THE WORLD BANK
Treasury

IBRD Flexible Loan Pricing Basics

Highlights

- The lending rate is comprised of a variable reference rate plus a spread.
- The applicable spread is the one prevailing at loan signing and may be different from the spread prevailing at negotiations.
- The applicable spread for disbursements of loans with a Deferred Drawdown Option (DDO) is the spread prevailing on the withdrawal date.
- IBRD loan pricing is subject to annual and periodic reviews.

Pricing Structure

IBRD pricing is based on a floating reference rate, usually six-month LIBOR[1], plus a spread that is either fixed over the life of the loan or variable from one semester to another. The applicable spread will vary according to average repayment maturity and country circumstances. In addition to the spread over LIBOR, the Bank charges a front-end fee and a commitment fee. See overleaf for sample pricing. Please note that pricing may be different based on the date of invitation to negotiate and the date of Board approval of the loan. For the latest IBRD lending rates, loan charges, and pricing in currencies other than US dollar, please visit the World Bank Treasury website:
http://treasury.worldbank.org/en/about/unit/treasury/ibrd-financial-products/lending-rates-and-fees

Fixed Spread

The fixed spread over LIBOR includes a contractual spread, a maturity premium (where applicable), a charge to cover the Bank's projected funding cost relative to LIBOR, a market risk premium, and a basis swap adjustment for some currencies other than US dollars.

As the fixed spread does not vary once the loan agreement is signed, the Bank must project its funding cost over the life of the loan, thus absorbing the full risk of future variations in financing costs. The risk premium covers for the possibility of higher refinancing costs in the future. The maturity premium accounts for the Bank's cost of the incremental capital needed to fund longer maturities and varies based on country circumstances. Countries are classified into four pricing groups based on income and other factors. Longer maturities may carry higher projected funding costs, market risk and maturity premium. The applicable fixed spread is the one prevailing at the time that the loan is signed and may be different from the fixed spread prevailing at the time of negotiations.

Variable Spread

The variable spread includes a contractual spread, a maturity premium (where applicable), and a charge to cover the Bank's average funding cost relative to LIBOR, wherein the benefits and risks of changes in IBRD's cost of borrowing are borne by the borrower. The variable spread is recalculated every January 1, April 1, July 1 and October 1 based on the cost of the underlying funding for these loans.

Single Borrower Limit (SBL) Surcharge:

Effective July 1, 2018, there is a surcharge of 50 basis points per annum on loan balances in excess of $16.5 billion for Brazil, in excess of $ 17 billion for China and Mexico, and in excess of $18.5 billion for India and Indonesia.

The IFL with a Deferred Drawdown Option

Development Policy Loans (DPLs) with a Deferred Drawdown Option (DPL DDOs) and DPLs with Catastrophe Deferred Drawdown Options (Cat DDO) allow the borrower to defer the disbursement of funds until the financing is needed. These loans carry the same lending rates as regular IBRD loans. Loan charges vary according to the type of DDO.

DDO disbursements are priced at the prevailing spread over LIBOR for IBRD loans at the time of withdrawal based on applicable average repayment maturity (ARM). The calculation of ARM begins at loan effectiveness for the determination of the maturity

[1] London Interbank Offered Rate (LIBOR) is a floating interest rate. It is the rate at which banks can borrow unsecured funds from other banks in the London wholesale money market. IBRD loans denominated in euro will have the Euro Interbank Offered Rate, Euribor, as the base lending rate.

premium (if applicable), but at withdrawal for the remaining components of the spread.

Pricing Review Process

The World Bank conducts an annual review of loan charges—the contractual lending spread, maturity premium, front-end fee, and commitment fee—to ensure that pricing is regularly updated and aligned with the prevailing needs of the institution and its shareholders as a whole. The Bank also regularly reviews the technical components of the fixed spread—the projected funding cost and the risk premium—to ensure that they reflect underlying market conditions.

USD Lending Rates and Charges for the IBRD Flexible Loan

IBRD Flexible loan variable spread is the sum of the contractual spread, the maturity premium (based on the country grouping; group C is the standard maturity premium and then adjustments or surcharges apply for groups A, B, and D), and the actual funding cost.

Variable Spread **As of October 1, 2018**						
Reference Rate	**6-Month LIBOR**					
Average Repayment Maturity	**Up to 8 Years**	**Greater than 8 to 10 Years**	**Greater than 10 to 12 Years**	**Greater than 12 to 15 Years**	**Greater than 15 to 18 Years**	**Greater than 18 to 20 Years**
Contractual Spread	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Standard Maturity Premium (Group C)	0	0.10%	0.30%	0.50%	0.70%	0.90%
Actual Funding Cost	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%
Adjustment to Standard Maturity Premium						
Group A (Exemption)	0	0	-0.10%	-0.20%	-0.30%	-0.40%
Group B (Discount)	0	0	-0.05%	-0.10%	-0.15%	-0.20%
Group D (Surcharge)	0.05%	0.05%	0.10%	0.15%	0.20%	0.25%
Total Spread						
Group A	**0.49%**	**0.59%**	**0.69%**	**0.79%**	**0.89%**	**0.99%**
Group B	**0.49%**	**0.59%**	**0.74%**	**0.89%**	**1.04%**	**1.19%**
Group C	**0.49%**	**0.59%**	**0.79%**	**0.99%**	**1.19%**	**1.39%**
Group D	**0.54%**	**0.64%**	**0.89%**	**1.14%**	**1.39%**	**1.64%**

IBRD Flexible loan fixed spread is the sum of the contractual spread, the maturity premium (based on the country grouping; group C is the standard maturity premium and then adjustments or surcharges apply for groups A, B, and D), market risk premium, and the projected funding cost.

Fixed Spread As of July 1, 2018						
Reference Rate	**6-Month LIBOR**					
Average Repayment Maturity	**Up to 8 Years**	**Greater than 8 to 10 Years**	**Greater than 10 to 12 Years**	**Greater than 12 to 15 Years**	**Greater than 15 to 18 Years**	**Greater than 18 to 20 Years**
Contractual Spread	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Standard Maturity Premium (Group C)	0	0.10%	0.30%	0.50%	0.70%	0.90%
Market Risk Premium	0.10%	0.10%	0.10%	0.10%	0.15%	0.15%
Projected Funding Cost	**+ 0.10%**	**+ 0.20%**	**+ 0.20%**	**+ 0.30%**	**+ 0.35%**	**+ 0.35%**
Adjustment to Standard Maturity Premium						
Group A (Exemption)	0	0	-0.10%	-0.20%	-0.30%	-0.40%
Group B (Discount)	0	0	-0.05%	-0.10%	-0.15%	-0.20%
Group D (Surcharge)	0.05%	0.05%	0.10%	0.15%	0.20%	0.25%
Total Spread						
Group A	**0.70%**	**0.90%**	**1.00%**	**1.20%**	**1.40%**	**1.50%**
Group B	**0.70%**	**0.90%**	**1.05%**	**1.30%**	**1.55%**	**1.70%**
Group C	**0.70%**	**0.90%**	**1.10%**	**1.40%**	**1.70%**	**1.90%**
Group D	**0.75%**	**0.95%**	**1.20%**	**1.55%**	**1.90%**	**2.15%**

Loan Charges	
Front-End Fee	0.25%
Commitment Fee	0.25%
DPL DDO Fees	0.25% Front-End Fee; 0.50% Stand-by Fee
Cat DDO Fees	0.50% Front-End Fee; 0.25% Renewal Fee

Note: A basis swap adjustment of -0.15% is applicable to EUR fixed spread, -0.35% is applicable to the JPY fixed spread, and -0.05% is applicable to GBP fixed spread.

Please see the IBRD Flexible Loan product note for major terms and conditions related to the loan. These handouts serve as marketing material and do not provide the complete terms and conditions of IBRD loans. Borrowers should refer to their loan agreements and General Conditions with respect to individual loans.

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