

WHAT ARE “AAA SUPRANATIONALS”?

Supranationals (or “multilaterals”) are international development institutions that provide financing, advisory services, and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth.

Summary of Key Features

- Triple-A rated: financial strength based on
 - diversified, sovereign shareholders
 - conservative risk management
 - quality loan portfolio (preferred creditor status)
 - substantial liquidity and consistent profitability
 - strong capitalization (many have unique paid-in / callable capital structure)
- 0% risk weighting with Basel II and III
- Issuers of US\$ global benchmarks included in major USD and global indices
- Some issue other instruments of possible interest to US government and official sector investors (e.g., US\$ callables, FRNs, etc.)



WHO ARE “AAA SUPRANATIONALS”?



UNITED STATES - SHAREHOLDING IN SUPRANATIONAL MDBs

Supranational MDB	% U.S. Shareholding	U.S. is X Largest Shareholder	Location of Headquarters	Year Established
International Bank for Reconstruction and Development (World Bank)	16%	1st	Washington, DC, USA	1944
International Finance Corporation (IFC)	19%	1st	Washington, DC, USA	1956
Inter-American Development Bank (IDB)	30%	1st	Washington, DC, USA	1959
African Development Bank (AfDB)	7%	2nd	Abidjan, Côte d'Ivoire	1964
Asian Development Bank (ADB)	16%	1 st (co-largest with Japan)	Manila, Philippines	1966
European Bank of Reconstruction and Development (EBRD)	10%	1st	London, UK	1991

**All of the above are AAA/Aaa supranations that have the US as a shareholder.*

WHAT IS THE WORLD BANK?

- International organization **owned by 189 member countries** – its owners are its clients.
- Purpose is to **end extreme poverty** and **promote shared prosperity** in a sustainable manner. These “twin goals” are aligned with the UN Sustainable Development Goals.
- The world’s largest source of development finance and expertise – 70+ years of financing development projects.
- About \$227 billion in loans outstanding to 85 countries.
- Nearly 12,000 staff in 136 offices. Headquarters in Washington, DC.
- Largest shareholders: US, Japan, China, Germany, UK and France.
- International Bank for Reconstruction and Development – **IBRD**, **“World Bank”** is rated AAA/Aaa based on its capital, reserves and prudent financial policies.



**World Bank Headquarters
Washington, DC**

THE WORLD BANK GROUP



IBRD

INTERNATIONAL BANK FOR
RECONSTRUCTION AND
DEVELOPMENT

Provides loans to
governments of middle-
income countries.



**Issuer of World Bank
(IBRD) Bonds**



IDA

INTERNATIONAL
DEVELOPMENT
ASSOCIATION

Provides loans and grants
to governments of lower-
income countries.



**Funds raised from
donors and IDA Bonds
144A/RegS**



IFC

INTERNATIONAL
FINANCE
CORPORATION

Promotes development by financing
private sector enterprises in
developing countries.



Issuer of IFC Bonds



MIGA

MULTILATERAL
INVESTMENT
GUARANTEE AGENCY

Promotes foreign direct
investment into developing
countries by offering political
risk insurance (guarantees)
to investors and lenders.



ICSID

INTERNATIONAL CENTRE
FOR THE SETTLEMENT OF
INVESTMENT DISPUTES

Provides international
facilities for conciliation and
arbitration of investment
disputes.

IBRD, IDA and IFC are all three rated AAA/Aaa. They share the same overall development goals, but are legally separate entities. Each has its own risk profile and capital structure.

The World Bank Treasury is the treasury for IBRD and IDA.

OVERLAPPING CRISIS

The World Bank is responding with impact, speed and scale to help member countries

Shocks have had both a deep direct human and economic impact as well as long-term adverse spillovers on developing countries, threatening to reverse decades of development gains.



Impacts of
climate change



Lingering COVID
pandemic



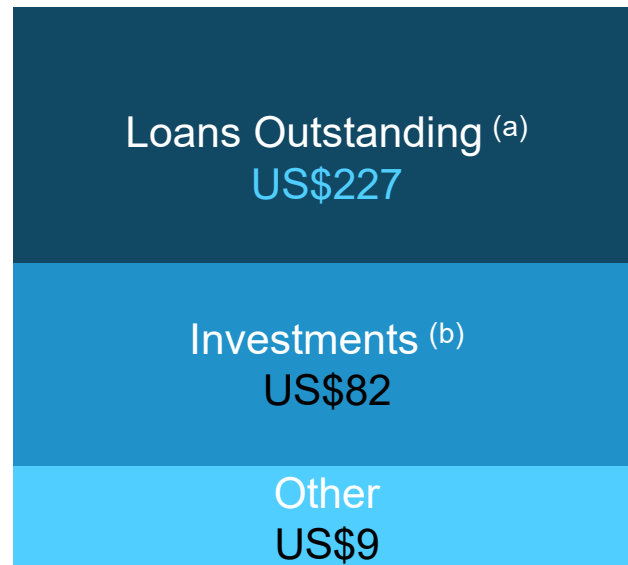
Commodity shocks &
food insecurity



Wars & persistent fragility

BALANCE SHEET STRUCTURE

Key Balance Sheet Items (As of June 30, 2022 in billions US\$)



Assets



Liabilities & Equity

(a) Net of accumulated loan loss provision and deferred loan income

(b) Investments and due from banks; of this amount, the liquidity portfolio is US\$79billion

WORLD BANK'S STRONG CREDIT QUALITY

QUALITY LOAN PORTFOLIO

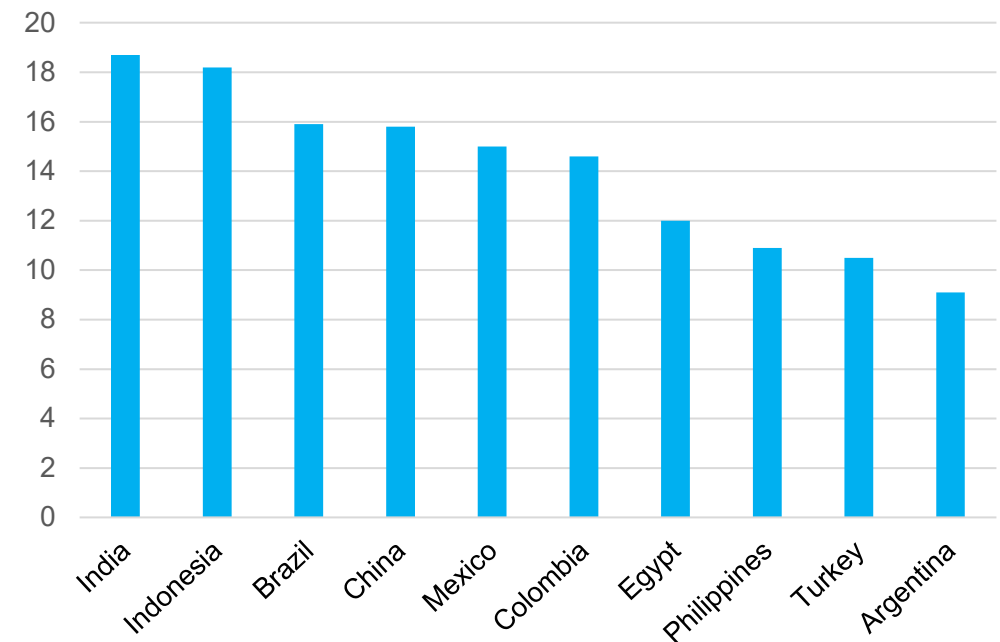
DIVERSIFIED SHAREHOLDER BASE

PRUDENT RISK MANAGEMENT

SUBSTANTIAL LIQUIDITY

- Global diversification
- Lending only to sovereign or sovereign-guaranteed projects
- Borrowing clients are also shareholders; increased incentive to repay
- Preferred creditor treatment – borrowing clients prioritize financial obligations to the World Bank – recognized by rating agencies and financial market participants
- Policy of freezing additional lending if payments not on time
- Concentration limits for individual countries

Top 10 Country Exposures for IBRD
(as of June 30, 2022, US\$ billions)



WORLD BANK'S STRONG CREDIT QUALITY

QUALITY LOAN PORTFOLIO

DIVERSIFIED
SHAREHOLDER BASE

PRUDENT RISK MANAGEMENT

SUBSTANTIAL
LIQUIDITY

Shareholder Support

- IBRD bonds are supported by the strength of its balance sheet and support of its 189 sovereign shareholders

Largest Shareholders

- United States, 16.69%
- Japan, 7.85%
- China, 5.61%
- Germany, 4.31%
- France, 4.12%
- United Kingdom, 4.12%

By percentage of total subscription as of June 30, 2022

Total Subscribed Capital

US\$ billions as of June 30, 2022

Paid-in Capital	US\$20.0
Callable Capital	US\$287.0
Subscribed Capital	US\$307.0

Callable Capital

- The World Bank's financial policies are designed to minimize the need for a call on capital and key management tools like the Equity-to-Loans ratio targets do not take callable capital into account.
- No call has ever been made on a callable capital.
- Callable capital can only be called to satisfy debt obligations. Shareholders are responsible for the full amount of their callable capital subscription regardless of ability to fulfill their obligations.

WORLD BANK'S STRONG CREDIT QUALITY

QUALITY LOAN PORTFOLIO

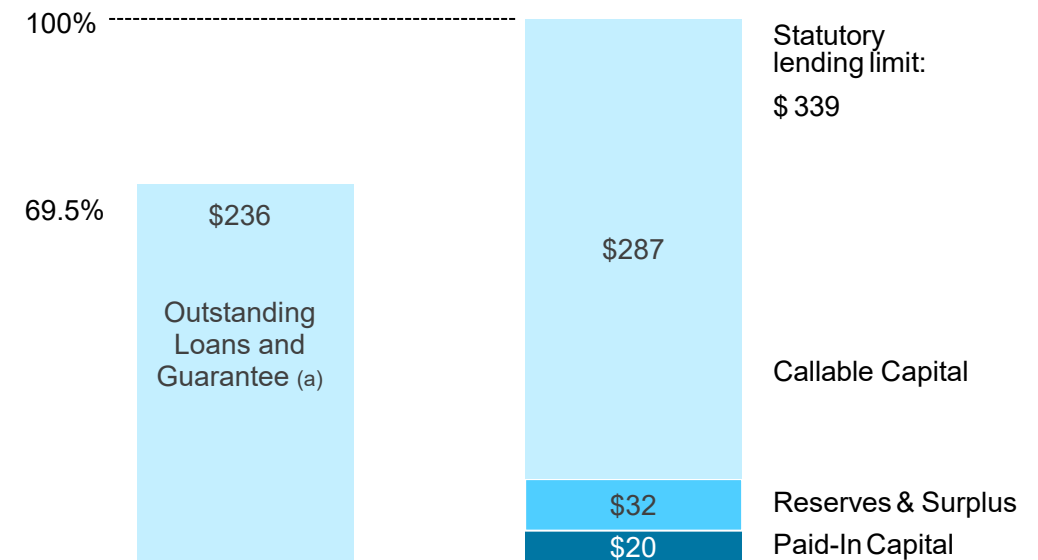
DIVERSIFIED SHAREHOLDER BASE

PRUDENT RISK MANAGEMENT

SUBSTANTIAL LIQUIDITY

- **Conservative financial policies** designed to minimize the need for a call on capital.
- IBRD's Articles of Agreement limit the total outstanding amount of direct loans and guarantees made by IBRD to subscribed capital, reserves, and surplus (**'statutory lending limit'**).
- As of June 30, 2022, outstanding loans and guarantees were \$235.7 billion – **69.5% of the statutory lending limit of \$339 billion**.
- Key risk management indicators such as **Equity-to-Loans ratio** (22% as of June 30, 2022) do not factor in callable capital to determine IBRD's risk-bearing capacity.
- FX and interest rate risks managed carefully to minimize risks.

Maximum "Gearing Ratio" of 1:1 (US\$ billions)



(a) Net of accumulated loan loss provisions

WORLD BANK'S STRONG CREDIT QUALITY

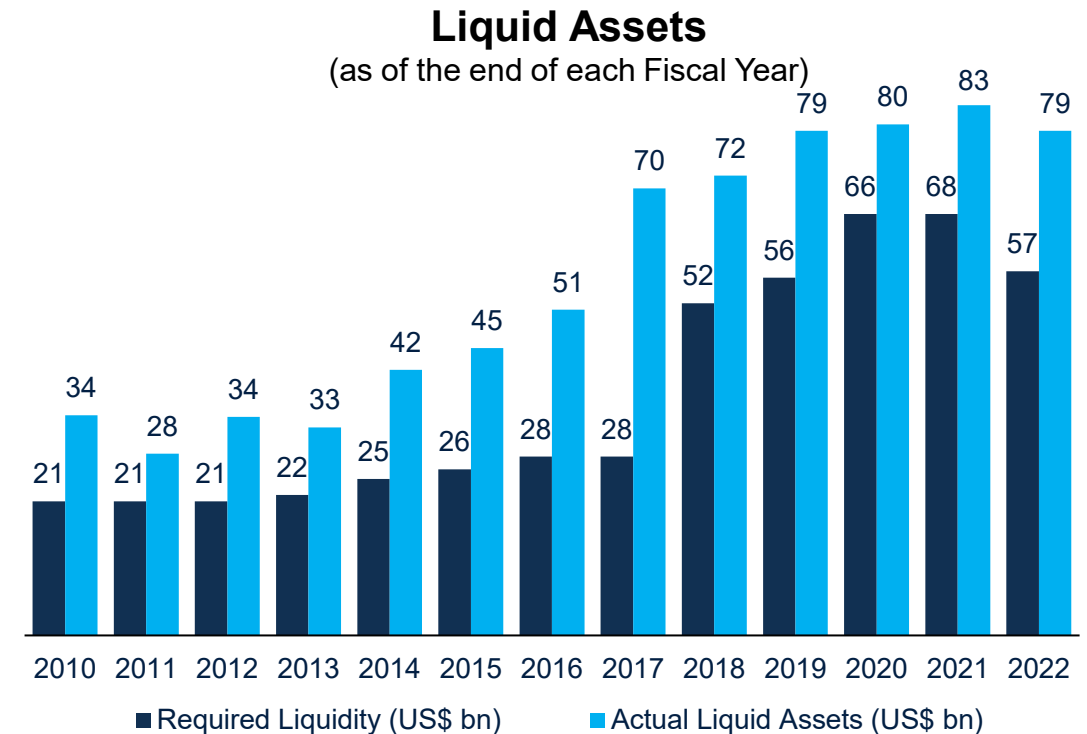
QUALITY LOAN PORTFOLIO

DIVERSIFIED SHAREHOLDER BASE

PRUDENT RISK MANAGEMENT

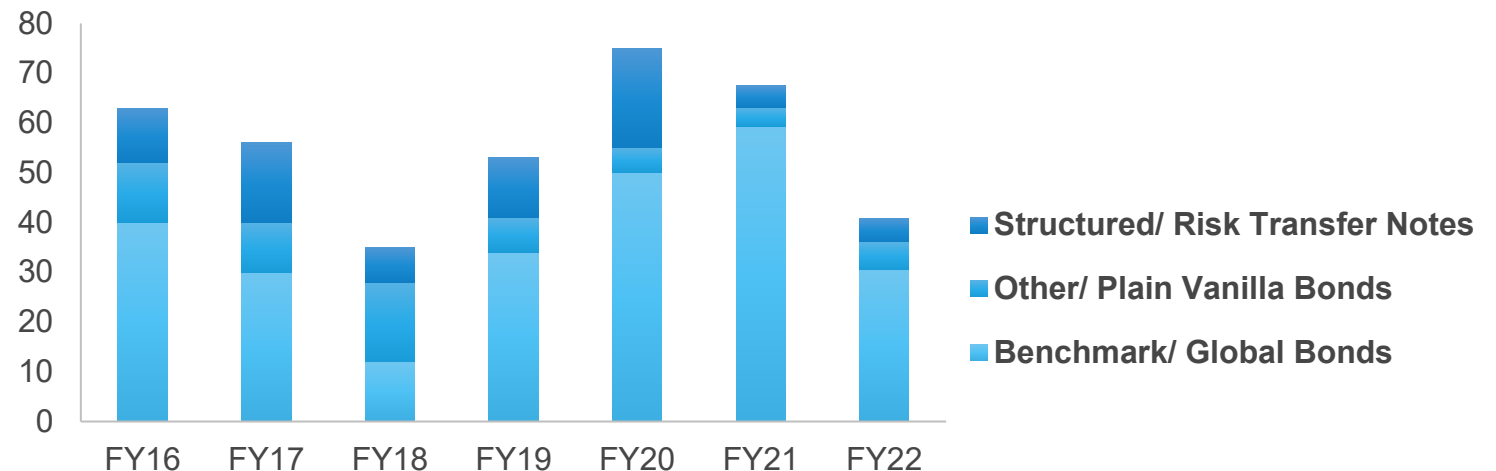
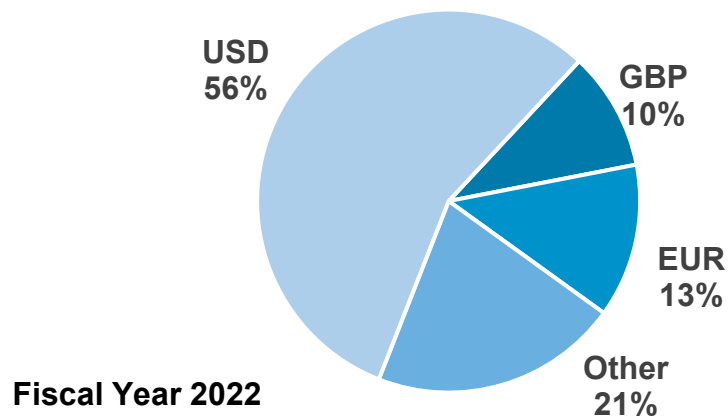
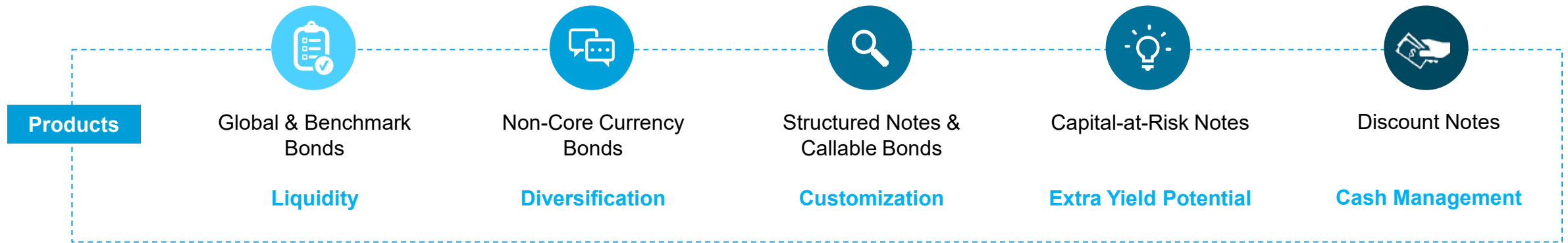
SUBSTANTIAL LIQUIDITY

- The target liquidity level represents 12 months coverage as calculated at the beginning of every fiscal year.
- Actual liquidity exceeds the estimated liquidity requirement to provide financial flexibility in the timing of new debt issuance while meeting obligations. The FY23 target liquidity level was set at US\$54 billion, US\$3 billion lower than FY22 Target Liquidity Level due to lower projected debt service for FY23.
- Liquidity portfolio is conservatively managed against strict guidelines. Eligible investments are highly rated fixed income securities rated AA- or better for governments and agencies, and AAA for corporates and ABS.



FUNDING PROGRAM

Investors have a wide choice of products to choose from



DISCOUNT NOTES

- The World Bank offers flexible and customized short-term debt instruments through its USD Discount Notes Program using simple documentation (Offering Circular).
- Discount Notes are offered in the United States and Eurodollar markets.
- Rates for World Bank Discount Notes are posted on Bloomberg's “ADN” page under the World Bank option (“WBDN”).
- Discount Notes characteristics:
 - maturities of 397 days (13 months) or less
 - aggregate face amounts of US\$50,000 and higher per maturity date

CALIFORNIA CODE



GOVERNMENT CODE - GOV

TITLE 2. GOVERNMENT OF THE STATE OF CALIFORNIA [8000 - 22980] (*Title 2 enacted by Stats. 1943, Ch. 134.*)

DIVISION 4. FISCAL AFFAIRS [16100 - 17700] (*Division 4 added by Stats. 1945, Ch. 119.*)

PART 2. STATE FUNDS [16300 - 16649.95] (*Part 2 added by Stats. 1945, Ch. 120.*)

CHAPTER 3. Investments [16430 - 16495.5] (*Chapter 3 added by Stats. 1945, Ch. 120.*)

ARTICLE 1. General [16430 - 16431] (*Article 1 added by Stats. 1945, Ch. 120.*)

16430. Eligible securities for the investment of surplus moneys shall be any of the following:

(I) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank for Puerto Rico.

OUTCOME-BASED BOND EXAMPLE

Wildlife Conservation Bond to Protect Black Rhinos and Support Local Communities in South Africa

On March 31, 2022, the World Bank (IBRD) issued the first **Wildlife Conservation Bond (WCB)**, an outcome-based, financial instrument that channels additional private capital for conservation outcomes.

- Bond 'coupons' used as conservation investment payments to **fund conservation activities** in two protected areas in South Africa, while providing environmental and social benefits to local communities.
- Investors receive **potential success payment** at maturity (funded by the Global Environment Facility) based on rhino growth rates.
- Nuveen was the lead investor in the transaction which included other **institutional investors and individual investors** from both Credit Suisse and Citi private banking.

[WCB Press Release](#)

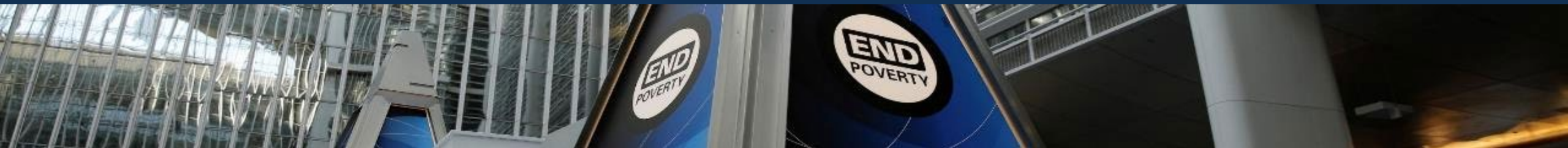
USD 150 million 5-year Bond	
Summary Terms and Conditions	
Rating:	AAA
Maturity:	5-year
Total Amount:	USD 150 million
Settlement Date:	03/31/2022
Maturity Date:	03/31/2027
Issue Price:	94.84%
Conservation Investment Payment:	Issuer will make payments totaling ZAR 152 million to the Park Managers to finance rhino conservation activities.
Conservation Success Payment:	Paid to investors at maturity based on rhino growth rates in two Parks. Maximum payment is US\$13.76 million
Sole Structurer:	Credit Suisse
Bookrunners:	Credit Suisse and Citibank, NA



Net proceeds of the bonds described herein are not committed or earmarked for lending to, or financing of, any particular projects or programs, and returns on the bonds described herein are not linked to the performance of any particular project or program."

THE WORLD BANK IBRD

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