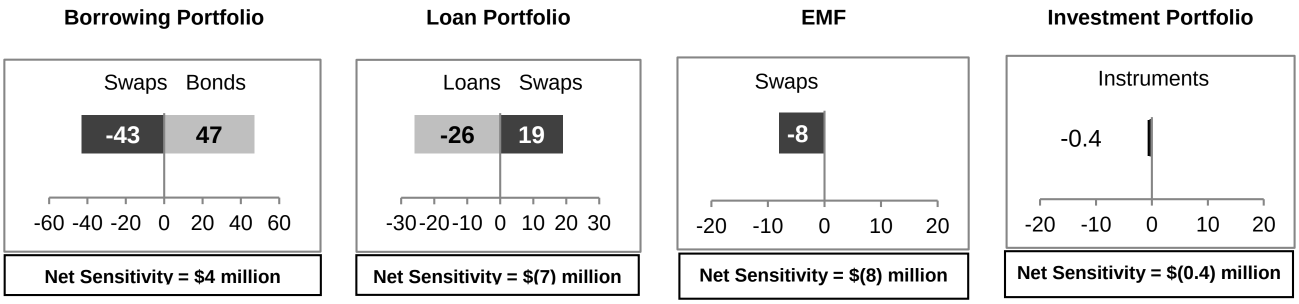
Table 7: Effect of Interest Rates and Credit on IBRD's Fair Value Income
In millions of U.S. dollars

For the six months ended December 31, 2014	Interest Rate Effect on Fair Value Income[a] Sensitivity[c]	Credit Effect on Fair Value Income[b] Sensitivity[c]
Investment portfolio	$ *	$ 3
Borrowing portfolio	4	47
Loan portfolio	(7)	(43)
EMF	(8)	*
Total (loss)/gains	$(11)	$ 7

a. After the effects of derivatives.
b. Excludes CVA adjustment on swaps.
c. Dollar change in fair value corresponding to a one basis-point parallel upward shift in interest rates.
** Sensitivity is marginal.*

Figure 8 below provides a further breakdown of how the use of derivatives affects the overall sensitivity of the loan and borrowing portfolios. For example, for the borrowing portfolio, a one basis point increase in interest rates would result in net unrealized mark-to-market gains of $47 million on the bonds. These would be significantly offset by the $43 million of net unrealized mark-to-market losses on the related swaps, resulting in net unrealized mark-to-market gains of $4 million for the portfolio.

Figure 8: Sensitivity to Interest Rates as of December 31, 2014
(Dollar change in fair value corresponding to a one-basis-point upward parallel shift in interest rates)
In millions of U.S. dollars



For the first six months of FY15, IBRD experienced net unrealized mark-to-market losses on a fair value basis of $1.9 billion on its non-trading portfolios. See Table 8 below for details.

Table 8: Summary of Fair Value Adjustments on Non-Trading Portfolios – Fair Value Basis[a]
In millions of U.S. dollars

For the six months ended December 31,	2014	2013
Borrowing portfolio	$ (270)	$ 287
Loan portfolio	(1,679)	457
EMF	61	(563)
	$(1,888)	$ 181

a. See Table 11 for reconciliation to the fair value comprehensive basis net income.

Effect of Credit

For the first six months of FY15, IBRD experienced $270 million of unrealized mark-to-market losses on the borrowing portfolio, of which $210 million was due to the tightening of its credit spreads. In addition, IBRD experienced $1.7 billion of unrealized mark-to-market losses on the loan portfolio, of which $1.6 billion was due to the net widening of CDS spreads for several of its borrowing member countries during the same period (see the June 30, 2014, MD&A for a detailed discussion on how the credit risk of each portfolio is managed).

Effect of Interest Rates

IBRD uses derivatives in its loan and borrowing portfolios to arrive at floating rate instruments, as part of its risk management strategies. The sensitivity of these portfolios to interest rate movements, after the effect of derivatives is therefore low, resulting in relatively small unrealized mark-to-market gains/losses in income (Figure 8).

Fair Value Results

As non-financial assets and liabilities are not reflected at fair value, IBRD’s equity is not intended to reflect fair value. Under the fair value basis, in addition to the instruments in the investment and borrowing portfolios, and all other derivatives, loans are reported at fair value and all changes in AOCI are also included in fair value net income. Tables 9 and 10 provide a reconciliation from the reported basis to the fair value basis for both the balance sheet and income statement.

Table 9: Condensed Balance Sheet on a Fair Value Basis
In millions U.S. dollars

	As of December 31, 2014			As of June 30, 2014		
	Reported Basis	Adjustments	Fair Value Basis	Reported Basis	Adjustments	Fair Value Basis
Due from banks	$ 2,412	$ -	$ 2,412	$ 3,701	$ -	$ 3,701
Investments	46,333	-	46,333	45,482	-	45,482
Net loans outstanding	154,861	(3,146)	151,715	151,978	(2,021)	149,957
Receivable from derivatives	144,679	-	144,679	154,070	-	154,070
Other assets	3,349	-	3,349	3,652	-	3,652
Total assets	$351,634	$(3,146)	$348,488	$358,883	$(2,021)	$356,862
Borrowings	$160,083	$ 5[a]	$160,088	$161,026	$ 2[a]	$161,028
Payable for derivatives	140,832	-	140,832	146,885	-	146,885
Other liabilities	13,641	-	13,641	11,987	-	11,987
Total liabilities	314,556	5	314,561	319,898	2	319,900
Paid in capital stock	14,523	-	14,523	14,005	-	14,005
Retained earnings and other equity	22,555	(3,151)	19,404	24,980	(2,023)	22,957
Total equity	37,078	(3,151)	33,927	38,985	(2,023)	36,962
Total liabilities and equity	$351,634	$(3,146)	$348,488	$358,883	$(2,021)	$356,862

a. Amount represents amortization of transition adjustment relating to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.

Table 10: Reconciliation from Net Income to Income on a Fair Value Comprehensive Basis
In millions U.S. dollars

For the six months ended December 31,	2014	2013	Variance
Net loss from Table 1	$ (1,514)	$ (69)	$(1,445)
Fair value adjustment on loans[a]	(1,116)	(158)	(958)
Changes to AOCI (Table 12)	(484)	472	(956)
Net loss income on fair value comprehensive basis	$ (3,114)	$245	$(3,359)

a. Amount includes provision for losses on loans and other exposures: $70 million charge – December 31, 2014, and $15 million charge – December 31, 2013.

Table 11: Fair Value Adjustments, net
In millions of U.S. dollars

	For the six months ended December 31, 2014				
	Unrealized gains (losses)[a] from Table 1	Realized gains (losses)	Fair Value Adjustment from Table 10	Other Adjustments	Total from Table 8
Borrowing portfolio	$ (279)	$ 9	$ -	$(*)[b]	$ (270)
Loan portfolio	(563)[c]	-	(1,116)	-	(1,679)
EMF[d]	(520)	581	-	-	61
Asset-liability management portfolio[d]	*	-	-	(*)	-
Client operations portfolio	(4)	-	-	4	-
Total	$(1,366)	$590	$(1,116)	$ 4	$(1,888)

	For the six months ended December 31, 2013				
	Unrealized gains (losses)[a] from Table 1	Realized gains (losses)	Fair Value Adjustment from Table 10	Other Adjustments	Total from Table 8
Borrowing portfolio	$ 293	$ (6)	$ -	$ *[b]	$ 287
Loan portfolio	615[c]	-	(158)		457
EMF[d]	(995)	432	-		(563)
Asset-liability management portfolio[d]	(9)	-	-	9	-
Client operations portfolio	(2)	-	-	2	-
Total	$ (98)	$426	$(158)	$11	$ 181

a. Includes amounts reclassified to realized mark-to-market gains (losses).
b. Amount represents amortization of transition adjustment relating to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000, included in AOCI.
c. Includes $558 million of unrealized mark-to-market losses related to derivatives associated with loans (unrealized mark-to-market gains of $617 million -December 31, 2013).
d. Included in other derivatives on the condensed Balance Sheet.
** Indicates amounts less than $0.5 million.*

Changes in Accumulated Other Comprehensive Income

In addition to the unrealized mark-to-market gains/losses on the non-trading portfolios, IBRD's fair value net income also reflects changes in Accumulated Other Comprehensive Income (AOCI). The $956 million decrease in AOCI primarily relates to net negative currency-translation adjustments resulting from the 11% depreciation of the euro against the U.S. dollar during the period.

Table 12: Summary of Changes to AOCI (Fair Value Basis)
In millions of U.S. dollars

For the six months ended December 31,	2014	2013	Variance
Unrecognized net actuarial gains on benefit plans, net	$ 89	$ 82	$ 7
Unrecognized net prior service credit on benefit plans, net	12	12	*
Derivatives and hedging transition adjustment[a]	(*)	*	*
Currency translation adjustments	(585)	378	(963)
Total	$(484)	$472	$(956)

a. Amount represents amortization of transition adjustment relating to the adoption of Financial Accounting Standards Board's (FASB's) guidance on derivatives and hedging on July 1, 2000.
** Indicates amounts less than $0.5 million.*

Condensed Balance Sheet

Expressed in millions of U.S. dollars

	December 31, 2014 (Unaudited)	*June 30, 2014 (Unaudited)*
Assets		
Due from banks—Note C		
Unrestricted cash	$ 2,321	$ 3,606
Restricted cash	91	95
	2,412	3,701
Investments-Trading (including securities transferred under repurchase agreements or securities lending agreements of $2,082 million—December 31, 2014; $155 million—June 30, 2014)—Note C	43,859	42,412
Securities purchased under resale agreements—Note C	2,474	3,070
Derivative assets		
Investments—Notes C, F and K	23,033	13,514
Loans—Notes A, D, F and K	3,359	2,784
Client operations—Notes D, F, I and K	34,279	36,517
Borrowings—Notes A, E, F and K	82,614	99,150
Others—Notes F and K	1,394	2,105
	144,679	154,070
Loans outstanding—Notes D, I and K		
Total loans	216,705	212,470
Less undisbursed balance	59,762	58,449
Loans outstanding (including loans at fair value of $134 million—December 31, 2014; $141 million—June 30, 2014)	156,943	154,021
Less:		
Accumulated provision for loan losses	1,659	1,626
Deferred loan income	423	417
Net loans outstanding	154,861	151,978
Other assets—Notes C and I	3,349	3,652
Total assets	$ 351,634	$ 358,883

	December 31, 2014 (Unaudited)	June 30, 2014 (Unaudited)
Liabilities		
Borrowings—Note E	$ 160,083	$ 161,026
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Note C	5,470	3,390
Derivative liabilities		
Investments—Notes C, F and K	22,058	13,820
Loans—Notes A, D, F and K	5,805	5,132
Client operations—Notes D, F, I and K	34,291	36,539
Borrowings—Notes A, E, F and K	78,079	90,767
Others—Notes A, F and K	599	627
	140,832	146,885
Other liabilities—Notes C, D and I	8,171	8,597
Total liabilities	314,556	319,898
Equity		
Capital stock—Note B		
Authorized (2,307,600 shares—December 31, 2014, and June 30, 2014)		
Subscribed (2,001,841 shares—December 31, 2014, and 1,929,711 shares—June 30, 2014)	241,492	232,791
Less uncalled portion of subscriptions	226,969	218,786
Paid-in capital	14,523	14,005
Nonnegotiable, noninterest-bearing demand obligations on account of subscribed capital	(344)	(406)
Receivable amounts to maintain value of currency holdings	(204)	(221)
Deferred amounts to maintain value of currency holdings	(137)	382
Retained earnings (see Condensed Statement of Changes in Retained Earnings; Note G)	26,773	28,287
Accumulated other comprehensive loss—Note J	(3,533)	(3,062)
Total equity	37,078	38,985
Total liabilities and equity	$ 351,634	$ 358,883

The Notes to Condensed Quarterly Financial Statements are an integral part of these Statements.

CONDENSED STATEMENT OF INCOME

Expressed in millions of U.S. dollars

	Three Months Ended December 31, (Unaudited)		*Six Months Ended December 31, (Unaudited)*	
	2014	*2013*	*2014*	*2013*
Revenue				
Loans, net—Notes A, D, F and K				
Interest and commitment charges, net	$ 293	$ 304	$ 587	$ 613
Unrealized mark-to-market (losses) gains, net	(574)	472	(563)	615
Investments-Trading, net—Notes C and F	30	27	52	83
Equity management, net—Notes C, F and K				
Interest, net	79	153	172	404
Unrealized mark-to-market gains (losses), net	203	(125)	61	(563)
Other, net—Notes F, I and K	176	146	288	257
Total revenue	207	977	597	1,409
Expenses				
Borrowings, net—Notes A, E, F and K				
Interest, net	95	99	189	203
Unrealized mark-to-market losses (gains), net	32	(116)	270	(287)
Administrative—Notes H and I	434	440	836	819
Contributions to special programs	54	50	87	107
Provision for losses on loans and other exposures—Note D	30	32	70	15
Board of Governors-approved and other transfers—Note G	659	621	659	621
Total expenses	1,304	1,126	2,111	1,478
Net loss	$ (1,097)	$ (149)	$ (1,514)	$ (69)

The Notes to the Condensed Quarterly Financial Statements are an integral part of these Statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of U.S. dollars

	Three Months Ended December 31, (Unaudited)		*Six Months Ended December 31, (Unaudited)*	
	2014	*2013*	*2014*	*2013*
Net loss	$ (1,097)	$ (149)	$ (1,514)	$ (69)
Other comprehensive income—Note J				
Reclassification to net income:				
Derivatives and hedging transition adjustment	-	-	1	1
Amortization of unrecognized net actuarial losses	44	42	89	82
Amortization of unrecognized prior service costs	6	6	12	12
Currency translation adjustment	(135)	212	(573)	405
Total other comprehensive income	(85)	260	(471)	500
Comprehensive (loss) income	$ (1,182)	$ 111	$ (1,985)	$ 431

CONDENSED STATEMENT OF CHANGES IN RETAINED EARNINGS

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited)	
	2014	*2013*
Retained earnings at beginning of the fiscal year	$ 28,287	$ 29,265
Net loss for the period	(1,514)	(69)
Retained earnings at end of the period	$ 26,773	$ 29,196

The Notes to Condensed Quarterly Financial Statements are an integral part of these Statements.

CONDENSED STATEMENT OF CASH FLOWS

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited)	
	2014	*2013*
Cash flows from investing activities		
Loans		
Disbursements	$ (11,681)	$ (12,780)
Principal repayments	4,559	4,567
Principal prepayments	-	92
Loan origination fees received	12	18
Net derivatives-loans	5	(10)
Sale of AFS securities	-	2,484
Other investing activities, net	(64)	(56)
Net cash used in investing activities	(7,169)	(5,685)
Cash flows from financing activities		
Medium and long-term borrowings		
New issues	28,313	17,640
Retirements	(20,682)	(24,827)
Net short-term borrowings	(1,825)	8,329
Net derivatives-borrowings	(259)	36
Capital subscriptions	518	312
Other capital transactions, net	27	59
Net cash provided by financing activities	6,092	1,549
Cash flows from operating activities		
Net loss	(1,514)	(69)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Unrealized mark-to-market losses (gains) on non-trading portfolios, net	776	(328)
Change in fair value of AFS securities sold, losses	-	80
Depreciation and amortization	396	371
Provision for losses on loans and other exposures	70	15
Changes in:		
Investments-Trading, net	(498)	1,962
Other assets and liabilities	665	894
Net cash (used in) provided by operating activities	(105)	2,925
Effect of exchange rate changes on unrestricted cash	(103)	119
Net decrease in unrestricted cash	(1,285)	(1,092)
Unrestricted cash at beginning of the fiscal year	3,606	4,555
Unrestricted cash at end of the period	$ 2,321	$ 3,463
Supplemental disclosure		
(Decrease) increase in ending balances resulting from exchange rate fluctuations		
Loans outstanding	$ (4,224)	$ 1,556
Investment portfolio	(288)	53
Borrowing portfolio	(3,127)	1,107
Capitalized loan origination fees included in total loans	22	14
Interest paid on borrowings	33	71

The Notes to Condensed Quarterly Financial Statements are an integral part of these Statements.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Basis of Preparation

These unaudited condensed quarterly financial statements should be read in conjunction with the June 30, 2014 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2014 audited financial statements has not been audited. In the opinion of management, the condensed quarterly financial statements reflect all adjustments necessary for a fair presentation of IBRD's financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed quarterly financial statements and the reported amounts of income and expenses during the reporting periods. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. Areas in which significant estimates have been made include, but are not limited to, the provision for losses on loans and other exposures, valuation of certain instruments carried at fair value, and valuation of pension and other postretirement plan-related liabilities. The results of operations for the first six months of the current fiscal year are not necessarily indicative of results that may be expected for the full year.

Certain reclassifications of the prior year's information have been made to conform with the current year's presentation.

In particular, effective July 1, 2014, derivative assets and liabilities relating to the Loan portfolio, which were previously included in the line items Borrowing derivative assets, Borrowing derivative liabilities and Other derivative liabilities on IBRD's Condensed Balance Sheet, are now shown separately under derivative assets and derivative liabilities. For the Condensed Statement of Income, interest, net and unrealized mark-to-market gains and losses associated with these derivatives, which were previously shown under Borrowings, net are now included under Loans, net. For the Condensed Statement of Cash Flows, the impact of these derivative instruments, which were previously shown under the Net derivatives-borrowings line item, under financing activities, is now shown as a separate line item under investing activities. As a result, on the Condensed Balance Sheet, Borrowing derivative assets, Borrowing derivative liabilities and Other derivative liabilities as of June 30, 2013 have decreased by $2,784 million, $4,933 million and $199 million, respectively. Derivative assets and derivative liabilities relating to loans increased by $2,784 million and $5,132 million, respectively. On the Condensed Statement of Income, for the six months ended December 31, 2013, total revenue decreased by $823 million, with the offset reported as a decrease in total expenses. On the Condensed Statement of Cash Flows, for the six months ended December 31, 2013, Net derivatives- borrowings increased by $10 million while Net derivatives-loans decreased by $10 million.

In addition, the presentation for realized mark-to-market gains and losses on the Condensed Statement of Income and the Condensed Statement of Cash Flows has been changed. For the Condensed Statement of Income, realized mark-to-market gains and losses, net, which were previously included in Interest, net, for Equity management and Borrowings portfolios have been reclassified to Unrealized mark-to-market gains and losses, net. For the Condensed Statement of Cash Flows, within the Cash flows from operating activities category, realized mark-to-market gains and losses, were reclassified from Other assets and liabilities to Unrealized mark-to-market gains and losses on non-trading portfolios, net. As a result, on Condensed Statement of Income, for the Equity management, net, for the six months ended December 31, 2013, Interest, net decreased by $432 million, and the Unrealized mark-to-market losses decreased by $432 million. For Borrowings, Interest, net, decreased by $6 million, and Unrealized mark-to-market gains, net, decreased by $6 million. There was no net effect on the total revenue and expenses due to this reclassification. For the Condensed Statement of Cash Flows, Unrealized mark-to-market losses (gains) on non-trading portfolios, net decreased by $426 million, and Other assets and liabilities increased by $426 million. There was no net effect on the Cash flows from operating activities line item in the Condensed Statement of Cash Flows.

There was no effect on IBRD's total assets, total liabilities, equity, reported net income or unrestricted cash balances from these reclassifications.

Accounting and Reporting Developments

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act seeks to reform the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities, and activities. The implementation of the Act is dependent on the development of various rules to clarify and interpret its requirements. As the rules are being developed, IBRD continues to assess the impact on its business. As of December 31, 2014, IBRD believes that the Act has not had any significant effect on its business.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contract with Customers (Topic 606).* The ASU provides a common framework for revenue recognition for U.S.GAAP, and supersedes most of the existing revenue recognition guidance in U.S.GAAP. The core principle of the guidance is that an entity recognizes revenue when it transfers control of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled. The ASU also requires additional quantitative and qualitative disclosures to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from customers. For IBRD, the ASU currently will be effective from the quarter ending September 30, 2017. IBRD is currently evaluating the impact of this ASU on its financial statements.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing (Topic 860): Repurchase- to- Maturity Transactions, Repurchase Financings, and Disclosures.* The ASU requires repurchase-to-maturity transactions and some repurchase financing arrangements to be accounted for as secured borrowings. It also requires additional disclosures about certain transactions accounted for as sales and about the nature of collateral pledged for transactions accounted for as secured borrowings. For IBRD, the ASU will be effective from the quarter ending March 31, 2015. IBRD is currently evaluating this ASU, but does not expect the ASU to have a significant impact on its financial statements since all IBRD's repurchase agreements are already accounted for as secured borrowings.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements (Subtopic 205-40): Going Concern – Disclosure of Uncertainties about an Entity's ability to Continue as a Going Concern.* The ASU provides guidance on management's responsibilities in evaluating the entity's ability to continue as a going concern and for the related financial statement disclosures. Until now guidance related to this topic was provided under U.S. auditing standards, which do not govern management's disclosures. Under this ASU, each reporting period, management would be required to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date of financial statements are issued. For IBRD, the ASU will be effective beginning with the fiscal year ending June 30, 2017. IBRD is currently evaluating the impact of this ASU on its financial statements but does not expect the ASU to have a significant impact.

NOTE B—CAPITAL STOCK

The following table provides a summary of changes in IBRD's authorized and subscribed shares during the six months ended December 31, 2014 and the fiscal year ended June 30, 2014:

	Authorized shares	*Subscribed shares*
As of June 30, 2013	2,307,600	1,850,047
General and Selective Capital Increase (GCI/SCI)	-	79,664
As of June 30, 2014	2,307,600	1,929,711
GCI/SCI	-	72,130
As of December 31, 2014	2,307,600	2,001,841

The following table provides a summary of the changes in subscribed capital, uncalled portion of subscriptions and paid-in capital for the six months ended December 31, 2014 and for the fiscal year ended June 30, 2014:

In millions of U.S. dollars

	Subscribed capital	*Uncalled portion of subscriptions*	*Paid-in capital*
As of June 30, 2013	$ 223,181	$ (209,747)	$ 13,434
GCI/SCI	9,610	(9,039)	571
As of June 30, 2014	232,791	(218,786)	14,005
GCI/SCI	8,701	(8,183)	518
As of December 31, 2014	$ 241,492	$ (226,969)	$ 14,523

The uncalled portion of subscriptions is subject to call only when required to meet the obligations incurred by IBRD as a result of borrowings, or guaranteeing loans.

NOTE C—INVESTMENTS

As of December 31, 2014, IBRD's investments include the liquid asset portfolio, and holdings relating to: the Advance Market Commitment for Pneumococcal Vaccines Initiative (AMC), the Post Employment Benefit Plan (PEBP), and the Post Retirement Contribution Reserve Fund (PCRF), which is used to stabilize IBRD's contribution to its pension plan.

The composition of IBRD's net investment portfolio as of December 31, 2014 and June 30, 2014 was as follows:

In millions of U.S. dollars

	December 31, 2014	June 30, 2014
Net investments portfolio		
Liquid asset portfolio	$ 40,733	$ 41,568
PCRF holdings	52	44
AMC holdings	142	280
PEBP holdings	834	816
Total	$ 41,761	$ 42,708

Investments held by IBRD are designated as trading and are carried and reported at fair value, or at face value which approximates fair value. As of December 31, 2014, the majority of Investments-Trading is comprised of government and agency obligations and time deposits (53% and 34%, respectively), with all the instruments classified as Level 1 or Level 2 within the fair value hierarchy.

A summary of IBRD's Investments-Trading at December 31, 2014 and June 30, 2014, is as follows:

In millions of U.S. dollars

	December 31, 2014	June 30, 2014
Equity securities[a]	$ 574	$ 477
Government and agency obligations	23,147	15,377
Time deposits	14,916	22,104
Asset-backed securities (ABS)	5,222	4,454
Total	$ 43,859	$ 42,412

a. Includes $83 million of alternative investments in PEBP holdings ($50 million—June 30, 2014).

IBRD manages its investments on a net portfolio basis. The following table summarizes IBRD's net portfolio position as of December 31, 2014 and June 30, 2014:

In millions of U.S. dollars

	December 31, 2014	June 30, 2014
Investments - Trading	$ 43,859	$ 42,412
Securities purchased under resale agreements	2,474	3,070
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(5,470)	(3,390)
Derivative assets		
Currency forward contracts	5,894	5,167
Currency swaps	17,036	8,264
Interest rate swaps	85	80
Swaptions, exchange traded options and futures contracts	18	3
Other[a]	*	*
Total	23,033	13,514
Derivative liabilities		
Currency forward contracts	(5,772)	(5,154)
Currency swaps	(16,136)	(8,520)
Interest rate swaps	(119)	(133)
Swaptions, exchange traded options and futures contracts	(31)	(13)
Other[a]	-	-
Total	(22,058)	(13,820)
Cash held in investment portfolio[b]	2,181	3,428
Receivable from investment securities traded[c]	42	47
Payable for investment securities purchased[d]	(2,300)	(2,553)
Net Investment Portfolio	$ 41,761	$ 42,708

a. These relate to TBA securities.
b. These amounts are included in Unrestricted cash under Due from Banks on the Condensed Balance Sheet.
c. This amount is included in Other assets on the Condensed Balance Sheet.
d. This amount is included in Other liabilities on the Condensed Balance Sheet.
** Indicates amount less than $0.5 million.*

IBRD uses derivative instruments to manage currency and interest rate risks in the investment portfolio. For details regarding these instruments, see Note F–Derivative Instruments.

As of December 31, 2014, there were $2,139 million short sales included in Other liabilities on the Condensed Balance Sheet ($38 million—June 30, 2014). These are reported at fair value on a recurring basis and classified as Level 1 within the fair value hierarchy.

For the three and six months ended December 31, 2014, IBRD's revenue included $22 million and $51 million of unrealized mark-to-market losses, respectively (unrealized mark-to-market losses of $39 million and $41 million—three and six months ended December 31, 2013, respectively).

During the six months ended December 31, 2013, the AFS portfolio, part of equity management positions, was liquidated, resulting in $240 million of realized losses. The total proceeds from the sale of these securities were $2,484 million.

Fair Value Disclosures

The following tables present IBRD's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and June 30, 2014:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of December 31, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Equity securities	$ 304	$ 270 [a]	$ -	$ 574
Government and agency obligations	4,547	18,600	-	23,147
Time deposits	165	14,751	-	14,916
ABS	-	5,222	-	5,222
Total Investments – Trading	5,016	38,843	-	43,859
Securities purchased under resale agreements	16	2,458	-	2,474
Derivative assets-Investments				
Currency forward contracts	-	5,894	-	5,894
Currency swaps	-	17,036	-	17,036
Interest rate swaps	-	85	-	85
Swaptions, exchange traded options and futures contracts	1	17	-	18
Other[b]	-	*	-	*
Total Derivative assets-Investments	1	23,032	-	23,033
Total	$ 5,033	$ 64,333	$ -	$ 69,366
Liabilities:				
Securities sold under repurchase agreements and securities lent under securities lending agreements[c]	$ -	$ 2,082	$ -	$ 2,082
Derivative liabilities-Investments				
Currency forward contracts	-	5,772	-	5,772
Currency swaps	-	16,136	-	16,136
Interest rate swaps	-	119	-	119
Swaptions, exchange traded options and futures contracts	10	21	-	31
Other[b]	-	-	-	-
Total Derivative liabilities-Investments	10	22,048	-	22,058
Total	$ 10	$ 24,130	$ -	$ 24,140

a. Includes $83 million of alternative investments in PEBP holdings.
b. These relate to TBA securities.
c. Excludes $3,388 million relating to payable for cash collateral received.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Equity securities	$ 276	$ 201 [a]	$ -	$ 477
Government and agency obligations	4,521	10,856	-	15,377
Time deposits	2,433	19,671	-	22,104
ABS	-	4,454	-	4,454
Total Investments – Trading	7,230	35,182	-	42,412
Securities purchased under resale agreements	19	3,051	-	3,070
Derivative assets-Investments				
Currency forward contracts	-	5,167	-	5,167
Currency swaps	-	8,264	-	8,264
Interest rate swaps	-	80	-	80
Swaptions, exchange traded options and futures contracts	-	3	-	3
Other[b]	-	*	-	*
Total Derivative assets-Investments	-	13,514	-	13,514
Total	$ 7,249	$ 51,747	$ -	$ 58,996
Liabilities:				
Securities sold under repurchase agreements and securities lent under securities lending agreements[c]	$ -	$ 156	$ -	$ 156
Derivative liabilities-Investments				
Currency forward contracts	-	5,154	-	5,154
Currency swaps	-	8,520	-	8,520
Interest rate swaps	-	133	-	133
Swaptions, exchange traded options and futures contracts	10	3	-	13
Other[b]	-	-	-	-
Total Derivative liabilities-Investments	10	13,810	-	13,820
Total	$ 10	$ 13,966	$ -	$ 13,976

a. Includes $50 million of alternative investments held in PEBP holdings.
b. These relate to TBA securities.
c. Excludes $3,234 million relating to payable for cash collateral received.
** Indicates amount less than $0.5 million.*

Valuation Methods and Assumptions

Summarized below are the techniques applied in determining the fair values of investments.

Investment securities

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, mutual funds, futures contracts, exchange-traded equity securities and ABS.

For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Where applicable, unobservable inputs such as constant prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits, are reported at face value which approximates fair value.

Securities purchased under resale agreements, Securities sold under repurchase agreements, and Securities lent under securities lending agreements

These securities are short-term and are reported at face value which approximates fair value.

Commercial Credit Risk

For the purpose of risk management, IBRD is party to a variety of financial transactions, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. For all securities, IBRD limits trading to a list of authorized dealers and counterparties. In addition, IBRD receives collateral in connection with resale agreements as well as swaps agreements. This collateral serves to mitigate IBRD's exposure to credit risk.

Swap Agreements: Credit risk is mitigated through the application of eligibility criteria and volume limits for transactions with individual counterparties and through the use of mark-to-market collateral arrangements for swap transactions. IBRD may require collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

IBRD has entered into master derivatives agreements which contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. Credit risk with financial assets subject to a master derivatives arrangement is further reduced under these agreements to the extent that payments and receipts with the counterparty are netted at settlement. The reduction in exposure as a result of these netting provisions can vary due to the impact of changes in market conditions on existing and new transactions. The extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date. For more information on netting and offsetting provisions see Note F-Derivative Instruments.

The following is a summary of the collateral received by IBRD in relation to swap transactions as of December 31, 2014 and June 30, 2014.

In millions of U.S. dollars

	December 31, 2014	*June 30, 2014*
Collateral received		
Cash	$ 3,388	$ 3,234
Securities	2,090	2,785
Total collateral received	$ 5,478	$ 6,019
Collateral permitted to be repledged	$ 5,478	$ 6,019
Amount of collateral repledged	-	-

As of December 31, 2014, IBRD received total cash collateral of $3,388 million ($3,234 million—June 30, 2014), of which $3,372 million was invested in highly liquid instruments ($2,114 million—June 30, 2014).

Securities Lending: IBRD may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resales) of government and agency obligations, and corporate and ABS. These transactions have been conducted under legally enforceable master netting arrangements, which allow IBRD to reduce its gross credit exposure related to these transactions. For Balance Sheet presentation purposes, IBRD presents its securities lending and repurchases, as well as resales, on a gross basis. As of December 31, 2014 and June 30, 2014, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements.

Transfers of securities by IBRD to counterparties are not accounted for as sales as the accounting criteria for the treatment as a sale have not been met. Counterparties are permitted to repledge these securities until the repurchase date.

The following is a summary of the carrying amount of the securities transferred under repurchase or securities lending agreements, and the related liabilities:

In millions of U.S. dollars

	December 31, 2014	*June 30, 2014*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$ 2,082	$ 155	Included under Investments-Trading on the Condensed Balance Sheet.
Liabilities relating to securities transferred under repurchase or securities lending agreements	$ 2,082	$ 156	Included under Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received, on the Condensed Balance Sheet.

At December 31, 2014, and June 30, 2014 the liabilities relating to securities transferred under repurchase or securities lending agreements did not include any repurchase agreement trades that had not settled at that date.

In the case of resale agreements, IBRD receives collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IBRD's balance sheet as the accounting criteria for treatment as a sale have not been met. As of December 31, 2014, securities purchased under resale agreements included $70 million of securities, which had not settled at that date ($2,027 million—June 30, 2014). For the remaining purchases, IBRD received securities with a fair value of $2,400 million ($1,069 million—June 30, 2014). None of these securities had been transferred under repurchase or security lending agreements as of that date (Nil—June 30, 2014).

NOTE D—LOANS AND OTHER EXPOSURES

IBRD's loans and other exposures (exposures) are generally made to, or guaranteed by, member countries of IBRD. In addition, IBRD may also make loans to the International Finance Corporation (IFC), an affiliated organization, without any guarantee. Other exposures include: Deferred Drawdown Options (DDOs), Irrevocable Commitments, Exposures to Member Countries' Derivatives, and Guarantees. IBRD's loans are reported at amortized cost, with the exception of one loan which is carried and reported at fair value, because it contains an embedded derivative.

IBRD uses derivative contracts to manage the currency risk as well as the repricing risk between its loans and borrowings. For details regarding derivatives used in the loan portfolio, see Note F—Derivative Instruments.

Of the total loans outstanding as of December 31, 2014, 82% were to Latin America and the Caribbean, Europe and Central Asia, and East Asia and Pacific regions, combined.

Based on IBRD's internal credit quality indicators, the majority of loans outstanding are in the medium-risk and high-risk classes.

As of December 31, 2014, only 0.29% of IBRD's loans were in nonaccrual status and were all related to one borrower. The total provision for losses on accrual and nonaccrual loans accounted for 1.06% of the total loans outstanding.

Credit Quality of Sovereign Exposures

Based on an evaluation of IBRD's exposures, management has determined that IBRD has one portfolio segment – Sovereign Exposures. IBRD's loans constitute the majority of the Sovereign Exposures portfolio segment.

IBRD's country risk ratings are an assessment of its borrowers' ability and willingness to repay IBRD on time and in full. These ratings are internal credit quality indicators. Individual country risk ratings are derived on the basis of both quantitative and qualitative analyses. The components considered in the analysis can be grouped broadly into eight categories: political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks, and corporate sector debt and vulnerabilities. For the purpose of analyzing the risk characteristics of IBRD's exposures, these exposures are grouped into three classes in accordance with assigned borrower risk ratings which relate to the likelihood of loss: low, medium and high-risk classes, as well as exposures in nonaccrual status. IBRD considers all exposures in nonaccrual status to be impaired.

IBRD's borrowers' country risk ratings are key determinants in the provision for losses. Country risk ratings are determined in review meetings that take place several times a year. All countries are reviewed at least once a year, or more frequently, if circumstances warrant, to determine the appropriate ratings.

IBRD considers loans to be past due when a borrower fails to make payment on any principal, interest or other charges due to IBRD on the dates provided in the contractual loan agreement.

The following table provides an aging analysis of the loan portfolio as of December 31, 2014 and June 30, 2014:

In millions of U.S. dollars

	December 31, 2014							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,403	$ 13,403
Medium	-	-	-	-	-	-	88,866	88,866
High	6	1	-	-	-	7	54,075	54,082
Loans in accrual status[a]	6	1	-	-	-	7	156,344	156,351
Loans in nonaccrual status[a]	-	-	-	-	458	458	-	458
Loan at fair value[b]	-	-	-	-	-	-	134	134
Total	$ 6	$ 1	$ -	$ -	$ 458	$ 465	$ 156,478	$ 156,943

In millions of U.S. dollars

	June 30, 2014							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,319	$ 13,319
Medium	-	-	-	-	-	-	85,477	85,477
High	-	-	-	-	-	-	54,622	54,622
Loans in accrual status[a]	-	-	-	-	-	-	153,418	153,418
Loans in nonaccrual status[a]	-	-	-	5	457	462	-	462
Loan at fair value[b]	-	-	-	-	-	-	141	141
Total	$ -	$ -	$ -	$ 5	$ 457	$ 462	$ 153,559	$ 154,021

a. At amortized cost.

b. For the loan that is reported at fair value, and which is in accrual status, credit risk assessment is incorporated in the determination of the fair value.

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provisions for losses, which reflects the probable losses inherent in IBRD's exposures. Probable losses comprise estimates of potential losses arising from default and nonpayment of principal amounts due, as well as present value losses. Delays in receiving loan payments result in present value losses to IBRD since it does not charge fees or additional interest on any overdue interest or charges. These present value losses are equal to the difference between the present value of payments of interest and charges, made according to the related instrument's contractual terms and the present value of its expected future cash flows. It is IBRD's practice not to write off its loans. All contractual obligations associated with exposures in nonaccrual status have eventually been cleared, thereby allowing borrowers to eventually emerge from nonaccrual status. To date, no loans have been written off.

Notwithstanding IBRD's historical experience, the risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on loans and other exposures.

Changes to the Accumulated provision for losses on loans and other exposures for the six months ended December 31, 2014, and for the fiscal year ended June 30, 2014 are summarized below:

In millions of U.S. dollars

	December 31, 2014			*June 30, 2014*		
	Loans	*Other*	*Total*	*Loans*	*Other*	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,626	$ 41	$ 1,667	$ 1,659	$ 54	$ 1,713
Provision - charge (release)	70	-	70	(46)	(14)	(60)
Translation adjustment	(37)	(1)	(38)	13	1	14
Accumulated provision, end of the period/fiscal year	$ 1,659	$ 40	$ 1,699	$ 1,626	$ 41	$ 1,667
Composed of accumulated provision for losses on:						
Loans in accrual status	$ 1,430			$ 1,395		
Loans in nonaccrual status	229			231		
Total	$ 1,659			$ 1,626		
Loans, end of the period/fiscal year:						
Loans at amortized cost in accrual status	$ 156,351			$ 153,418		
Loans at amortized cost in nonaccrual status	458			462		
Loan at fair value in accrual status	134			141		
Total	$ 156,943			$ 154,021		

	Reported as Follows	
	Condensed Balance Sheet	***Condensed Statement of Income***
Accumulated Provision for Losses on:		
Loans	Accumulated provision for loan losses	Provision for losses on loans and other exposures
Other exposures (excluding exposures to member countries' derivatives)	Other liabilities	Provision for losses on loans and other exposures
Exposures to member countries' derivatives	Derivative Liabilities–Client Operations	Other, net

Overdue Amounts

At December 31, 2014, there were no principal or interest amounts on loans in accrual status, which were overdue by more than three months. The following tables provide a summary of selected financial information related to loans in nonaccrual status as of December 31, 2014 and June 30, 2014, and for the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	December 31, 2014	*June 30, 2014*
Recorded investment in nonaccrual loans[a]	$ 458	$ 462
Accumulated provision for loan losses on nonaccrual loans	229	231
Average recorded investment in nonaccrual loans for the period/fiscal year	460	462
Overdue amounts of nonaccrual loans	865	852
Principal	458	462
Interest and charges	407	390

a. A loan loss provision has been recorded against each of the loans in nonaccrual status.

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
	2014	*2013*	*2014*	*2013*
Interest income not recognized as a result of loans being in nonaccrual status	$ 8	$ 9	$ 17	$ 17

During the three and six months ended December 31, 2014, no loans were placed in nonaccrual status or restored to accrual status.

In addition, during the three months ended December 31, 2014, interest income recognized on loans in nonaccrual status was less than $1 million, while during the six months ended December 31, 2014, the interest income recognized was $1 million (less than $1 million—three months ended December 31, 2013 and $1 million—six months ended December 31, 2013).

Effective July 16, 2013, all loans to, or guaranteed by, Iran were placed into nonaccrual status. The aggregate principal balance outstanding on these loans at July 16, 2013 was $697 million, of which $79 million was overdue on that date. Subsequently, on September 27, 2013, Iran cleared all of its overdue principal and charges due to IBRD and the loans to, or guaranteed by, Iran were restored to accrual status on that date. Interest revenue for the six months ended December 31, 2013, increased by $8 million, $7 million of which represents revenue that would have been accrued in previous fiscal year had these loans not been placed in nonaccrual status.

Information relating to the sole borrowing member with loans or other guarantees in nonaccrual status at December 31, 2014 is presented below:

In millions of U.S. dollars

Borrower	*Principal outstanding*	*Principal, Interest and Charges overdue*	*Nonaccrual since*
Zimbabwe	$ 458	$ 865	October 2000

Guarantees

Guarantees of $1,619 million were outstanding at December 31, 2014 ($1,804 million—June 30, 2014). This amount represents the maximum potential amount of undiscounted future payments that IBRD could be required to make under these guarantees and is not included on the Condensed Balance Sheet. These guarantees have original maturities ranging between 5 and 20 years, and expire in decreasing amounts through 2029.

At December 31, 2014, liabilities related to IBRD's obligations under guarantees of $50 million ($60 million—June 30, 2014), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of $20 million ($25 million—June 30, 2014).

During the six months ended December 31, 2014 and December 31, 2013, no guarantees provided by IBRD were called.

Waivers of Loan Charges

IBRD provides waivers on eligible loans, which include a portion of interest on loans, a portion of the commitment charge on undisbursed balances and a portion of the front-end fee charged on all eligible loans. Waivers are approved annually by the Executive Directors of IBRD.

The reduction in net income during the three and six months ended December 31, 2014, and December 31, 2013, resulting from waivers of loan charges is summarized below:

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
	2014	*2013*	*2014*	*2013*
Interest waivers	$ 25	$ 30	$ 52	$ 60
Commitment charge waivers	2	2	3	5
Front-end fee waivers	5	8	10	11
Total	$ 32	$ 40	$ 65	$ 76

Segment Reporting

Based on an evaluation of IBRD's operations, management has determined that IBRD has only one reportable segment since financial results are reviewed, and resource allocation decisions are made, at the entity level.

Loan revenue comprises interest, commitment fees, loan origination fees and prepayment premia, net of waivers. For the six months ended December 31, 2014, loans to one country generated an excess of 10 percent of total loan revenue; this amounted to $121 million.

Information about IBRD's loans outstanding and associated loan revenue by geographic region, as of and for the six months ended December 31, 2014, and December 31, 2013, is presented in the following table:

In millions of U.S. dollars

	December 31, 2014		December 31, 2013	
Region	*Loans Outstanding*	*Loan Revenue*[b]	*Loans Outstanding*	*Loan Revenue*[b]
Africa	$ 2,992	$ 53	$ 2,329	$ 17
East Asia and Pacific	31,221	201	30,022	213
Europe and Central Asia	43,551	220	43,991	210
Latin America and the Caribbean	53,523	480	51,742	507
Middle East and North Africa	12,227	74	11,984	83
South Asia	13,212	42	13,167	48
Other[a]	217	1	226	1
Total	$ 156,943	$ 1,071	$ 153,461	$ 1,079

a. Represents loans to IFC, an affiliated organization.
b. Does not include interest expenses, net from loan related derivatives of $484 million ($466 million—December 31, 2013).
** Indicates amount less than $0.5 million.*

Fair Value Disclosures

The loan carried at fair value is classified as Level 3. This loan has an embedded derivative and its fair value is estimated on a matrix basis against the related bond. As IBRD's loans are not traded, the yield which is used as a key input to determining the fair value of this loan is not observable. The yield applied in determining the fair value of the loan at December 31, 2014 was 4.5%. An increase (decrease) in the yield would result in a decrease (increase) in the fair value of the loan.

The following table provides a summary of changes in the fair value of IBRD's Level 3 loan during the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Beginning of the period/fiscal year	$ 132	$ 138	$ 141	$ 148
Total realized/unrealized mark-to-market (losses) gains in:				
Net income	(2)	5	*	4
Other comprehensive income	4	3	(7)	(6)
End of the period	$ 134	$ 146	$ 134	$ 146

** Indicates amount less than $0.5 million.*

Information on unrealized mark-to-market gains or losses, relating to IBRD's Level 3 loan, included in net income, for the three and six months ended December 31, 2014 and December 31, 2013, as well as where those amounts are included in the Condensed Statement of Income, is presented in the following table:

In millions of U.S. dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
Unrealized Mark-to-Market Gains (Losses)	*2014*	*2013*	*2014*	*2013*
Condensed Statement of Income location				
Loans, net	$ (5)	$ 2	$ (5)	$ (2)

The table below presents the fair value of all IBRD's loans for disclosure purposes, along with their respective carrying values as of December 31, 2014 and June 30, 2014:

In millions of U.S. dollars

	December 31, 2014		June 30, 2014	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net loans outstanding	$ 154,861	$ 151,715	$ 151,978	$ 149,957

Valuation Methods and Assumptions

All IBRD's loans are made to, or guaranteed by, countries that are members of IBRD, except for those loans made to IFC. IBRD does not currently sell its loans.

As of December 31, 2014 and June 30, 2014, except for one loan which is reported at fair value, all other loans are carried at amortized cost. The fair value of these loans is calculated using a discounted cash flow method. This method incorporates Credit Default Swap spreads for each borrower. Basis adjustments are applied to market recovery levels to reflect IBRD's recovery experience. IBRD's loans, including the one loan reported at fair value on a recurring basis, are classified as Level 3, within the fair value hierarchy.

NOTE E—BORROWINGS

IBRD issues unsubordinated and unsecured fixed and variable rate debt in a variety of currencies. Some of these debt instruments are callable. Variable rates may be based on, for example, exchange rates, interest rates or equity indices.

Borrowings issued by IBRD are carried and reported at fair value. As of December 31, 2014, 98% of the instruments in the portfolio were classified as Level 2, within the fair value hierarchy.

IBRD uses derivative contracts to manage the currency risk as well as the repricing risk between its loans and borrowings. For details regarding the derivatives used in the borrowing portfolio, see Note F—Derivative Instruments.

The following table summarizes IBRD's borrowing portfolio after derivatives as of December 31, 2014 and June 30, 2014:

In millions of U.S. dollars

	December 31, 2014	June 30, 2014
Borrowings	$ 160,083	$ 161,026
Currency swaps, net[a]	(99)	(3,898)
Interest rate swaps, net[a]	(4,436)	(4,485)
	$ 155,548	$ 152,643

a. Interest, net for Borrowings on the Condensed Statement of Income includes $1,802 million of interest income, net related to derivatives associated with Borrowing portfolio ($1,704 million—six months ended December 31, 2013).

Fair Value Disclosures

IBRD's fair value hierarchy for borrowings measured at fair value on a recurring basis as of December 31, 2014 and June 30, 2014 is as follows:

In millions of U.S. dollars

	December 31, 2014	June 30, 2014
Level 1	$ -	$ -
Level 2	156,906	157,143
Level 3	3,177	3,883
	$ 160,083	$ 161,026

The following tables provide a summary of changes in the fair value of IBRD's Level 3 borrowings during the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Beginning of the period/fiscal year	$ 3,483	$ 6,058	$ 3,883	$ 6,511
Total realized/unrealized mark-to-market losses (gains) in:				
Net income	187	346	407	367
Other comprehensive income	(200)	(350)	(456)	(278)
Issuances	190	59	476	101
Settlements	(436)	(526)	(936)	(1,029)
Transfers out, net	(47)	(750)	(197)	(835)
End of the period	$ 3,177	$ 4,837	$ 3,177	$ 4,837

Information on the unrealized mark-to-market gains or losses included in net income for the three and six months ended December 31, 2014 and December 31, 2013, relating to IBRD's Level 3 borrowings still held at the reporting dates, as well as where those amounts are included in the Condensed Statement of Income, is presented in the following table:

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
Unrealized Mark-to-Market Gains (Losses)	*2014*	*2013*	*2014*	*2013*
Condensed Statement of Income location				
Borrowings, net	$ (125)	$ (241)	$ (276)	$ (223)

The following table provides information on the unrealized mark-to-market gains or losses included in net income for the three and six months ended December 31, 2014 and December 31, 2013, relating to IBRD's total borrowings held at the reporting dates, as well as where those amounts are included in the Condensed Statement of Income:

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
Unrealized Mark-to-Market Gains (Losses)	*2014*	*2013*	*2014*	*2013*
Condensed Statement of Income location				
Borrowings, net	$ (1,056)	$ 659	$ (1,038)	$ 1,209

During the three and six months ended December 31, 2014, IBRD's credit spreads tightened. The estimated financial effects on the fair value of the debt issued and outstanding as of December 31, 2014, were unrealized mark-to-market losses of $57 million and $210 million, respectively.

During the three and six months ended December 31, 2013, IBRD's credit spreads widened. The estimated financial effects on the fair value of the debt issued and outstanding as of December 31, 2013, were unrealized mark-to-market gains of $147 million and $244 million, respectively. These amounts were determined using observable changes in IBRD's credit spreads.

IBRD's Level 3 borrowings primarily relate to structured bonds. The fair value of these bonds is estimated using valuation models that incorporate model parameters, observable market inputs, and unobservable inputs. The significant unobservable inputs used in the fair value measurement of structured bonds are correlations and long-dated interest rate volatilities. Generally, the movements in correlations are considered to be independent from the movements in long-dated interest rate volatilities.

Correlation is the statistical measurement of the relationship between two variables. For contracts where the holder benefits from the convergence of the underlying index prices (e.g. interest rates and foreign exchange rates), an increase in correlation generally results in an increase in the fair value of the instruments. The magnitude and direction of the fair value adjustments will depend on whether the holder is short or long the option.

Interest rate volatility is the extent to which the level of interest rates change over time. For purchased options, an increase in volatility will generally result in an increase in the fair value. In general, the volatility used to price the option depends on the maturity of the underlying instrument and the option strike price. For IBRD, interest rate volatilities are considered an unobservable input for maturities greater than ten years for certain currencies.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used:

In millions of U.S. dollars

Portfolio	*Fair Value at December 31, 2014*	*Fair Value at June 30, 2014*	*Valuation Technique*	*Unobservable input*	*Range (average) December 31, 2014*	*Range (average) June 30, 2014*
Borrowings	$3,177	$3,883	Discounted Cash Flow	Correlations	-52% to 77% (8%)	-39% to 77% (5%)
				Long-dated interest rate volatilities	17% to 45% (31%)	14% to 33% (22%)

The table below provides the details of all gross inter-level transfers for the three and six months ended December 31, 2014 and December 31, 2013. Transfers from Level 3 to Level 2 are due to increased price transparency.

In millions of U.S. dollars

	Three Months Ended December 31,				Six Months Ended December 31,			
	2014		2013		2014		2013	
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3
Borrowings								
Transfers into (out of)	$ 47	$ (47)	$ 750	$ (750)	$ 199	$ (199)	$ 835	$ (835)
Transfers (out of) into	-	-	-	-	(2)	2	-	-
	$ 47	$ (47)	$ 750	$ (750)	$ 197	$ (197)	$ 835	$ (835)

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of borrowings:

In millions of U.S. dollars

	Fair Value	Principal Amount Due Upon Maturity	Difference
December 31, 2014	$ 160,083	$ 159,207	$ 876
June 30, 2014	$ 161,026	$ 161,751	$ (725)

Valuation Methods and Assumptions

Techniques applied in determining the fair values of debt instruments are summarized as follows:

Discount notes and vanilla bonds

Discount notes and vanilla bonds are valued using the standard discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads, where available, quoted marked prices are used to determine the fair value of short-term notes.

Structured bonds

Structured bonds issued by IBRD have coupon or repayment terms linked to the level or the performance of interest rates, foreign exchange rates, equity indices or commodities. The fair value of the structured bonds is derived using the discounted cash flow method based on estimated future pay-offs determined by applicable models and computation of embedded optionality such as caps, floors and calls. A wide range of industry standard models such as one factor Hull-White, LIBOR Market Model and Black-Scholes are used depending on the specific structure. These models incorporate market observable inputs, such as yield curves, foreign exchange rates, basis spreads, funding spreads, interest rates volatilities, equity index volatilities and equity indices. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities.

NOTE F—DERIVATIVE INSTRUMENTS

IBRD uses derivative instruments in its investment, loan and borrowing portfolios, and for asset/liability management purposes (including equity management). It also offers derivatives intermediation services to clients and concurrently enters into offsetting transactions with market counterparties.

The following table summarizes IBRD's use of derivatives in its various financial portfolios:

Portfolio	*Derivative instruments used*	*Purpose / Risk being managed*
Risk management purposes:		
Investments	Currency swaps, interest rate swaps, currency forward contracts, options, swaptions and futures contracts, TBA securities	Manage currency and interest rate risks in the portfolio
Loans	Currency swaps, and interest rate swaps	Manage currency risk as well as repricing risks between loans and borrowings
Borrowings	Currency swaps, and interest rate swaps	Manage currency risk as well as repricing risks between loans and borrowings
Other assets/liabilities	Currency swaps, and interest rate swaps	Manage currency risk and the duration of IBRD's equity (equity management)
Other purposes:		
Client operations	Currency swaps, and interest rate swaps	Assist clients in managing risks

The following tables provide information on the fair value amounts and the location of the derivative instruments on the Condensed Balance Sheet, as well as notional amounts and credit risk exposures of those derivative instruments as of December 31, 2014 and June 30, 2014:

Fair value of derivative instruments on the Condensed Balance Sheet:
In millions of U.S. dollars

	Balance Sheet Location			
	Derivative Assets		*Derivative Liabilities*	
	December 31, 2014	*June 30, 2014*	*December 31, 2014*	*June 30, 2014*
Derivatives not designated as hedging instruments				
Swaptions, exchange traded options and futures contracts - Investment-Trading	$ 18	$ 3	$ 31	$ 13
Interest rate swaps	7,401	7,769	4,824	4,151
Currency swaps[a]	137,260	146,298	135,977	142,721
Other[b]	*	*	-	-
Total Derivatives	$ 144,679	$ 154,070	$ 140,832	$ 146,885

a. Includes currency forward contracts and structured swaps.
b. These relate to TBA securities.
** Indicates amount less than $0.5 million.*

Notional amounts and credit risk exposure of the derivative instruments:
In millions of U.S. dollars

Type of contract	*December 31, 2014*	*June 30, 2014*
Investments - Trading		
Interest rate swaps		
Notional principal	$ 8,156	$ 2,910
Credit exposure	85	80
Currency swaps (including currency forward contracts)		
Credit exposure	1,118	59
Swaptions, exchange traded options and futures contracts[a]		
Notional long position	1,198	850
Notional short position	13,924	21,228
Credit exposure	18	3
Other derivatives[b]		
Notional long position	47	47
Notional short position	-	-
Credit exposure	*	1
Loans		
Interest rate swaps		
Notional principal	28,258	29,775
Credit exposure	106	196
Currency swaps		
Credit exposure	223	65
Client operations		
Interest rate swaps		
Notional principal	23,311	22,691
Credit exposure	1,405	1,070
Currency swaps		
Credit exposure	1,712	1,701
Borrowings		
Interest rate swaps		
Notional principal	165,735	152,248
Credit exposure	4,910	4,919
Currency swaps		
Credit exposure	8,053	9,994
Other derivatives		
Interest rate swaps		
Notional principal	35,237	42,113
Credit exposure	895	1,504
Currency swaps		
Credit exposure	-	41

a. Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All swaptions, options, and futures contracts are interest rate contracts.
b. These relate to TBA securities.
** Indicates amount less than $0.5 million.*

IBRD is not required to post collateral under its derivative agreements as long as it maintains a AAA credit rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position on December 31, 2014 is $3,633 million ($1,216 million—June 30, 2014). IBRD has not posted any collateral with these counterparties due to its AAA credit rating.

If the credit-risk related contingent features underlying these agreements had been triggered to the extent that IBRD would be required to post collateral on December 31, 2014, the amount of collateral that would need to be posted would be $1,465 million ($164 million— June 30, 2014). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $3,633 million ($1,216 million—June 30, 2014). In contrast, IBRD received collateral totaling $5,478 million as of December 31, 2014 ($6,019 million—June 30, 2014), in relation to swap transactions (see Note C—Investments).

The following table provides information on the location and amount of unrealized mark-to-market gains and losses on the non-trading derivatives during the three and six months ended December 31, 2014, and December 31, 2013, and their location on the Condensed Statement of Income:

In millions of U.S. dollars

		Three Months Ended December 31,		*Six Months Ended December 31,*	
	Condensed Statement of Income Location	*Unrealized Mark-to-Market Gains (Losses)*[b]			
		2014	*2013*	*2014*	*2013*
Derivatives not designated as hedging instruments, and not held in trading portfolio[a]					
Interest rate swaps	Loans, Equity management, Borrowings and Other, net	$ 39	$ (50)	$ (1,073)	$ (1,082)
Currency swaps (including currency forward contracts and structured swaps)		615	(145)	750	(383)
Total		$ 654	$ (195)	$ (323)	$ (1,465)

a. For alternative disclosures about trading derivatives, see the following table.
b. Includes amounts reclassified to realized mark-to-market gains (losses).

All of the instruments in IBRD's investment portfolio are held for trading purposes. Within the investment portfolio, IBRD holds highly rated fixed income instruments, equity securities as well as derivatives.

The following table provides information on the location and amount of gains and losses on the net investment-trading portfolio and their location on the Condensed Statement of Income during the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
Condensed Statement of Income Location	*Investments-Trading, net*[a]		*Investments-Trading, net*[a]	
	Gains (Losses)		*Gains (Losses)*	
	2014	*2013*	*2014*	*2013*
Type of instrument				
Fixed income (including associated derivatives)	$ (22)	$ (48)	$ (47)	$ (59)
Equity	-	9	(4)	18
Total	$ (22)	$ (39)	$ (51)	$ (41)

a. Amounts associated with each type of instrument include gains and losses on both derivative instruments and non-derivative instruments.

Offsetting assets and liabilities

IBRD enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements with substantially all of its derivative counterparties. These legally enforceable master netting agreements give IBRD the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

The presentation of derivative instruments is consistent with the manner in which these instruments are settled. Interest rate swaps are settled on a net basis, while currency swaps are settled on a gross basis.

The following table summarizes information on derivative assets and liabilities (before and after netting adjustments) that are reflected on IBRD’s Condensed Balance Sheet as of December 31, 2014 and June 30, 2014. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements. The net derivative asset positions have been further reduced by the cash and securities collateral received.

In millions of U.S. dollars

	December 31, 2014					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized on the Condensed Balance Sheet	Gross Amounts Offset on the Condensed Balance Sheet	Net Amounts Presented on the Condensed Balance Sheet	Gross Amounts Recognized on the Condensed Balance Sheet	Gross Amounts Offset on the Condensed Balance Sheet	Net Amounts Presented on the Condensed Balance Sheet
Interest rate swaps	$ 21,683	$ (14,282)	$ 7,401	$ 15,073	$ (10,249)	$ 4,824
Currency swaps[a]	137,260	-	137,260	135,977	-	135,977
Other[b]	18	-	18	32	(1)	31
Total	$ 158,961	$ (14,282)	$ 144,679	$ 151,082	$ (10,250)	$ 140,832
Amounts subject to legally enforceable master netting agreements[c]			(137,177)			(137,177)
Net derivative positions at counterparty level before collateral			$ 7,502			$ 3,655
Less:						
Cash collateral received[d]			3,017			
Securities collateral received[d]			1,804			
Net derivative exposure after collateral			$ 2,681			

a. Includes currency forward contracts and structured swaps.
b. These relate to swaptions, exchange traded options, futures contracts and TBA securities.
c. Not offset on the Condensed Balance Sheet.
d. Does not include excess collateral received.

In millions of U.S. dollars

	June 30, 2014					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized on the Condensed Balance Sheet	Gross Amounts Offset on the Condensed Balance Sheet	Net Amounts Presented on the Condensed Balance Sheet	Gross Amounts Recognized on the Condensed Balance Sheet	Gross Amounts Offset on the Condensed Balance Sheet	Net Amounts Presented on the Condensed Balance Sheet
Interest rate swaps	$ 22,482	$ (14,713)	$ 7,769	$ 14,173	$ (10,022)	$ 4,151
Currency swaps[a]	146,298	-	146,298	142,721	-	142,721
Other[b]	3	-	3	13	-	13
Total	$ 168,783	$ (14,713)	$ 154,070	$ 156,907	$ (10,022)	$ 146,885
Amounts subject to legally enforceable master netting agreements[c]			(145,595)			(145,595)
Net derivatives positions at counterparty level before collateral			$ 8,475			$ 1,290
Less:						
Cash collateral received[d]			2,840			
Securities collateral received[d]			2,485			
Net derivative exposure after collateral			$ 3,150			

a. Includes currency forward contracts and structured swaps.
b. These relate to swaptions, exchange traded options, futures contracts and TBA securities.
c. Not offset on the Condensed Balance Sheet.
d. Does not include excess collateral received.

Fair Value Disclosures

IBRD's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and June 30, 2014 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis December 31, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative Assets:				
Investments				
Currency forward contracts	$ -	$ 5,894	$ -	$ 5,894
Currency swaps	-	17,036	-	17,036
Interest rate swaps	-	85	-	85
Swaptions, exchange traded options and futures contracts	1	17	-	18
Other[a]	-	*	-	*
	1	23,032	-	23,033
Loans				
Currency swaps	-	3,180	73	3,253
Interest rate swaps	-	106	-	106
	-	3,286	73	3,359
Client operations				
Currency swaps	-	32,874	-	32,874
Interest rate swaps	-	1,405	-	1,405
	-	34,279	-	34,279
Borrowings				
Currency swaps	-	75,008	2,696	77,704
Interest rate swaps	-	4,832	78	4,910
	-	79,840	2,774	82,614
Other assets/liabilities				
Currency swaps	-	499	-	499
Interest rate swaps	-	895	-	895
	-	1,394	-	1,394
Total derivative assets	$ 1	$ 141,831	$ 2,847	$ 144,679
Derivative Liabilities:				
Investments				
Currency forward contracts	$ -	$ 5,772	$ -	$ 5,772
Currency swaps	-	16,136	-	16,136
Interest rate swaps	-	119	-	119
Swaptions, exchange traded options and futures contracts	10	21	-	31
Other[a]	-	-	-	-
	10	22,048	-	22,058
Loans				
Currency swaps	-	2,991	62	3,053
Interest rate swaps	-	2,752	-	2,752
	-	5,743	62	5,805
Client operations				
Currency swaps	-	32,865	-	32,865
Interest rate swaps	-	1,401	25	1,426
	-	34,266	25	34,291
Borrowings				
Currency swaps	-	75,086	2,519	77,605
Interest rate swaps	-	427	47	474
	-	75,513	2,566	78,079
Other assets/liabilities				
Currency swaps	-	546	-	546
Interest rate swaps	-	53	-	53
	-	599	-	599
Total derivative liabilities	$ 10	$ 138,169	$ 2,653	$ 140,832

a. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative Assets:				
Investments				
Currency forward contracts	$ -	$ 5,167	$ -	$ 5,167
Currency swaps	-	8,264	-	8,264
Interest rate swaps	-	80	-	80
Swaptions, exchange traded options and futures contracts	-	3	-	3
Other[a]	-	*	-	*
	-	13,514	-	13,514
Loans				
Currency swaps	-	2,502	86	2,588
Interest rate swaps	-	196	-	196
	-	2,698	86	2,784
Client operations				
Currency swaps	-	35,447	-	35,447
Interest rate swaps	-	1,070	-	1,070
	-	36,517	-	36,517
Borrowings				
Currency swaps	-	90,141	4,090	94,231
Interest rate swaps	-	4,858	61	4,919
	-	94,999	4,151	99,150
Other assets/liabilities				
Currency swaps	-	601	-	601
Interest rate swaps	-	1,504	-	1,504
	-	2,105	-	2,105
Total derivative assets	$ -	$ 149,833	$ 4,237	$ 154,070
Derivative Liabilities:				
Investments				
Currency forward contracts	$ -	$ 5,154	$ -	$ 5,154
Currency swaps	-	8,520	-	8,520
Interest rate swaps	-	133	-	133
Swaptions, exchange traded options and futures contracts	10	3	-	13
Other[a]	-	-	-	-
	10	13,810	-	13,820
Loans				
Currency swaps	-	2,642	75	2,717
Interest rate swaps	-	2,415	-	2,415
	-	5,057	75	5,132
Client operations				
Currency swaps	-	35,435	-	35,435
Interest rate swaps	-	1,104	-	1,104
	-	36,539	-	36,539
Borrowings				
Currency swaps	-	86,693	3,640	90,333
Interest rate swaps	-	399	35	434
	-	87,092	3,675	90,767
Other assets/liabilities				
Currency swaps	-	562	-	562
Interest rate swaps	-	65	-	65
	-	627	-	627
Total derivative liabilities	$ 10	$ 143,125	$ 3,750	$ 146,885

a. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

The following tables provide a summary of changes in the fair value of IBRD's Level 3 derivatives, net during the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Three Months Ended December 31, 2014			*Six Months Ended December 31, 2014*		
	Currency Swaps	*Interest Rate Swaps*	*Total*	*Currency Swaps*	*Interest Rate Swaps*	*Total*
Beginning of the period/fiscal year	$ 298	$ (14)	$ 284	$ 461	$ 26	$ 487
Total realized/unrealized mark-to-market gains or (losses) in:						
Net income	115	20	135	288	5	293
Other comprehensive income	(201)	-	(201)	(436)	-	(436)
Issuances	-	-	-	(2)	-	(2)
Settlements	(22)	-	(22)	(107)	-	(107)
Transfers out, net	(2)	-	(2)	(16)	(25)	(41)
End of the period	$ 188	$ 6	$ 194	$ 188	$ 6	$ 194

In millions of U.S. dollars

	Three Months Ended December 31, 2013			*Six Months Ended December 31, 2013*		
	Currency Swaps	*Interest Rate Swaps*	*Total*	*Currency Swaps*	*Interest Rate Swaps*	*Total*
Beginning of the period/fiscal year	$ 620	$ 4	$ 624	$ 628	$ 2	$ 630
Total realized/unrealized mark-to-market gains or (losses) in:						
Net income	285	18	303	296	20	316
Other comprehensive income	(351)	-	(351)	(265)	-	(265)
Issuances	-	-	-	(3)	-	(3)
Settlements	(54)	-	(54)	(139)	-	(139)
Transfers out, net	(113)	-	(113)	(130)	-	(130)
End of the period	$ 387	$ 22	$ 409	$ 387	$ 22	$ 409

Unrealized mark-to-market gains or losses included in the Condensed Statement of Income for the three and six months ended December 31, 2014 and December 31, 2013, relating to IBRD's Level 3 derivatives, net still held at the reporting dates as well as where those amounts are included in the Condensed Statement of Income, are presented in the following table:

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
Unrealized Mark-to-Market Gains (Losses)	*2014*	*2013*	*2014*	*2013*
Condensed Statement of Income location				
Loans, Borrowings, Other, net	$ 85	$ 204	$ 196	$ 202

The following table provides the details of all inter-level transfers during the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Three Months Ended December 31,				*Six Months Ended December 31,*			
	2014		*2013*		*2014*		*2013*	
	Level 2	*Level 3*	*Level 2*	*Level 3*	*Level 2*	*Level 3*	*Level 2*	*Level 3*
Derivatives, net								
Transfers into (out of)	$ 2	$ (2)	$ 113	$ (113)	$ 16	$ (16)	$ 130	$ (130)
Transfers out of (into)	-	-	-	-	25	(25)	-	-
	$ 2	$ (2)	$ 113	$ (113)	$ 41	$ (41)	$ 130	$ (130)

Transfers from Level 3 to Level 2 are due to increased price transparency.

The fair value of IBRD's Level 3 borrowings related derivatives is estimated using valuation models that incorporate model parameters, observable market inputs and unobservable inputs. The significant unobservable inputs used in the fair value measurement of these derivatives are correlations and long dated interest rate volatilities. See Note E – Borrowings for details on these unobservable inputs.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used:

In millions of U.S. dollars

	Fair Value at December 31, 2014	*Fair Value at June 30, 2014*	*Valuation Technique*	*Unobservable input*	*Range (average), December 31, 2014*	*Range (average) June 30, 2014*
Currency swaps Interest rate swaps	$194	$487	Discounted Cash Flow	Correlations	-52% to 77% (8%)	-39% to 77% (5%)
				Long-dated interest rate volatilities	17% to 45% (31%)	14% to 33% (22%)

Valuation Methods and Assumptions

Derivative contracts include currency forward contracts, TBAs, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are either plain vanilla or structured. Currency forward contracts and plain vanilla currency and interest rate swaps are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. For structured currency and interest rate swaps, which primarily consist of callable swaps linked to interest rates, foreign exchange rates, and equity indices, valuation models and inputs similar to the ones applicable to structured bonds valuation are used. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities.

NOTE G—RETAINED EARNINGS, ALLOCATIONS AND TRANSFERS

IBRD makes net income allocation decisions on the basis of reported net income, adjusted to exclude the unrealized mark-to-market gains and losses on non-trading portfolios, net, restricted income and Board of Governors-approved and other transfers, and after considering the allocation to the pension reserve.

On August 7, 2014, IBRD's Executive Directors approved the following allocations relating to the net income earned in the fiscal year ended June 30, 2014, a reduction in the Pension Reserve by $43 million and an increase in Restricted Retained Earnings by $2 million.

On October 10, 2014, IBRD's Board of Governors approved the following allocations relating to the net income earned in the fiscal year ended June 30, 2014: an immediate transfer to IDA of $635 million and $134 million to Surplus. The Board of Governors also approved a grant of $15 million to the Global Infrastructure Facility from Surplus. The transfer to IDA was made on October 14, 2014.

Retained earnings comprise the following components at December 31, 2014 and June 30, 2014:

In millions of U.S. dollars

	December 31, 2014	*June 30, 2014*
Special Reserve	$ 293	$ 293
General Reserve	26,889	26,889
Pension Reserve	1,017	1,060
Surplus	382	262
Cumulative Fair Value Adjustments[a]	(977)	53
Unallocated Net Income	(864)	(302)
Restricted Retained Earnings	33	32
Total	$ 26,773	$ 28,287

a. Unrealized mark-to-market gains or losses, net applicable to non-trading portfolios reported at fair value.

NOTE H—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, IFC and the Multilateral Investment Guarantee Agency (MIGA) participate in a defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and PEBP that cover substantially all of their staff members.

All costs, assets and liabilities associated with these pension plans are allocated between IBRD, IFC and MIGA based upon their employees' respective participation in the plans. Costs allocated to IBRD are then shared between IBRD and IDA based on an agreed cost sharing ratio. The net periodic pension cost (credit) for the SRP, RSBP and PEBP is included in Administrative Expenses, in the Condensed Statement of Income.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP for IBRD and IDA for the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Three Months Ended December 31, 2014			*Six Months Ended December 31, 2014*		
	SRP	*RSBP*	*PEBP*	*SRP*	*RSBP*	*PEBP*
Benefit Costs						
Service cost	$ 97	$ 28	$ 13	$ 194	$ 56	$ 25
Interest cost	162	30	11	323	60	22
Expected return on plan assets	(231)	(33)	-	(462)	(66)	-
Amortization of unrecognized prior service costs[a]	1	4	1	2	8	2
Amortization of unrecognized net actuarial losses[a]	26	6	12	53	13	23
Net periodic pension cost[b]	$ 55	$ 35	$ 37	$ 110	$ 71	$ 72
of which:						
IBRD's share	$ 26	$ 16	$ 17	$ 51	$ 33	$ 33
IDA's share	$ 29	$ 19	$ 20	$ 59	$ 38	$ 39

a. Included in Amounts reclassified into net income in Note J-Comprehensive Income.
b. Included in Administrative Expenses in the Condensed Statement of Income.

In millions of U.S. dollars

	Three Months Ended December 31, 2013			*Six Months Ended December 31, 2013*		
	SRP	*RSBP*	*PEBP*	*SRP*	*RSBP*	*PEBP*
Benefit Costs						
Service cost	$ 87	$ 21	$ 8	$ 176	$ 43	$ 17
Interest cost	155	29	9	310	57	17
Expected return on plan assets	(192)	(27)	-	(385)	(54)	-
Amortization of unrecognized prior service costs[a]	2	4	*	4	8	*
Amortization of unrecognized net actuarial losses[a]	28	7	7	54	14	14
Net periodic pension cost[b]	$ 80	$ 34	$ 24	$ 159	$ 68	$ 48
of which:						
IBRD's share	$ 36	$ 15	$ 11	$ 73	$ 31	$ 22
IDA's share	$ 44	$ 19	$ 13	$ 86	$ 37	$ 26

a. Included in Amounts reclassified into net income in Note J-Comprehensive Income.
b. Included in Administrative Expenses in the Condensed Statement of Income.
** Indicates amount less than $0.5 million.*

NOTE I—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

IBRD transacts with affiliated organizations by providing loans, administrative and derivative intermediation services, as well as through its pension and other postretirement benefit plans.

In addition, IBRD provides transfers to IDA out of its net income, upon approval by the Board of Governors (see Note G—Retained earnings, Allocations and Transfers).

At December 31, 2014 and June 30, 2014, IBRD had the following receivables from (payables to) its affiliated organizations:

In millions of U.S. dollars

	December 31, 2014					
			Derivative Transactions[a]			
	Loans	Administrative Services	Receivable	Payable	Pension and Other Postretirement Benefits	Total
IDA	$ -	$ 341	$ 11,054	$ (11,344)	$ (838)	$ (787)
IFC	217	32	-	-	(180)	69
MIGA	-	4	-	-	(8)	(4)
	$ 217	$ 377	$ 11,054	$ (11,344)	$ (1,026)	$ (722)

In millions of U.S. dollars

	June 30, 2014					
			Derivative Transactions[a]			
	Loans	Administrative Services	Receivable	Payable	Pension and Other Postretirement Benefits	Total
IDA	$ -	$ 416	$ 12,221	$ (12,102)	$ (854)	$ (319)
IFC	221	22	-	-	(181)	62
MIGA	-	3	-	-	(8)	(5)
	$ 221	$ 441	$ 12,221	$ (12,102)	$ (1,043)	$ (262)

a. For details on derivative transactions relating to swap intermediation services provided by IBRD and IDA, see Note F—Derivative Instruments.

The receivables from (payables to) these affiliated organizations are reported in the Condensed Balance Sheet as follows:

Receivables / Payables related to:	**Reported as:**
Loans	Loans outstanding
Receivable for administrative services[a]	Other assets
Receivables (payables) for derivative transactions	Derivative assets/liabilities – Client operations
Payable for pension and other postretirement benefits	Other liabilities

a. Include amounts payable to IDA for its share of investments associated with PCRF. This payable is included in Other Liabilities on the Condensed Balance Sheet.

Loans

IBRD has a Local Currency Loan Facility Agreement with IFC which is capped at $300 million. At December 31, 2014, the balance of the loan under this facility amounted to $21 million ($25 million—June 30, 2014) and carried a fixed interest rate of 3.96% and weighted average maturity of 1.4 years. This loan is not eligible for interest waivers.

In addition, on July 5, 2012, the Board of Executive Directors approved for IBRD to lend up to $197 million to IFC. This loan is at LIBOR less 25 basis points (0.09% as of December 31, 2014) and is not eligible for interest waivers. At December 31, 2014, the balance of this loan was $196 million ($196 million— June 30, 2014).

During the fiscal year ended June 30, 2014, IBRD entered into an exposure exchange agreement with MIGA under which IBRD and MIGA agreed to exchange $120 million each of notional amount of exposures on their respective balance sheets with one another. Under the agreement, MIGA provided a guarantee on one of IBRD's loan principal and interest exposures in exchange for IBRD's guarantee of principal and interest exposure of MIGA under its Non-Honoring of Sovereign Financial Obligation. As of December 31, 2014, liabilities related to IBRD’s obligation under this agreement amounted to $3 million. These include an accumulated provision for guarantee losses of less than $1 million.

Administrative Services

Expenses jointly incurred by IBRD and IDA are allocated based on an agreed cost sharing ratio, and amounts are settled quarterly. For the three and six months ended December 31, 2014, IBRD's administrative expenses are net of the share of expenses allocated to IDA of $396 million and $770 million, respectively ($395 million and $771 million, respectively—three and six months ended December 31, 2013).

Other Revenue

Revenue jointly earned by IBRD and IDA is allocated based on the same agreed cost sharing ratio that is used to allocate administrative expenses. Amounts are settled quarterly. For the three and six months ended December 31, 2014, IBRD's other income is net of income allocated to IDA of $71 million and $116 million, respectively ($64 million and $112 million, respectively—three and six months ended December 31, 2013).

For the three and six months ended December 31, 2014 and December 31, 2013, the amount of fee revenue associated with services provided to other affiliated organizations is included in Other Income on the Condensed Statement of Income, as follows:

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
	2014	*2013*	*2014*	*2013*
Fees charged to IFC	$ 15	$ 14	$ 27	$ 24
Fees charged to MIGA	2	1	3	2

Pension and Other Postretirement Benefits

The payable to IDA represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and PEBP assets. These will be realized over the life of the plan participants.

The payables to IFC and MIGA represent their respective share of PEBP assets. The PEBP assets are managed by IBRD and are a part of the investment portfolio.

For Pension and Other Post Retirement Benefits related disclosure see Note H- Pension and Other Postretirement Benefits.

Derivative transactions

These relate to currency forward contracts entered into by IDA with IBRD acting as the intermediary with the market.

NOTE J—COMPREHENSIVE INCOME / LOSS

Comprehensive income consists of net income and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income. Comprehensive income (loss) comprises currency translation adjustments, the cumulative effects of a change in accounting principle related to the implementation of FASB's derivatives and hedging guidance, pension-related items, and net income. These items are presented in the Condensed Statement of Comprehensive Income.

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) balances for the six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Six Months Ended December 31, 2014				
	Balance, beginning of the fiscal year	*Changes in fair value in AOCL*	*Amounts reclassified into net income*	*Net Changes during the period*	*Balance, end of the period*
Cumulative Translation Adjustment	$ 1,016	$ (573)	$ -	$ (573)	$ 443
Cumulative Effect of Change in Accounting Principle[a]	500	-	-	-	500
Reclassification[a]	(511)	-	1 [b]	1	(510)
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(3,862)	-	89 [c]	89	(3,773)
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(205)	-	12 [c]	12	(193)
Total Accumulated Other Comprehensive Loss	$ (3,062)	$ (573)	$ 102	$ (471)	$ (3,533)

In millions of U.S. dollars

	Six Months Ended December 31, 2013				
	Balance, beginning of the fiscal year	*Changes in fair value in AOCL*	*Amounts reclassified into net income*	*Net Changes during the period*	*Balance, end of the period*
Cumulative Translation Adjustment	$ 696	$ 405	$ -	$ 405	$ 1,101
Cumulative Effect of Change in Accounting Principle[a]	500	-	-	-	500
Reclassification[a]	(513)	-	1 [b]	1	(512)
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(3,438)	-	82 [c]	82	(3,356)
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(166)	-	12 [c]	12	(154)
Total Accumulated Other Comprehensive Loss	$ (2,921)	$ 405	$ 95	$ 500	$ (2,421)

a. The cumulative effect of change in accounting principle and subsequent reclassification to net income relates to the adoption of FASB's guidance on derivatives and hedging on July 1, 2000.
b. Reclassified into Borrowings, net in the Condensed Statement of Income.
c. See Note H-Pension and Other Post Retirement Benefits.

NOTE K—OTHER FAIR VALUE DISCLOSURES

The table below presents IBRD's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts as of December 31, 2014 and June 30, 2014.

In millions of U.S. dollars

	December 31, 2014		*June 30, 2014*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Due from banks	$ 2,412	$ 2,412	$ 3,701	$ 3,701
Investments				
Trading (including Securities purchased under resale agreements)	46,333	46,333	45,482	45,482
Net loans outstanding	154,861	151,715	151,978	149,957
Derivative assets				
Investments	23,033	23,033	13,514	13,514
Loans	3,359	3,359	2,784	2,784
Client operations	34,279	34,279	36,517	36,517
Borrowings	82,614	82,614	99,150	99,150
Other asset/liability	1,394	1,394	2,105	2,105
Borrowings	160,083	160,088 [a]	161,026	161,028 [a]
Securities sold/lent under repurchase agreements/securities lending agreements and payable for cash collateral received	5,470	5,470	3,390	3,390
Derivative liabilities				
Investments	22,058	22,058	13,820	13,820
Loans	5,805	5,805	5,132	5,132
Client operations	34,291	34,291	36,539	36,539
Borrowings	78,079	78,079	90,767	90,767
Other asset/liability	599	599	627	627

a. Includes $5 million ($2 million—June 30, 2014) relating to transition adjustment on adoption of FASB's guidance on derivatives and hedging on July 1, 2000.

Valuation Methods and Assumptions

As of December 31, 2014 and June 30, 2014, IBRD had no assets or liabilities measured at fair value on a non-recurring basis.

For valuation methods and assumptions of the following items refer to the respective notes as follows:

Investments: Note C

Loans and other exposures: Note D

Borrowings: Note E

Derivative instruments: Notes C and F

Due from Banks: The carrying amount of unrestricted and restricted cash is considered a reasonable estimate of the fair value.

Realized and Unrealized Mark-to-Market Gains or Losses on Non-Trading Portfolios, Net

The following tables reflect the components of the realized and unrealized mark-to-market gains or losses on non-trading portfolios, net, for the three and six months ended December 31, 2014 and December 31, 2013:

In millions of U.S. dollars

	Three Months Ended December 31, 2014			*Six Months Ended December 31, 2014*		
	Realized gains (losses)[b]	*Unrealized gains (losses)*[b, c]	*Total*	*Realized gains (losses)*[b]	*Unrealized gains (losses)*[b, c]	*Total*
Non trading portfolios, net						
Equity management, net	$ -	$ 203	$ 203	$ 581	$ (520)	$ 61
Borrowings, including derivatives —Notes E and F	3	(35)	(32)	9	(279)	(270)
Other assets/liabilities derivatives[a]	-	1	1	-	*	*
Client operations derivatives[a]	-	(2)	(2)	-	(4)	(4)
Loans, including derivatives—Notes D and F	-	(574)	(574)	-	(563) [d]	(563)
Total	$ 3	$ (407)	$ (404)	$ 590	$ (1,366)	$ (776)

In millions of U.S. dollars

	Three Months Ended December 31, 2013			*Six Months Ended December 31, 2013*		
	Realized gains (losses)[b]	*Unrealized gains (losses)*[b, c]	*Total*	*Realized gains (losses)*[b]	*Unrealized gains (losses)*[b, c]	*Total*
Non trading portfolios, net						
Equity management, net	$ -	$ (125)	$ (125)	$ 432	$ (995)	$ (563)
Borrowings, including derivatives —Notes E and F	(8)	124	116	(6)	293	287
Other assets/liabilities derivatives[a]	-	(4)	(4)	-	(9)	(9)
Client operations derivatives[a]	-	(1)	(1)	-	(2)	(2)
Loans, including derivatives—Notes D and F	-	472	472	-	615 [d]	615
Total	$ (8)	$ 466	$ 458	$ 426	$ (98)	$ 328

a. Included in Other, net revenue in Condensed Statement of Income.
b. Included in Unrealized mark-to-market gains/losses, net in Condensed Statement of Income.
c. Includes amounts reclassified to realized mark-to-market gains (losses).
d. Includes $558 million of unrealized mark-to-market losses related to derivatives associated with loans (unrealized mark-to-market gains of $617 million—six months ended December 31, 2013).
* *Indicates amount less than $0.5 million.*

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Independent Auditors' Review Report

President and Board of Executive Directors
International Bank for Reconstruction and Development:

Report on the Financial Statements

We have reviewed the condensed financial statements of the International Bank for Reconstruction and Development (IBRD), which comprise the condensed balance sheet as of December 31, 2014, the related condensed statements of income and comprehensive income for the three- and six-month periods ended December 31, 2014 and 2013, and the related condensed statements of changes in retained earnings and cash flows for the six-month periods ended December 31, 2014 and 2013.

Management's Responsibility

IBRD's management is responsible for the preparation and fair presentation of the condensed financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Report on Condensed Balance Sheet as of June 30, 2014

We have previously audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the balance sheet as of June 30, 2014, and the related statements of income, comprehensive income, changes in retained earnings, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2014. In our opinion, the accompanying condensed balance sheet of IBRD as of June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Washington, D.C.
February 12, 2015

Annex D

Articles of Agreement International Bank for Reconstruction and Development

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Articles of Agreement

(As amended effective June 27, 2012)

Table of Contents

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Articles of Agreement

(As amended effective June 27, 2012)

The Governments on whose behalf the present Agreement is signed agree as follows:

INTRODUCTORY ARTICLE

The International Bank for Reconstruction and Development is established and shall operate in accordance with the following provisions:

ARTICLE I

Purposes

The purposes of the Bank are:

(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

(iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

(v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate postwar years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above.

ARTICLE II

Membership in and Capital of the Bank

SECTION 1. *Membership*

(a) The original members of the Bank shall be those members of the International Monetary Fund which accept membership in the Bank before the date specified in Article XI, Section 2 (e).

(b) Membership shall be open to other members of the Fund, at such times and in accordance with such terms as may be prescribed by the Bank.

SECTION 2. *Authorized Capital*

(a) The authorized capital stock of the Bank shall be $10,000,000,000, in terms of United States dollars of the weight and fineness in effect on July 1, 1944. The capital stock shall be divided into 100,000 shares[1] having a par value of $100,000 each, which shall be available for subscription only by members.

(b) The capital stock may be increased when the Bank deems it advisable by a three-fourths majority of the total voting power.

SECTION 3. *Subscription of Shares*

(a) Each member shall subscribe shares of the capital stock of the Bank. The minimum number of shares to be subscribed by the original members shall be those set forth in Schedule A. The minimum number of shares to be subscribed by other members shall be determined by the Bank, which shall reserve a sufficient portion of its capital stock for subscription by such members.

(b) The Bank shall prescribe rules laying down the conditions under which members may subscribe shares of the authorized capital stock of the Bank in addition to their minimum subscriptions.

(c) If the authorized capital stock of the Bank is increased, each member shall have a reasonable opportunity to subscribe, under such conditions as the Bank shall decide, a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Bank, but no member shall be obligated to subscribe any part of the increased capital.

SECTION 4. *Issue Price of Shares*

Shares included in the minimum subscriptions of original members shall be issued at par. Other shares shall be issued at par unless the Bank by a majority of the total voting power decides in special circumstances to issue them on other terms.

SECTION 5. *Division and Calls of Subscribed Capital*

The subscription of each member shall be divided into two parts as follows:

(i) twenty percent shall be paid or subject to call under Section 7 (i) of this Article as needed by the Bank for its operations;

(ii) the remaining eighty percent shall be subject to call by the Bank only when required to meet obligations of the Bank created under Article IV, Sections 1 (a) (ii) and (iii).

Calls on unpaid subscriptions shall be uniform on all shares.

SECTION 6. *Limitation on Liability*

Liability on shares shall be limited to the unpaid portion of the issue price of the shares.

SECTION 7. *Method of Payment of Subscriptions for Shares*

Payment of subscriptions for shares shall be made in gold or United States dollars and in the currencies of the members as follows:

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[1] As of June 27, 2012, the authorized capital stock of the Bank is 2,307,600 shares.

(i) under Section 5 (i) of this Article two percent of the price of each share shall be payable in gold or United States dollars, and, when calls are made, the remaining eighteen percent shall be paid in the currency of the member;

(ii) when a call is made under Section 5 (ii) of this Article, payment may be made at the option of the member either in gold, in United States dollars or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made;

(iii) when a member makes payments in any currency under (i) and (ii) above, such payments shall be made in amounts equal in value to the member's liability under the call. This liability shall be a proportionate part of the subscribed capital stock of the Bank as authorized and defined in Section 2 of this Article.

SECTION 8. *Time of Payment of Subscriptions*

(a) The two percent payable on each share in gold or United States dollars under Section 7 (i) of this Article, shall be paid within sixty days of the date on which the Bank begins operations, provided that

> (i) any original member of the Bank whose metropolitan territory has suffered from enemy occupation or hostilities during the present war shall be granted the right to postpone payment of one-half percent until five years after that date;
>
> (ii) an original member who cannot make such a payment because it has not recovered possession of its gold reserves which are still seized or immobilized as a result of the war may postpone all payment until such date as the Bank shall decide.

(b) The remainder of the price of each share payable under Section 7 (i) of this Article shall be paid as and when called by the Bank, provided that

> (i) the Bank shall, within one year of its beginning operations, call not less than eight percent of the price of the share in addition to the payment of two percent referred to in (a) above;
>
> (ii) not more than five percent of the price of the share shall be called in any period of three months.

SECTION 9. *Maintenance of Value of Certain Currency Holdings of the Bank*

(a) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Bank, depreciated to a significant extent within that member's territories, the member shall pay to the Bank within a reasonable time an additional amount of its own currency sufficient to maintain the value, as of the time of initial subscription, of the amount of the currency of such member which is held by the Bank and derived from currency originally paid in to the Bank by the member under Article II, Section 7 (i), from currency referred to in Article IV, Section 2 (b), or from any additional currency furnished under the provisions of the present paragraph, and which has not been repurchased by the member for gold or for the currency of any member which is acceptable to the Bank.

(b) Whenever the par value of a member's currency is increased, the Bank shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency described in (a) above.

(c) The provisions of the preceding paragraphs may be waived by the Bank when a uniform proportionate change in the par values of the currencies of all its members is made by the International Monetary Fund.

SECTION 10. *Restriction on Disposal of Shares*

Shares shall not be pledged or encumbered in any manner whatever and they shall be transferable only to the Bank.

ARTICLE III

General Provisions Relating to Loans and Guarantees

SECTION 1. *Use of Resources*

(a) The resources and the facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction alike.

(b) For the purpose of facilitating the restoration and reconstruction of the economy of members whose metropolitan territories have suffered great devastation from enemy occupation or hostilities, the Bank, in determining the conditions and terms of loans made to such members, shall pay special regard to lightening the financial burden and expediting the completion of such restoration and reconstruction.

SECTION 2. *Dealings between Members and the Bank*

Each member shall deal with the Bank only through its Treasury, central bank, stabilization fund or other similar fiscal agency, and the Bank shall deal with members only by or through the same agencies.

SECTION 3. *Limitations on Guarantees and Borrowings of the Bank*

The total amount outstanding of guarantees, participations in loans and direct loans made by the Bank shall not be increased at any time, if by such increase the total would exceed one hundred percent of the unimpaired subscribed capital, reserves and surplus of the Bank.

SECTION 4. *Conditions on which the Bank may Guarantee or Make Loans*

The Bank may guarantee, participate in, or make loans to any member or any political sub-division thereof and any business, industrial, and agricultural enterprise in the territories of a member, subject to the following conditions:

(i) When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan.

(ii) The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower.

(iii) A competent committee, as provided for in Article V, Section 7, has submitted a written report recommending the project after a careful study of the merits of the proposal.

(iv) In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges and the schedule for repayment of principal are appropriate to the project.

(v) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole.

(vi) In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk.

(vii) Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

SECTION 5. *Use of Loans Guaranteed, Participated in or Made by the Bank*

(a) The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members.

(b) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.

(c) In the case of loans made by the Bank, it shall open an account in the name of the borrower and the amount of the loan shall be credited to this account in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw on this account only to meet expenses in connection with the project as they are actually incurred.

SECTION 6. *Loans to the International Finance Corporation* [2]

(a) The Bank may make, participate in, or guarantee loans to the International Finance Corporation, an affiliate of the Bank, for use in its lending operations. The total amount outstanding of such loans, participations and guarantees shall not be increased if, at the time or as a result thereof, the aggregate amount of debt (including the guarantee of any debt) incurred by the said Corporation from any source and then outstanding shall exceed an amount equal to four times its unimpaired subscribed capital and surplus.

(b) The provisions of Article III, Sections 4 and 5 (c) and of Article IV, Section 3 shall not apply to loans, participations and guarantees authorized by this Section.

ARTICLE IV

Operations

SECTION 1. *Methods of Making or Facilitating Loans*

(a) The Bank may make or facilitate loans which satisfy the general conditions of Article III in any of the following ways:

> (i) By making or participating in direct loans out of its own funds corresponding to its unimpaired paid-up capital and surplus and, subject to Section 6 of this Article, to its reserves.
>
> (ii) By making or participating in direct loans out of funds raised in the market of a member, or otherwise borrowed by the Bank.
>
> (iii) By guaranteeing in whole or in part loans made by private investors through the usual investment channels.

(b) The Bank may borrow funds under (a) (ii) above or guarantee loans under (a) (iii) above only with the approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated, and only if those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

SECTION 2. *Availability and Transferability of Currencies*

(a) Currencies paid into the Bank under Article II, Section 7 (i), shall be loaned only with the approval in each case of the member whose currency is involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank.

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[2] Section added by amendment effective December 17, 1965.

(b) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made with currencies referred to in (a) above shall be exchanged for the currencies of other members or reloaned only with the approval in each case of the members whose currencies are involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank.

(c) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made by the Bank under Section 1 (a) (ii) of this Article, shall be held and used, without restriction by the members, to make amortization payments, or to anticipate payment of or repurchase part or all of the Bank's own obligations.

(d) All other currencies available to the Bank, including those raised in the market or otherwise borrowed under Section 1 (a) (ii) of this Article, those obtained by the sale of gold, those received as payments of interest and other charges for direct loans made under Sections 1 (a) (i) and (ii), and those received as payments of commissions and other charges under Section 1 (a) (iii), shall be used or exchanged for other currencies or gold required in the operations of the Bank without restriction by the members whose currencies are offered.

(e) Currencies raised in the markets of members by borrowers on loans guaranteed by the Bank under Section1 (a) (iii) of this Article, shall also be used or exchanged for other currencies without restriction by such members.

SECTION 3. *Provision of Currencies for Direct Loans*

The following provisions shall apply to direct loans under Sections 1 (a) (i) and (ii) of this Article:

(a) The Bank shall furnish the borrower with such currencies of members, other than the member in whose territories the project is located, as are needed by the borrower for expenditures to be made in the territories of such other members to carry out the purposes of the loan.

(b) The Bank may, in exceptional circumstances when local currency required for the purposes of the loan cannot be raised by the borrower on reasonable terms, provide the borrower as part of the loan with an appropriate amount of that currency.

(c) The Bank, if the project gives rise indirectly to an increased need for foreign exchange by the member in whose territories the project is located, may in exceptional circumstances provide the borrower as part of the loan with an appropriate amount of gold or foreign exchange not in excess of the borrower's local expenditure in connection with the purposes of the loan.

(d) The Bank may, in exceptional circumstances, at the request of a member in whose territories a portion of the loan is spent, repurchase with gold or foreign exchange a part of that member's currency thus spent but in no case shall the part so repurchased exceed the amount by which the expenditure of the loan in those territories gives rise to an increased need for foreign exchange.

SECTION 4. *Payment Provisions for Direct Loans*

Loan contracts under Section 1 (a) (i) or (ii) of this Article shall be made in accordance with the following payment provisions:

(a) The terms and conditions of interest and amortization payments, maturity and dates of payment of each loan shall be determined by the Bank. The Bank shall also determine the rate and any other terms and conditions of commission to be charged in connection with such loan.
In the case of loans made under Section 1 (a) (ii) of this Article during the first ten years of the Bank's operations, this rate of commission shall be not less than one percent per annum and not greater than one and one-half percent per annum, and shall be charged on the outstanding portion of any such loan. At the end of this period of ten years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already made and to future loans, if the reserves accumulated by the Bank under

Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable.

(b) All loan contracts shall stipulate the currency or currencies in which payments under the contract shall be made to the Bank. At the option of the borrowers however, such payments may be made in gold, or subject to the agreement of the Bank, in the currency of a member other than that prescribed in the contract.

(i) In the case of loans made under Section 1 (a) (i) of this Article, the loan contracts shall provide that payments to the Bank of interest, other charges and amortization shall be made in the currency loaned, unless the member whose currency is loaned agrees that such payments shall be made in some other specified currency or currencies. These payments, subject to the provisions of Article II, Section 9 (c), shall be equivalent to the value of such contractual payments at the time the loans were made, in terms of a currency specified for the purpose by the Bank by a three-fourths majority of the total voting power.

(ii) In the case of loans made under Section 1 (a) (ii) of this Article, the total amount outstanding and payable to the Bank in any one currency shall at no time exceed the total amount of the outstanding borrowings made by the Bank under Section 1 (a) (ii) and payable in the same currency.

(c) If a member suffers from an acute exchange stringency, so that the service of any loan contracted by that member or guaranteed by it or by one of its agencies cannot be provided in the stipulated manner, the member concerned may apply to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the particular member and of the operations of the Bank and of its members as a whole, it may take action under either, or both, of the following paragraphs with respect to the whole, or part, of the annual service:

(i) The Bank may, in its discretion, make arrangements with the member concerned to accept service payments on the loan in the member's currency for periods not to exceed three years upon appropriate terms regarding the use of such currency and the maintenance of its foreign exchange value; and for the repurchase of such currency on appropriate terms.

(ii) The Bank may modify the terms of amortization or extend the life of the loan, or both.

SECTION 5. *Guarantees*

(a) In guaranteeing a loan placed through the usual investment channels, the Bank shall charge a guarantee commission payable periodically on the amount of the loan outstanding at a rate determined by the Bank. During the first ten years of the Bank's operations, this rate shall be not less than one percent per annum and not greater than one and one-half percent per annum. At the end of this period of ten years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already guaranteed and to future loans if the reserves accumulated by the Bank under Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable.

(b) Guarantee commissions shall be paid directly to the Bank by the borrower.

(c) Guarantees by the Bank shall provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and by the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.

(d) The Bank shall have power to determine any other terms and conditions of the guarantee.

SECTION 6. *Special Reserve*

The amount of commissions received by the Bank under Sections 4 and 5 of this Article shall be set aside as a special reserve, which shall be kept available for meeting liabilities of the Bank in accordance with Section 7 of this Article. The special reserve shall be held in such liquid form, permitted under this Agreement, as the Executive Directors may decide.

SECTION 7. *Methods of Meeting Liabilities of the Bank in Case of Defaults*

In cases of default on loans made, participated in, or guaranteed by the Bank:

(a) The Bank shall make such arrangements as may be feasible to adjust the obligations under the loans, including arrangements under or analogous to those provided in Section 4 (c) of this Article.

(b) The payments in discharge of the Bank's liabilities on borrowings or guarantees under Section 1 (a) (ii) and (iii) of this Article shall be charged:

> (i) first, against the special reserve provided in Section 6 of this Article;
>
> (ii) then, to the extent necessary and at the discretion of the Bank, against the other reserves, surplus and capital available to the Bank.

(c) Whenever necessary to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to similar payments on loans guaranteed by it, the Bank may call an appropriate amount of the unpaid subscriptions of members in accordance with Article II, Sections 5 and 7. Moreover, if it believes that a default may be of long duration, the Bank may call an additional amount of such unpaid subscriptions not to exceed in any one year one percent of the total subscriptions of the members for the following purposes:

> (i) To redeem prior to maturity, or otherwise discharge its liability on, all or part of the outstanding principal of any loan guaranteed by it in respect of which the debtor is in default.
>
> (ii) To repurchase, or otherwise discharge its liability on, all or part of its own outstanding borrowings.

SECTION 8. *Miscellaneous Operations*

In addition to the operations specified elsewhere in this Agreement, the Bank shall have the power:

(i) To buy and sell securities it has issued and to buy and sell securities which it has guaranteed or in which it has invested, provided that the Bank shall obtain the approval of the member in whose territories the securities are to be bought or sold.

(ii) To guarantee securities in which it has invested for the purpose of facilitating their sale.

(iii) To borrow the currency of any member with the approval of that member.

(iv) To buy and sell such other securities as the Directors by a three-fourths majority of the total voting power may deem proper for the investment of all or part of the special reserve under Section 6 of this Article.

In exercising the powers conferred by this Section, the Bank may deal with any person, partnership, association, corporation or other legal entity in the territories of any member.

SECTION 9. *Warning to be Placed on Securities*

Every security guaranteed or issued by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government unless expressly stated on the security.

SECTION 10. *Political Activity Prohibited*

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.

ARTICLE V

Organization and Management

SECTION 1. *Structure of the Bank*

The Bank shall have a Board of Governors, Executive Directors, a President and such other officers and staff to perform such duties as the Bank may determine.

SECTION 2. *Board of Governors*

(a) All the powers of the Bank shall be vested in the Board of Governors consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as chairman.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(i) Admit new members and determine the conditions of their admission;

(ii) Increase or decrease the capital stock;

(iii) Suspend a member;

(iv) Decide appeals from interpretations of this Agreement given by the Executive Directors;

(v) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary and administrative character);

(vi) Decide to suspend permanently the operations of the Bank and to distribute its assets;

(vii) Determine the distribution of the net income of the Bank.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the Governors, exercising not less than two-thirds of the total voting power.

(e) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Bank, may obtain a vote of the Governors on a specific question without calling a meeting of the Board.

(f) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Bank.

(g) Governors and alternates shall serve as such without compensation from the Bank, but the Bank shall pay them reasonable expenses incurred in attending meetings.

(h) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the President.

SECTION 3. *Voting* [3]

(a) The voting power of each member shall be equal to the sum of its basic votes and share votes.

[3] Section 3(a) has been modified by amendment effective June 27, 2012. Prior to the amendment each member had 250 basic votes.

(i) The basic votes of each member shall be the number of votes that results from the equal distribution among all members of 5.55 percent of the aggregate sum of the voting power of all the members, provided that there shall be no fractional basic votes.

(ii) The share votes of each member shall be the number of votes that results from the allocation of one vote for each share of stock held.

(b) Except as otherwise specifically provided, all matters before the Bank shall be decided by a majority of the votes cast.

SECTION 4. *Executive Directors*

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be twelve Executive Directors, who need not be governors, and of whom:

(i) five shall be appointed, one by each of the five members having the largest number of shares;

(ii) seven shall be elected according to Schedule B by all the Governors other than those appointed by the five members referred to in (i) above.

For the purpose of this paragraph, "members" means governments of countries whose names are set forth in Schedule A, whether they are original members or become members in accordance with Article II, Section 1 (b). When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the total number of directors by increasing the number of directors to be elected.

Executive Directors shall be appointed or elected every two years.

(c) Each executive director shall appoint an alternate with full power to act for him when he is not present. When the executive directors appointing them are present, alternates may participate in meetings but shall not vote.

(d) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the governors who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(e) The Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.

(f) A quorum for any meeting of the Executive Directors shall be a majority of the Directors, exercising not less than one-half of the total voting power.

(g) Each appointed director shall be entitled to cast the number of votes allotted under Section 3 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted toward his election. All the votes which a director is entitled to cast shall be cast as a unit.

(h) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(i) The Executive Directors may appoint such committees as they deem advisable. Membership of such committees need not be limited to governors or directors or their alternates.

SECTION 5. *President and Staff*

(a) The Executive Directors shall select a President who shall not be a governor or an executive director or an alternate for either. The President shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The President shall cease to hold office when the Executive Directors so decide.

(b) The President shall be chief of the operating staff of the Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general control of the Executive Directors, he shall be responsible for the organization, appointment and dismissal of the officers and staff.

(c) The President, officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

(d) In appointing the officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

SECTION 6. *Advisory Council*

(a) There shall be an Advisory Council of not less than seven persons selected by the Board of Governors including representatives of banking, commercial, industrial, labor, and agricultural interests, and with as wide a national representation as possible. In those fields where specialized international organizations exist, the members of the Council representative of those fields shall be selected in agreement with such organizations. The Council shall advise the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Bank may request.

(b) Councillors shall serve for two years and may be reappointed. They shall be paid their reasonable expenses incurred on behalf of the Bank.

SECTION 7. *Loan Committees*

The committees required to report on loans under Article III, Section 4, shall be appointed by the Bank. Each such committee shall include an expert selected by the governor representing the member in whose territories the project is located and one or more members of the technical staff of the Bank.

SECTION 8. *Relationship to Other International Organizations*

(a) The Bank, within the terms of this Agreement, shall cooperate with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article VIII.

(b) In making decisions on applications for loans or guarantees relating to matters directly within the competence of any international organization of the types specified in the preceding paragraph and participated in primarily by members of the Bank, the Bank shall give consideration to the views and recommendations of such organization.

SECTION 9. *Location of Offices*

(a) The principal office of the Bank shall be located in the territory of the member holding the greatest number of shares.

(b) The Bank may establish agencies or branch offices in the territories of any member of the Bank.

SECTION 10. *Regional Offices and Councils*

(a) The Bank may establish regional offices and determine the location of, and the areas to be covered by, each regional office.

(b) Each regional office shall be advised by a regional council representative of the entire area and selected in such manner as the Bank may decide.

SECTION 11. *Depositories*

(a) Each member shall designate its central bank as a depository for all the Bank's holdings of its currency or, if it has no central bank, it shall designate such other institution as may be acceptable to the Bank.

(b) The Bank may hold other assets, including gold, in depositories designated by the five members having the largest number of shares and in such other designated depositories as the Bank may select. Initially, at least one-half of the gold holdings of the Bank shall be held in the depository designated by the member in whose territory the Bank has its principal office, and at least forty percent shall be held in the depositories designated by the remaining four members referred to above, each of such depositories to hold, initially, not less than the amount of gold paid on the shares of the member designating it. However, all transfers of gold by the Bank shall be made with due regard to the costs of transport and anticipated requirements of the Bank. In an emergency the Executive Directors may transfer all or any part of the Bank's gold holdings to any place where they can be adequately protected.

SECTION 12. *Form of Holdings of Currency*

The Bank shall accept from any member, in place of any part of the member's currency, paid in to the Bank under Article II, Section 7 (i), or to meet amortization payments on loans made with such currency, and not needed by the Bank in its operations, notes or similar obligations issued by the Government of the member or the depository designated by such member, which shall be non-negotiable, non-interest-bearing and payable at their par value on demand by credit to the account of the Bank in the designated depository.

SECTION 13. *Publication of Reports and Provision of Information*

(a).The Bank shall publish an annual report containing an audited statement of its accounts and shall circulate to members at intervals of three months or less a summary statement of its financial position and a profit and loss statement showing the results of its operations.

(b) The Bank may publish such other reports as it deems desirable to carry out its purposes.

(c) Copies of all reports, statements and publications made under this section shall be distributed to members.

SECTION 14. *Allocation of Net Income*

(a) The Board of Governors shall determine annually what part of the Bank's net income, after making provision for reserves, shall be allocated to surplus and what part, if any, shall be distributed.

(b) If any part is distributed, up to two percent non-cumulative shall be paid, as a first charge against the distribution for any year, to each member on the basis of the average amount of the loans outstanding during the year made under Article IV, Section 1 (a) (i), out of currency corresponding to its subscription. If two percent is paid as a first charge, any balance remaining to be distributed shall be paid to all members in proportion to their shares. Payments to each member shall be made in its own currency, or if that currency is not available in other currency acceptable to the member. If such payments are made in currencies other than the member's own currency, the transfer of the currency and its use by the receiving member after payment shall be without restriction by the members.

ARTICLE VI

Withdrawal and Suspension of Membership: Suspension of Operations

SECTION 1. *Right of Members to Withdraw*

Any member may withdraw from the Bank at any time by transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective on the date such notice is received.

SECTION 2. *Suspension of Membership*

If a member fails to fulfill any of its obligations to the Bank, the Bank may suspend its membership by decision of a majority of the Governors, exercising a majority of the total voting power. The member so suspended shall automatically cease to be a member one year from the date of its suspension unless a decision is taken by the same majority to restore the member to good standing.

While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all obligations.

SECTION 3. *Cessation of Membership in International Monetary Fund*

Any member which ceases to be a member of the International Monetary Fund shall automatically cease after three months to be a member of the Bank unless the Bank by three-fourths of the total voting power has agreed to allow it to remain a member.

SECTION 4. *Settlement of Accounts with Governments Ceasing to be Members*

(a) When a government ceases to be a member, it shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding; but it shall cease to incur liabilities with respect to loans and guarantees entered into thereafter by the Bank and to share either in the income or the expenses of the Bank.

(b) At the time a government ceases to be a member, the Bank shall arrange for the repurchase of its shares as a part of the settlement of accounts with such government in accordance with the provisions of (c) and (d) below. For this purpose the repurchase price of the shares shall be the value shown by the books of the Bank on the day the government ceases to be a member.

(c) The payment for shares repurchased by the Bank under this section shall be governed by the following conditions:

> (i) Any amount due to the government for its shares shall be withheld so long as the government, its central bank or any of its agencies remains liable, as borrower or guarantor, to the Bank and such amount may**,** at the option of the Bank, be applied on any such liability as it matures. No amount shall be withheld on account of the liability of the government resulting from its subscription for shares under Article II, Section 5 (ii). In any event, no amount due to a member for its shares shall be paid until six months after the date upon which the government ceases to be a member.
>
> (ii) Payments for shares may be made from time to time, upon their surrender by the government, to the extent by which the amount due as the repurchase price in (b) above exceeds the aggregate of liabilities on loans and guarantees in (c) (i) above until the former member has received the full repurchase price.
>
> (iii) Payments shall be made in the currency of the country receiving payment or at the option of the Bank in gold.
>
> (iv) If losses are sustained by the Bank on any guarantees, participations in loans, or loans which were outstanding on the date when the government ceased to be a member, and the amount of such losses exceeds the amount of the reserve provided against losses on the date when the government ceased to be a member, such government shall be obligated to repay upon demand the amount by which the repurchase price of its shares would have been reduced, if the losses had been taken into account when the repurchase price was determined. In addition, the former member government shall remain liable on any call for unpaid subscriptions under Article II Section 5 (ii), to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

(d) If the Bank suspends permanently its operations under Section 5 (b) of this Article, within six months of the date upon which any government ceases to be a member, all rights of such government shall be determined by the provisions of Section 5 of this Article.

SECTION 5. *Suspension of Operations and Settlement of Obligations*

(a) In an emergency the Executive Directors may suspend temporarily operations in respect of new loans and guarantees pending an opportunity for further consideration and action by the Board of Governors.

(b) The Bank may suspend permanently its operations in respect of new loans and guarantees by a vote of a majority of the Governors, exercising a majority of the total voting power. After such suspension of operations the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation, and preservation of its assets and settlement of its obligations.

(c) The liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their own currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.

(d) All creditors holding direct claims shall be paid out of the assets of the Bank, and then out of payments to the Bank on calls on unpaid subscriptions. Before making any payments to creditors holding direct claims, the Executive Directors shall make such arrangements as are necessary, in their judgment, to insure a distribution to holders of contingent claims ratably with creditors holding direct claims.

(e) No distribution shall be made to members on account of their subscriptions to the capital stock of the Bank until

> (i) all liabilities to creditors have been discharged or provided for, and
>
> (ii) a majority of the Governors, exercising a majority of the total voting power, have decided to make a distribution.

(f) After a decision to make a distribution has been taken under (e) above, the Executive Directors may by a two-thirds majority vote make successive distributions of the assets of the Bank to members until all of the assets have been distributed. This distribution shall be subject to the prior settlement of all outstanding claims of the Bank against each member.

(g) Before any distribution of assets is made, the Executive Directors shall fix the proportionate share of each member according to the ratio of its shareholding to the total outstanding shares of the Bank.

(h) The Executive Directors shall value the assets to be distributed as at the date of distribution and then proceed to distribute in the following manner:

> (i) There shall be paid to each member in its own obligations or those of its official agencies or legal entities within its territories, insofar as they are available for distribution, an amount equivalent in value to its proportionate share of the total amount to be distributed.
>
> (ii) Any balance due to a member after payment has been made under (i) above shall be paid, in its own currency, insofar as it is held by the Bank, up to an amount equivalent in value to such balance.
>
> (iii) Any balance due to a member after payment has been made under (i) and (ii) above shall be paid in gold or currency acceptable to the member, insofar as they are held by the Bank, up to an amount equivalent in value to such balance.
>
> (iv) Any remaining assets held by the Bank after payments have been made to members under (i), (ii), and (iii) above shall be distributed *pro rata* among the members.

(i) Any member receiving assets distributed by the Bank in accordance with (h) above, shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

ARTICLE VII

Status, Immunities and Privileges

SECTION 1. *Purposes of the Article*

To enable the Bank to fulfill the functions with which it is entrusted, the status, immunities and privileges set forth in this Article shall be accorded to the Bank in the territories of each member.

SECTION 2. *Status of the Bank*

The Bank shall possess full juridical personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

SECTION 3. *Position of the Bank with Regard to Judicial Process*

Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

SECTION 4. *Immunity of Assets from Seizure*

Property and assets of the Bank, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

SECTION 5. *Immunity of Archives*

The archives of the Bank shall be inviolable.

SECTION 6. *Freedom of Assets from Restrictions*

To the extent necessary to carry out the operations provided for in this Agreement and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

SECTION 7. *Privilege for Communications*

The official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members.

SECTION 8. *Immunities and Privileges of Officers and Employees*

All governors, executive directors, alternates, officers and employees of the Bank

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Bank waives this immunity;

(ii) not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members;

(iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

SECTION 9. *Immunities from Taxation*

(a) The Bank, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to executive directors, alternates, officials or employees of the Bank who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held:

(i) which discriminates against such obligation or security solely because it is issued by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

(d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Bank (including any dividend or interest thereon) by whomsoever held:

(i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

SECTION 10. *Application of Article*

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Bank of the detailed action which it has taken.

ARTICLE VIII

Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board the Bank shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having eighty-five percent[4] of the total voting power, have accepted the proposed amendments, the Bank shall certify the fact by formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

(i) the right to withdraw from the Bank provided in Article VI, Section 1;

[4] "Eighty-five percent" was substituted to "four-fifths" by amendment effective February 16, 1989.

(ii) the right secured by Article II, Section 3 (c);

(iii) the limitation on liability provided in Article II, Section 6.

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

ARTICLE IX

Interpretation

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director, it shall be entitled to representation in accordance with Article V, Section 4 (h).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board, the Bank may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member during the permanent suspension of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Bank, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed by regulation adopted by the Bank. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

ARTICLE X

Approval Deemed Given

Whenever the approval of any member is required before any act may be done by the Bank, except in Article VIII, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

ARTICLE XI

Final Provisions

SECTION 1. *Entry into Force*

This Agreement shall enter into force when it has been signed on behalf of governments whose minimum subscriptions comprise not less than sixty-five percent of the total subscriptions set forth in Schedule A and when the instruments referred to in Section 2 (a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

SECTION 2. *Signature*

(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Bank as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and all governments whose membership is approved in accordance with Article II, Section 1 (b), of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of one percent of the price of each share in gold or United States dollars for the purpose of meeting administrative expenses of the Bank. This payment shall be credited on account of the payment to be made in accordance with Article II Section 8 (a). The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Bank when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

(e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 1 (b).

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until one hundred and eighty days after the date on which these territories have been liberated. If, however, it is not deposited by any such government before the expiration of this period, the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

SECTION 3. *Inauguration of the Bank*

(a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member to whom the largest number of shares is allocated in Schedule A shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five countries, to which the largest number of shares are allocated in Schedule A, shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships which they would be entitled to fill shall remain vacant until they become members, or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule B and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors.

(d) The Bank shall notify members when it is ready to commence operations.

DONE at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 1 (b).

SCHEDULE A

Subscriptions

(millions of dollars)

Australia	200.0	Iran	24.0
Belgium	225.0	Iraq	6.0
Bolivia	7.0	Liberia	0.5
Brazil	105.0	Luxembourg	10.0
Canada	325.0	Mexico	65.0
Chile	35.0	Netherlands	275.0
China	600.0	New Zealand	50.0
Colombia	35.0	Nicaragua	0.8
Costa Rica	2.0	Norway	50.0
Cuba	35.0	Panama	0.2
Czechoslovakia	125.0	Paraguay	0.8
Denmark[(a)]		Peru	17.5
Dominican Republic	2.0	Philippine Commonwealth	15.0
Ecuador	3.2	Poland	125.0
Egypt	40.0	Union of South Africa	100.0
El Salvador	1.0	Union of Soviet Socialist Republics	1,200.0
Ethiopia	3.0		
France	450.0	United Kingdom	1,300.0
Greece	25.0	United States	3,175.0
Guatemala	2.0	Uruguay	10.5
Haiti	2.0	Venezuela	10.5
Honduras	1.0	Yugoslavia	40.0
Iceland	1.0		
India	400.0	**Total**	**9,100.0**

a. The quota of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with these Articles of Agreement.

SCHEDULE B

Election of Executive Directors

1. The election of the elective executive directors shall be by ballot of the Governors eligible to vote under Article V, Section 4 (b).

2. In balloting for the elective executive directors, each governor eligible to vote shall cast for one person all of the votes to which the member appointing him is entitled under Section 3 of Article V. The seven persons receiving the greatest number of votes shall be executive directors, except that no person who receives less than fourteen percent of the total of the votes which can be cast (eligible votes) shall be considered elected.

3. When seven persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above fifteen percent of the eligible votes.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above fifteen percent of the eligible votes, the fifteen percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until fifteen percent is reached.

5. Any governor, part of whose votes must be counted in order to raise the total of any person above fourteen percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed fifteen percent.

6. If, after the second ballot, seven persons have not been elected, further ballots shall be held on the same principles until seven persons have been elected, provided that after six persons are elected, the seventh may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.