Major Terms and Conditions of the IBRD Fixed Spread Loan (FSL)[i]

Lending Rate	The interest rate on FSLs consists of (a) a variable base rate of six-month LIBOR[1] in respect of each interest period for each loan; and (b) a spread, fixed for the life of the loan. The lending rate is expressed and interest accrues on a LIBOR day-count convention on daily principal volumes disbursed and outstanding[2]. Interest continues to accrue on any overdue principal, but IBRD does not charge interest on overdue interest on its loans. The lending rate is reset every six months on the interest payment dates for the loan and applies to the interest period beginning on that date. Semiannual interest payment dates fall on the 1st or 15th day of the month, as specified in the Loan Agreement.
Waivers	In conjunction with the annual review of IBRD's net income, the Board may waive (a) part of the interest charges on its loans in the coming year for all eligible borrowers, and (b) a portion of the commitment charge to be collected in the coming year for all borrowers. To be eligible for the interest rate waiver, a borrower must have serviced all of its IBRD loans and have paid all amounts under IBRD guarantees and hedging products during the preceding six-month period within 30 calendar days of their due dates.[3] The interest rate and commitment charge waivers apply to all loan products offered by IBRD for standard lending operations. At the beginning of each fiscal year, IBRD notifies each borrower of the interest rate waiver and commitment charge waiver applicable for that fiscal year.[4]
Commitment Charge	The contractual commitment charge for FSLs is 0.85% annually on undisbursed loan amounts for the first four years of the loan's life, and 0.75% thereafter. Commitment charges begin accruing 60 days after the Loan Agreement is signed.[5]
Front-end Fee	For all loan commitments IBRD charges a front-end fee of 1% of the amount of the loan, payable on loan effectiveness. At the option of the borrower, the front-end fee can be paid out of the loan proceeds. When the borrower does not finance the front-end fee, the borrower must pay the fee no later than 60 days after the effectiveness date, but before the first withdrawal from the loan. If the loan is cancelled, adjustments to the front-end fee are handled as follows:

[1] LIBOR is used in markets in which it is the recognized commercial bank reference for floating rate instruments. For currencies other than euro, Japanese yen and US dollars, different reference rates (e.g., bankers' acceptance rate) may be appropriate.

[2] The LIBOR day-count conventions are: actual/360 days for U.S. dollars, Japanese yen, and euro; and actual/365 days for pounds sterling.

[3] Except for any overdue payments that the World Bank determines to be minor in nature or beyond the borrower's control.

[4] Commitment charges, lending rate waivers, and commitment charge waivers are expressed and accrued on an actual/365-366 day-count convention. The World Bank Treasury website sets out these waivers (*www.treasury.worldbank.org*).

[5] Although commitment charges begin to accrue 60 days after signing, the Bank does not charge commitment charges for loans which fail to become effective.

	a) If the loan is cancelled in full before effectiveness, no front-end fee is charged. b) If part of the loan is cancelled before effectiveness, the amount of front-end fee payable is reduced on a pro rata basis and the adjusted front-end fee is payable to the Bank upon effectiveness. c) If the loan is partially or fully cancelled on or after effectiveness, no adjustment to the front-end fee is made. This applies equally to loans disbursed in tranches: if a tranche is cancelled after effectiveness, no portion of the front-end fee is refunded to the borrower.
Loan Currencies	FSLs are committed and repayable in the currency or currencies of the loan selected by the borrower. IBRD offers FSLs in EUR, JPY and USD and other currencies that it can efficiently intermediate.
Embedded Conversion Options	During loan negotiations, borrowers may choose to include the FSL embedded options within the loan agreement, for managing interest or currency risk. If these options are selected, borrowers may request at any time during the life of the loan to use these options to convert the terms of the loan. [1] **<u>Currency Conversions:</u>** At any time during the life of a loan a borrower may request IBRD to convert all or part of the undisbursed or disbursed balance of an FSL to another currency approved by IBRD. A borrower may also request the IBRD to convert FSL disbursed and outstanding loan amounts into the borrower's local currency, subject to the availability of a liquid currency swap market in the local currency. **<u>Interest Rate Conversions</u>** At any time during the life of a loan a borrower may request IBRD to convert the lending rate on all or part of the disbursed balance of an FSL from a variable to a fixed rate, and vice versa. A borrower may exercise this option for all or part of the remaining maturity of the loan. Borrowers may also request IBRD to implement interest rate conversions automatically (automatic rate fixings) by period or by amount. **<u>Caps and Collars:</u>** At any time during the life of the loan a borrower may purchase from IBRD an interest rate cap or collar for all or part of the disbursed amount and for all or part of the remaining maturity of the loan. **<u>Conversion Fees:</u>** Pricing of currency conversions, interest rate conversions, interest rate caps, and interest rate collars is at market terms – usually based on execution terms achieved by IBRD in an offsetting swap with financial intermediaries or, in some cases, on terms calculated using pre-specified,

[1] Detailed information on the FSL's conversion provisions is provided in Guidelines for Conversion of Loan Terms for Fixed-Spread Loans, available on the World Bank Treasury website.

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widely available screen quotes. In addition, IBRD applies a transaction fee

Transaction fee(s) for currency and/or interest rate conversions will apply, (except that transaction fees are not payable in connection with interest-rate fixings up to the full loan amount and up to the full maturity of the loan).
For the latest conversion fees, please visit the World Bank Treasury website at http://treasury.worldbank.org. IBRD may revise these fees from time to time, and any changes apply to conversions implemented after such a revision

<u>Maturity limits</u>
Borrower requests for currency conversions, interest rate conversions, interest rate caps, and interest rate collars are subject to the maximum maturity available from time to time in the swap markets for the currency or currencies involved.   If a borrower requests a currency conversion for a period less than the full maturity of the loan, information on the implications of a partial maturity conversion should be obtained from BCFBD.
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<tr>
<td>Loan Repayment Maturity Limits</td>
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For all FSLs, the absolute final maturity is 25 years. In addition, the average repayment maturity limits are based on the Country Income Category of the borrower, as follows:

<table>
<tr><th>Country Income Category</th><th>Average Repayment Maturity Limits (in years)</th></tr>
<tr><td>I & II</td><td>14</td></tr>
<tr><td>III</td><td>11</td></tr>
<tr><td>IV & V</td><td>10</td></tr>
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Borrowers may also trade off terms across other FSLs within the 25-year final maturity limit.[1]
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<td>Repayment Schedules</td>
<td>
Borrowers may choose between two amortization schedules for FSLs. In both types of schedules, repayment installments are calculated as a proportion/percentage of the amount disbursed and outstanding of the loan. The Borrower may either fix the repayment schedule at commitment or link it to actual disbursements, as follows:

<u>Commitment-linked Repayment Schedule:</u>
Under this schedule, the timing of principal repayments is linked to the time of loan
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[1] For example, to obtain a longer maturity on a new loan not exceeding 25 years, the terms of the new loan may be offset against a loan (with a shorter maturity) signed within the previous 12 months, such that the weighted average repayment maturity of all FSLs to the country within that 12-month period is not increased beyond the country limit. Trade-offs of repayment terms across FSLs exclude special structural adjustment loans (SSALs).

	commitment. The grace period starts running from the time of expected IBRD loan approval. The expected first interest payment date is no more than six months from the expected date of loan approval.[1] Repayment installments are due beginning in the semester following the end of the grace period. Borrowers may choose from a number of principal repayment types: (a) level repayment; (b) annuity-type repayment; or (c) customized repayment[2]. For FSLs with a commitment-linked repayment schedule, there is a limit on the average repayment maturity that varies by country category, as shown in the table above. Borrowers may select any pattern of principal repayments subject to the limits on average repayment maturity and final maturity. "Standard" country terms (which satisfy these limits) are just one of the many options available. The average repayment maturity for an FSL with a commitment-linked repayment schedule is defined as the weighted average period of time between expected loan approval and the scheduled repayments. Disbursement-linked Repayment Schedule: The loan repayment schedule is linked to actual disbursements. Cumulative disbursements during each six-month period, called the "disbursed amount," are repayable on a schedule that commences from the beginning of the interest period following disbursement. The grace period, final maturity, and repayment pattern remain the same for all disbursed amounts. Only level repayment of principal is allowed. Limits for disbursement-based repayment schedules would be specified in terms of a maximum sum of the expected average disbursement period and average repayment maturity for each disbursed amount. Loans that have longer disbursement periods receive shorter repayment schedules in order to conform to the average life of those loans with repayment maturities fixed at commitment. For FSLs with a disbursement-linked repayment schedule, there is a limit on the sum of the loan's expected average disbursement period and its average repayment maturity. The expected average disbursement period[3] for a loan, which is defined as the weighted average period of time between loan approval and expected disbursements, is based on a reasonable estimate as determined jointly by IBRD and the borrower.[4] Also, for an FSL with a disbursement-linked repayment schedule, the average repayment maturity is defined as the

[1] In the event the actual loan approval date is significantly advanced or delayed from the date expected at negotiations, the grace period provided may no longer be in accordance with these terms. In that case, the first and final principal repayment dates must be changed to comply with these terms.

[2] With level repayment, the principal is repaid in equal installments over time; with annuity-type repayment, the sum of principal and interest of each installment is the same assuming interest rates do not change over the life of the loan (the share of principal of each installment increases through time); with customized repayment, principal is paid using a schedule tailored to the borrower's needs.

[3] The expected average disbursement period is based on the estimated disbursement profile specified in the Project Appraisal Document (PAD).

[4] For example, a loan expected to disburse evenly over a 6-year period would have an expected average disbursement period of 3 years.

	weighted average period of time between the date of disbursement and the scheduled repayments for each disbursed amount.[1]
Payment Dates	Debt service payment dates will be on the 1st or 15th day of a month and semi-annually thereafter, as decided by the borrower during loan negotiations.
Prepayment	FSLs may be prepaid in full or in part. IBRD may charge a prepayment premium to cover the cost to IBRD of redeploying prepaid funds. The prepayment premium charged is based on the difference between the cost basis of the prepaid loan and the cost basis of the new loan to which the funds are redeployed. *Partial Prepayment*. Borrowers may prepay the principal amount of one or more maturities of the loan. The borrower may specify which loan maturities are to be prepaid. If the borrower does not so specify, any such prepayment is applied as follows: (a) if the Loan Agreement provides for the separate amortization of Disbursed Amounts, the prepayment is applied in the inverse order of such Disbursed Amounts, with the Disbursed Amount that had been withdrawn last being prepaid first and with the latest maturity of such disbursed amount being prepaid first; and (b) in all other cases, the prepayment is applied in the inverse order of maturity of the loan, with the latest maturity being repaid first. IBRD may charge a prepayment premium to cover the cost to IBRD of redeploying prepaid funds.[2] The calculation of the redeployment cost for all or any portion of an FSL that has not been converted is carried out as follows: (I) Prepayment of unconverted portions of FSLs (a) The amount of the prepayment premium is based on the difference between the fixed spread payable on the prepaid loan and the fixed spread in effect for FSLs in the relevant loan currency at the date of prepayment. (b) Compute the present value of the cash flows using the difference in the fixed spread computed in (a). This present value computation takes into account current market rates and the fixed spread in effect for FSLs in the initial loan currency at the date of prepayment.

[1] For example, if each disbursed amount is scheduled to be repaid with a 4-year grace period and 12-year final maturity on the basis of level repayment of principal, the average repayment maturity is 8 years.

[2] A loan to a borrower may be funded by IBRD by a combination of debt and equity. The calculation of redeployment cost covers both portions, debt and equity. If IBRD does a market transaction or applies a screen rate in order to effect a conversion, it does so only with respect to the debt-funded portion of the loan. Thus, for portions of FSLs that have been converted, any calculation of redeployment cost has to be adjusted so as to include the redeployment cost of the equity funded portion.

	(c) The present value computed in (b) is the premium the borrower is charged by the Bank (II) Prepayment of converted portions of FSLs. For any portion of an FSL that has been converted, the prepayment premium will be calculated based on the following components: (a) prepayment premium on account of the underlying floating rate FSL as outlined in (I) above; (b) an "Unwinding Amount"[1] in connection with the early termination of any conversion. The "Unwinding Amount" is the mark-to-market value of any swap effected for the relevant conversion[2] and can result in a cost or gain to the Bank. Any such cost results in an additional amount payable by the borrower to the Bank, and any such gain is subtracted from the amount to be prepaid or paid by the borrower.[3] (c) if an Unwinding Amount is payable by the borrower to the Bank, an amount computed by ascertaining the percentage rate that the Unwinding Amount bears to the debt-funded portion of the loan to be prepaid and then applying such rate to any equity-funded portion of the loan to be prepaid; (d) transaction fee, which is applied to the amount of the principal that is being prepaid (see WB Treasury website for transaction fee information: www.treasury.worldbank.org).
Amendment of Approved Terms	Borrowers must choose the repayment terms before IBRD approves the loan repayment terms cannot be changed once IBRD has approved the loan. Also, IBRD normally does not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. However, under extraordinary country or project circumstances, IBRD loan repayment terms may be amended.

[i] This product was withdrawn in 2008. The above is not necessarily a complete treatment of the terms and conditions of these loans. Borrowers should refer to their loan agreements and General Conditions with respect to their individual loans.

[1] "Unwinding Amount" is defined in the General Conditions Applicable to Loan and Guarantee Agreements for Fixed Spread Loans dated September 1, 1999, Article 2.01 (46).
[2] The Bank may have effected the relevant conversion by entering into a hedge transaction with a market counterparty or, by applying a screen rate (in the circumstances described in the Conversion Guidelines). In both cases an Unwinding Amount may be payable either by the Bank or the borrower as the Bank would have taken a position in order to effect the conversion that would have to be reversed or undone because of a loan prepayment.
[3] The Bank will effect a market transaction or use a screen rate calculation on the prepayment date or shortly thereafter, and it generally takes two business days to settle a swap.