
The key factors underpinning the affirmation are:

1. High capital adequacy, underpinned by a robust risk management framework that contributes to very strong asset performance
2. Ample liquidity buffers and exceptional access to global funding markets
3. Large cushion of callable capital and very high willingness and ability of global shareholders to provide support

Concurrently, IBRD's (P)Aaa senior unsecured MTN program rating and P-1 other short-term rating have been affirmed.

The stable outlook reflects Moody's expectations of no material changes to IBRD's intrinsic financial strengths or shareholders' support in the coming years, given its strong governance and global public policy role.

RATINGS RATIONALE

RATIONALE FOR AFFIRMATION OF Aaa RATING

FIRST DRIVER: HIGH CAPITAL ADEQUACY, UNDERPINNED BY ROBUST RISK MANAGEMENT AND VERY STRONG ASSET PERFORMANCE

IBRD's intrinsic financial strength is supported by high capital adequacy, which reflects its high development asset credit quality (DACQ) and very strong asset performance.

IBRD's DACQ of "aa" is supported by its robust risk management framework and preferred creditor status that contribute to strong asset performance. While the bank's Weighted Average Borrower Rating of "ba2" reflects its focus of lending largely to developing middle-income sovereigns, the bank uses various safeguards, including statutory lending limits, to ensure strong capital adequacy and limit concentration risk. In addition, the wide breadth of lending across countries and sectors provides very high diversification that reduces the risk that a significant proportion of the bank's assets become non-performing. This has led to a very strong record of asset performance with, on average, only 0.2% of total outstanding development assets qualifying as non-performing over the past three fiscal years.

These strengths more than offset the credit impact of a rise in leverage, which Moody's measures as the ratio of development-related assets to useable equity (total shareholder equity, excluding callable capital), on the bank's capital adequacy. As of the fiscal year ending in June 2019 (fiscal 2019), IBRD's leverage ratio stood at 4.7, up marginally from 4.5 in fiscal 2018, but significantly higher than the median of 2.5 for Aaa-rated Multilateral Development Bank (MDB) peers.

The rise in IBRD's leverage has been driven by the bank's pursuit of its Board mandated development policy objectives since the global financial crisis. Meanwhile, in 2014, in response to the significant long-term improvement in IBRD's loan portfolio credit quality, the World Bank Executive Directors implemented a lowering of the bank's internal minimum equity-to-loans ratio from 23% to 20%. Looking ahead, Moody's does not expect the leverage ratio to increase significantly beyond current levels, supported by lower expected income transfers to the International Development Association (IDA, Aaa stable), increased future inflows of shareholder paid-in capital from the bank's 2018 general capital increase, and a relatively stable outlook for loan disbursements.

SECOND DRIVER: AMPLE LIQUIDITY AND EXCEPTIONAL ACCESS TO GLOBAL FUNDING MARKETS
IBRD's intrinsic financial strength is further supported by its ample liquidity and exceptional access to international funding markets.

IBRD's liquidity position is underpinned by its conservative asset and liability management policies. The bank's official liquidity policy requires liquid assets to target a level of 12 months of projected debt service and net loan disbursement needs, which helps to limit its exposure to potential market disruptions that might affect funding. In fiscal 2019, the bank's ratio of about 111% of estimated net cash outflows over the next 18 months, more than fully covered potential outflows.

Meanwhile, IBRD's liquid asset investment portfolio consists mostly of short-term, highly rated sovereign government bonds, debt instruments issued by sovereign government agencies, and bank time deposits. As of 30 June 2019, 67% of these investments were with issuers and counterparties rated Aaa and Aa, and approximately 78% was due to mature within six months. In addition, the bank uses derivatives to manage its exposure to interest and currency risks, and repricing between loans and borrowing.

IBRD's access to international funding markets is exceptional. It has a sizable annual borrowing program, regularly issues benchmark bonds and has a deep and diverse investor base. In fiscal 2019, the bank raised a total of $54 billion in medium- and long-term debt. Since 1947, it has issued bonds in more than 60 different currencies and has been an innovator in new financing markets, such as green bonds and using blockchain technology. The bank's investor base is diversified by both investor type and geography, demonstrating strong global support for its development mandate from both official and institutional investors. The Basel Committee also classifies IBRD securities as high quality liquid assets with zero risk weight.

THIRD DRIVER: LARGE CUSHION OF CALLABLE CAPITAL AND VERY HIGH SHAREHOLDER SUPPORT

IBRD's large cushion of callable capital and very high willingness of shareholders to support the bank, underpin Moody's very high assessment of the bank's strength of member support.

At 114%, the bank's amount of callable capital more than fully covers its outstanding debt stock. At Baa2, IBRD's Weighted Average Shareholder Rating (WASR) is strong, but slightly lower than the MDB Aaa peer median of Baa1. Nonetheless, the bank's strong track record of consistent general capital increases, including the most recent increase in 2018, implies very strong willingness of support by its members for its role as the preeminent international Multilateral Development Bank (MDB) dedicated to global poverty reduction and development.

RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects Moody's view that despite a rise in leverage, through prudent and comprehensive risk management policies the IBRD will maintain its very strong capital adequacy and liquidity, along with very high shareholder support, thus keeping its credit profile in line with its Aaa rating.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Environmental considerations are not material for IBRD's rating. Although IBRD's borrowers are exposed to the negative impact of climate trends, the geographically diverse structure of the institution's development portfolio offsets this risk.

Social considerations are not material for IBRD's rating. Moody's does not expect social risks affecting IBRD's borrowers to impact its financial strength.

Governance considerations are material. IBRD adheres to robust and conservative risk management practices, which Moody's believes limits the risks associated with its development lending to sovereigns in emerging and frontier markets.

FACTORS THAT COULD LEAD TO A DOWNGRADE

Downward pressure on the rating could occur in the event of substantial deterioration in capital adequacy, which could result from a rapid expansion in leverage combined with a decline in asset quality resulting from sovereign credit stress among its largest borrowing countries. Despite the IBRD's intrinsic financial strength derived from its strong financials and conservative risk management, a decline in shareholder support would also be credit negative.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational

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