June 2016

International Bank for Reconstruction and Development
U.S. Dollar Bonds - First Series (2016) (Green Bonds)

OFFERING MATERIAL

Manager

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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In connection with the public offering of International Bank for Reconstruction and Development U.S. Dollar Bonds - First Series (2016) (Green Bonds) (the "Bonds") in Japan to be issued by International Bank for Reconstruction and Development (the "World Bank"), pursuant to Article 3 of the Financial Instruments and Exchange Law of Japan ("FIEL"), the Part II thereof is not applicable and the preparation of a prospectus is not required thereunder.

This Offering Material is prepared by the World Bank for the convenience of Japanese investors for their investment judgment, instead of prospectus.

TERMS AND CONDITIONS OF OFFERING OF THE BONDS

Name of the Bonds	International Bank for Reconstruction and Development U.S. Dollar Bonds - First Series (2016) (Green Bonds) (Note)
Registered / Bearer	Not applicable
Aggregate Face Value	USD100,000,000
Amount of each Bond	USD10,000,000
Issue Price	100% of each Bond
Aggregate Issue Price	USD100,000,000
Rate of Interest	1.709% per annum
Maturity Date	June 29, 2026
Interest Payment Dates	June 29 of each year
Period of Subscription	June 23, 2016
Closing Date	June 29, 2016
Deposit for Subscription	None
Locations for Subscription	The Head Office and each branch office in Japan of the manager below
Fiscal Agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Book-Entry Transfer Institution	Japan Securities Depository Center, Incorporated

(Note) The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "Book-Entry Transfer Law") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 5 of the Conditions of Bonds).

Manager

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

Registry Name, etc.: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Financial instruments firm
(Kin-sho) No. 2336, the Director of the Kanto Local Finance Bureau

Associations of Membership: Japan Securities Dealers Association
Japan Investment Advisers Association
Financial Futures Association of Japan
Type II Financial Instruments Firms Association

Address of Head Office: 5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005

CONDITIONS OF BONDS

These Conditions of Bonds apply to the issue of International Bank for Reconstruction and Development U.S. Dollar Bonds – First Series (2016) (Green Bonds) (the "Bonds") by International Bank for Reconstruction and Development (the "World Bank"), an international organization established by Articles of Agreement among the respective Governments' signatory thereto (the "Articles of Agreement"), and with the approval of the Government of Japan and the Federal Government of the United States of America, as required by Article IV, Section 1(b) of the Articles of Agreement.

1. Aggregate Principal Amount, Date of Issuance, Denomination

The aggregate principal amount of the Bonds is U.S.$100,000,000.

The Bonds are issued in denominations of U.S.$10,000,000.

The date of issuance of the Bonds is June 29, 2016.

The maturity date of the Bonds is June 29, 2026, unless the Bonds are previously redeemed or purchased and cancelled.

2. Application of Book-Entry Transfer Law

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75 of 2001, as amended) (the "Book-Entry Transfer Law") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (the "Business Rules of the Book-Entry Transfer Institution") from time to time adopted by the Book-Entry Transfer Institution as set forth in Condition 5.

The certificates for the Bonds (the "Bond Certificates") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "Bondholders") may make a request for the issue of Bond Certificates. In the event that the Bond Certificates are issued, such Bond Certificates shall be issued exclusively in bearer form with unmatured interest coupons and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated. If the Bond Certificates are issued, these Conditions of Bonds shall continue to apply, provided that the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In such event, the Fiscal Agent (as defined in Condition 4 below) will act as the paying agent in respect of the Bonds; provided, however, if the Fiscal Agent cannot act as the paying agent in respect of the Bonds, the matters in respect thereof shall be subject to the then prevailing market practice in Japan. The World Bank will, to the extent practicable and without delay, give notice of the above matters to the Bondholders in accordance with Condition 14.

All expenses incurred in connection with the initial issue of the Bond Certificates shall be borne by the World Bank.

3. Status of the Bonds and Negative Pledge

The Bonds constitute direct, unsecured obligations of the World Bank ranking *pari passu*, without any preference among themselves, with its other present and future obligations that are unsecured and unsubordinated.

The Bonds are not obligations of any government.

As long as any of the Bonds shall be outstanding and unpaid, but only up to the time all amounts of principal and interest have been paid to the Paying Agent (as defined in Condition 6 below), the World Bank 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 the World Bank for money borrowed (other than any purchase money mortgage, or other pledge or lien on property purchased by the World Bank as security for all or any part of the purchase price thereof, any lien arising in the ordinary course of business and securing a debt maturing not more than one year after the date on which such lien is incurred, or any extension or renewal of any of the foregoing), unless the Bonds shall be secured by such mortgage, pledge or other lien or charge equally and ratably with such other notes, bonds or evidences of indebtedness.

If any security is provided for the Bonds by the World Bank pursuant to the preceding paragraph, the World Bank shall take or cause to be taken any and all necessary steps and procedures in providing such security for the Bonds (including, without limitation, for creation and perfection of such security) in accordance with the preceding paragraph and applicable laws and regulations. Upon completion of such procedures including, without limitation, the valid creation and perfection of such security, the World Bank shall give notice to the Bondholders in accordance with Condition 14, stating that such security has been duly and validly created and perfected in accordance with the preceding paragraph and applicable laws and regulations. All expenses incurred in connection with the creation, perfection, maintenance and execution of such security, including expenses relating to the above notice, shall be borne by the World Bank.

4. Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders

The Bank of Tokyo-Mitsubishi UFJ, Ltd. acts as fiscal agent, issuing agent and paying agent (the "Fiscal Agent", unless the context otherwise requires, the term "Fiscal Agent" means an agent acting in all these capacities) of the World Bank in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal, Issuing and Paying Agency Agreement (the "Fiscal Agency Agreement") dated June 22, 2016 between the World Bank and the Fiscal Agent, and the Business Rules of the Book-Entry Transfer Institution. The Fiscal Agent is acting solely as an agent of the World Bank and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the Head Office of the Fiscal Agent and shall be made available for perusal or photocopying by any Bondholder during normal business hours. All expenses incurred for such photocopying shall be borne by the applicant therefor.

No commissioned company for bondholders is appointed in respect of the Bonds.

The World Bank may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules of the Book-Entry Transfer Institution). In such case the World Bank shall give prior notice thereof to the Bondholders in accordance with Condition 14.

The World Bank shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules of the Book-Entry Transfer Institution) and give notice to that effect to the Bondholders in accordance with Condition 14 if the Book-Entry Transfer Institution notifies the World Bank that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.

As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules of the Book-Entry Transfer Institution, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

5. Book-Entry Transfer Institution

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "Book-Entry Transfer Institution") acts as book-entry transfer institution (*furikae kikan*) for the Bonds under the Book-Entry Transfer Law. In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister responsible for such matters pursuant to the Book-Entry Transfer Law.

6. Interest

The Bonds shall bear interest at the rate of 1.709% per annum of the principal amount thereof.

The Bonds shall bear interest from and including June 30, 2016, payable in U.S. dollars annually in arrear on June 29 of each year in respect of each one (1)-year period ending on such respective dates. Interest for any period of other than one (1) year shall be payable for the actual number of days included in such period computed on the basis of a 365-day year.

The Bonds shall cease to bear interest after the date on which they become due for redemption; provided, however, that, should the World Bank fail to redeem any of the Bonds when due, interest shall be paid in U.S. dollars at the rate specified above for the actual number of days in the period from but excluding the due date for redemption to and including the date of actual redemption of the Bonds, computed on the basis of a 365-day year. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules of the Book-Entry Transfer Institution, hereinafter the "Paying Agent") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "Institution Participants"); provided that if such overdue allocation is not permitted under the Business Rules of the Book-Entry Transfer Institution, such period shall not exceed the fourteenth (14th) day counting from the date on which the last notice is given by the World Bank or the Fiscal Agent in accordance with the second paragraph of Condition 8.

7. Redemption and Purchase

Unless previously redeemed or purchased and cancelled, the Bonds shall be redeemed at 100% of their principal amount in U.S. dollars on June 29, 2026.

The World Bank may purchase the Bonds at any time in the market or otherwise, and may at its option cancel or cause to be cancelled any Bond so purchased except otherwise provided for by applicable laws and/or in the Business Rules of the Book-Entry Transfer Institution.

Except as otherwise stated in these Conditions of Bonds, the World Bank may not redeem any of the Bonds prior to its maturity or prepay the principal of or the interest on any of the Bonds in full or in part.

8. Payment

Payment of principal of and interest on a Bond shall be made by the Paying Agent through the relevant account management institution (*kouza kanri kikan*) or directly to the Bondholders in accordance with the Book-Entry Transfer Law and the Business Rules of the Book-Entry Transfer Institution. Notwithstanding the foregoing, at the time when the Paying Agent allocated the necessary funds for the payment of principal of or interest on the Bonds received by it from the World Bank to the Institution Participants, the World Bank shall be released from any obligation of such payment under these Conditions of Bonds.

If funds necessary for payment in full of the principal of or interest on the Bonds payable on any due date are received by the Paying Agent after such due date, the World Bank shall, or shall cause the Fiscal Agent to, give notice to the Bondholders in accordance with Condition 14 to that effect and of the method and the date for actual payment to the Bondholders as soon as practicable but not later than fourteen (14) days after its receipt of such funds. If at the time of such receipt, either the method or the date for such payment (or both) is not determinable, the World Bank or the Fiscal Agent shall give notice to the Bondholders in accordance with Condition 14 of such receipt and of the method and date for such payment to the extent the same has been determined, and give at a later date notice of the method and/or the date for such payment to the Bondholders in accordance with Condition 14 promptly upon determination thereof. All expenses incurred in connection with the said notice shall be borne by the World Bank.

If any due date for payment of the principal of or interest on the Bonds falls on a day which is not a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for business (including dealings in foreign exchange and foreign currency deposits) in Tokyo, London and New York (the “Business Day”), the Bondholders shall not be entitled to payment of the amount due until the next following Business Day nor shall they be entitled to any payment of any further or additional interest or other payment in respect of such delay.

9. Taxation

The Bonds and the interest thereon will not be exempt from taxation generally.

Pursuant to Article VII, Section 9 of the Articles of Agreement, the World Bank is not under any obligation to withhold or pay any tax imposed by any member country on payments on the Bonds. Accordingly, payments on the Bonds will be made to the Paying 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 the World Bank's Paying Agent.

10. Events of Default

In case the World Bank shall fail to deliver to the Paying Agent the paying funds covering principal of and interest on the Bonds after expiration of fourteen (14) days after the due date, the World Bank shall, or shall cause the Fiscal Agent to, give notice of default in the performance of such obligation without delay in accordance with Condition 14, provided that such failure to deliver funds shall not constitute an event of default except as provided below.

If the World Bank 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 (including the Bonds), notes, or similar obligations which have been issued, assumed or guaranteed by the World Bank, and such default shall continue for a period of ninety (90) days, then at any time thereafter and during the continuance of such default any Bondholder may deliver to the Fiscal Agent who is acting on behalf of the World Bank in this capacity at the Head Office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the Head Office of the Fiscal Agent, the certificate (the "Book-Entry Certificate") issued by the Book-Entry Transfer Institution or the relevant account management institution certifying the holding of the relevant Bond) written notice that such Bondholder elects to declare all Bonds held by it to be due and payable, and on the thirtieth (30th) day after such notice shall be so delivered to the Fiscal Agent such Bonds shall become due and payable in U.S. dollars at a price equal to 100% of the principal amount together with accrued interest thereon unless prior to that time all such defaults previously existing shall have been cured.

All expenses necessary for the procedure under this Condition 10 shall be borne by the World Bank.

11. Bondholders' Meeting

The World Bank shall convene a Bondholders' meeting upon a request in writing of the Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds for the time being outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent on behalf of the World Bank at the Head Office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Book-Entry Certificate. The World Bank may convene a Bondholders' meeting at any time when the World Bank deems it necessary by giving written notice at least thirty-five (35) days prior to the date of such meeting to the Fiscal Agent. In each such case, the business of a Bondholders' meeting shall be to consider any of the events of default referred to in Condition 10 above or such other matters as the World Bank deems to have a material effect on the interests of the Bondholders.

In the case of convocation of a Bondholders' meeting, the World Bank shall give notice of the proposed meeting to the Bondholders pursuant to Condition 14 at least twenty-one (21) days prior to the date of such meeting, and ensure that the Fiscal Agent, on behalf of the World Bank, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

The Bondholders may exercise their vote either by themselves at the relevant Bondholders' meeting, by proxy, or in writing or (in the event that the World Bank permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the World Bank or the Fiscal Agent on behalf of the World Bank. At any Bondholders' meeting, each Bondholder shall have voting rights in proportion to the principal amount of the Bonds (other than the then redeemed amount) held by such Bondholder; provided, however, that the relevant Book-Entry Certificates shall have been presented to the Fiscal Agent at its Head Office at least seven (7) days prior to the date set for such meeting and to the World Bank or the Fiscal Agent at such meeting on the date thereof; and provided, further, that such Bondholder shall not make an application for book-entry transfer or an application for obliteration of such Bonds unless he returns the relevant Book-Entry Certificates to the Book-Entry Transfer Institution or his relevant account management institution. The World Bank may have its representative attend such meeting and express its opinion thereat.

Resolutions at such Bondholders' meeting shall be passed by a majority vote of the voting rights of the Bondholders who are entitled to exercise their voting rights (the "Voting Rights Holders") and present at such meeting; provided, however, that an Extraordinary Resolution is required with respect to the following item:

(a) a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds;

(b) a procedural act to be made with respect to all the Bonds; and

(c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorized by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "Representative(s) of the Bondholders") or an executor (the "Executor") who may be appointed and authorized by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them.

"Extraordinary Resolution" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event that the World Bank permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

A resolution passed pursuant to this Condition 11 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.

A Bondholders' meeting shall be held in Tokyo, Japan.

For the purpose of this Condition 11, the Bonds then held by the World Bank shall be disregarded and deemed not to be outstanding.

All expenses necessary for the procedures under this Condition 11 shall be borne by the World Bank.

12. Registration Book

The registration book for the Bonds shall be prepared by the Fiscal Agent on behalf of the World Bank and maintained by it and kept at its Head Office.

13. Prescription

The period of extinctive prescription shall be ten (10) years for principal of the Bonds and five (5) years for interest on the Bonds.

14. Notices

Notices concerning the Bonds shall be made by public notice, which shall be published once in a daily newspaper circulated in both Tokyo and Osaka; except when the World Bank or the Fiscal Agent may make such notice by direct notices to all the Bondholders. Any notices to be given by the World Bank shall, upon the request and at the expense of the World Bank, be given by the Fiscal Agent on behalf of the World Bank.

15. Governing Law and Jurisdiction

The place of performance of the obligations pertaining to the Bonds is Tokyo.

Except as otherwise provided in these Conditions of Bonds, the Tokyo District Court shall have non-exclusive jurisdiction concerning all actions and other court proceedings arising from matters provided in the Bonds or these Conditions of Bonds.

The Bonds and the rights and duties of all parties with respect thereto, including the Bondholders, shall in all respects be governed by and construed in accordance with the laws of Japan.

The Articles of Agreement were accepted by the Government of Japan on August 14, 1952, and upon their promulgation and the announcement of their effectiveness in the Japanese Government Gazette on August 26, 1952, became a part of the internal law of Japan.

Solely for the purpose of accepting service of process concerning all actions arising from matters provided in the Bonds and these Conditions of Bonds, the World Bank chooses the address of the Tokyo Office of the World Bank, and designates the Director thereof as the person to accept service of process at such address.

16. Currency Indemnity

In the event of a judgment or order being rendered or issued by any court for the payment of principal of or interest on the Bonds or any other amount payable under the Bonds, and such judgement or order being expressed in a currency (the "Judgment Currency") other than U.S. dollars, the World Bank shall pay to the Bondholders the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date or dates of discharge of such judgment or order (or part thereof) and (ii) the date as of which any amount expressed in the Judgment Currency is (or is to be treated as) converted to U.S. dollars for the purposes of any such judgement or order (or part thereof). The above undertaking shall constitute a separate and independent obligation of the World Bank from its other obligations, shall give rise to a separate and independent cause of action against the World Bank, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgement or order.

(REFERENCE INFORMATION ON SPECIAL ACCOUNT OF THE WORLD BANK)

An amount equal to the net proceeds of the issue of the Bonds will be credited to a special account that will support the World Bank's lending for Eligible Projects. So long as the Bonds 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 the World Bank's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Projects.

"Eligible Projects" means all projects funded, in whole or in part, by the World Bank that promote the transition to low-carbon and climate resilient growth in the recipient country, as determined by the World Bank. 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 the World Bank during the term of the Bonds.

International Bank for Reconstruction and Development ("IBRD") issued a document in English dated September 17, 2015 entitled "Information Statement" (the "Information Statement"), which describes the business, capital structure, operation management, articles of agreement and legal status of IBRD and contains its audited financial statements as of June 30, 2015. In addition, IBRD issued a document in English entitled "Management's Discussion & Analysis and Condensed Quarterly Financial Statements March 31, 2016 (Unaudited) (the "Management Discussion"). The information set forth below is a translation of a part of the Information Statement and the Management Discussion. Investors should not rely on this information for a comprehensive understanding of IBRD's activities and finances. For a full understanding of these matters, investors should review each of the Information Statement and the Management Discussion in its entirety. The Information Statement is available at IBRD's internet site (URL: http://treasury.worldbank.org/cmd/htm/index.html) and the Management Discussion is also at (URL: http://treasury.worldbank.org/cmd/htm/financial_strength.html).

SUMMARY INFORMATION

(As of June 30, 2015, 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 16.16% of the total voting power), Japan (7.49%), China (4.83%), Germany (4.38%), and France and the United Kingdom (with 3.93% 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, IBRD’s shareholders agreed to a package of financial measures. The package included a general and selective capital increase starting in FY2011, after the Board of Governors approved on March 16, 2011, three resolutions increasing IBRD’s authorized capital. The General Capital Increase (GCI) subscription period is for five years and ends March 16, 2016. On March 30, 2015 the subscription period for the Selective Capital Increase (SCI) was extended from March 16, 2015 to March 16, 2016 for members requesting extensions of one year, and to March 16, 2017 for members requesting extensions of two years. 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, 2015, $3.7 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 and borrowing portfolios and all other derivatives are reported at fair value, with changes in fair value reported in the income statement. 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 $786 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 $686 million for the fiscal year ended June 30, 2015.

Equity and Borrowings

Equity. IBRD's shareholders have subscribed to $252.8 billion of capital, $15.2 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 $27.5 billion of retained earnings. The equity-to-loans ratio was 25.1%.

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 30 currencies.

Assets

Loans. Most of IBRD's assets are loans outstanding. As of June 30, 2015, on a reported basis, the net loan portfolio was $155.0 billion. IBRD's loan commitments in FY 2015 totaled $23.5 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 1.0% of its total loans outstanding at June 30, 2015.

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, 2015, its liquid asset portfolio totaled $44.0 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 2016 prudential minimum liquidity level has been set at $27.5 billion, reflecting an increase of $1.5 billion from FY 2015.

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 $134.3 billion and $132.3 billion, respectively. The notional principal amount of outstanding interest rate swaps totaled $290.0 billion. The credit exposures on swaps are controlled through specified credit-rating requirements for counterparties and through netting and collateralization arrangements.

Box 1: Key Financial Indicators, Fiscal Years 2011-2015
As of and for the fiscal years ended June 30
In millions of U.S. dollars, except ratios which are in percentages

Lending Highlights	*2015*	*2014*	*2013*	*2012*	*2011*
Commitments[a]	$ 23,528	$ 18,604	$ 15,249	$ 20,582	$ 26,737
Gross disbursements[b]	19,012	18,761	16,030	19,777	21,879
Net disbursements[b]	9,999	8,948	6,552	7,798	7,994
Reported Basis					
Income Statement					
Board of Governors-approved and other transfers	$ (715)	$ (676)	$ (663)	$ (650)	$ (513)
Net (loss) / income	(786)	(978)	218	(676)	930
Balance Sheet					
Total assets	$343,225	$358,883	$325,601	$338,178	$314,211
Net investment portfolio	45,105	42,708	33,391	35,119	30,324
Net loans outstanding	155,040	151,978	141,692	134,209	130,470
Borrowing portfolio	158,853	152,643	134,997	129,680	120,966
Allocable Income					
Allocable income	$ 686	$ 769	$ 968	$ 998	$ 996
Allocated as follows:					
General Reserve	36	—	147	390	401
International Development Association	650	635	621	608	520
Surplus	—	134	200	—	75
Usable Equity[c,d]	$ 40,195	$ 40,467	$ 39,711	$ 37,636	$ 38,689
Capital Adequacy					
Equity-to-loans ratio[d]	25.1%	25.7%	26.8%	27.0%	28.6%

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 and loan origination fees.
c. Excluding amounts associated with unrealized mark-to-market gains/losses on non-trading portfolios, net and related cumulative translation adjustments.
d. As defined in Table 20: Equity-to-Loans Ratio.

EXECUTIVE SUMMARY

Introduction

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 others 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, with separate assets and liabilities. IBRD is not liable for their respective obligations.

Over the past decades, considerable advancements in poverty reduction have been made globally. A continuation of these advancements offers an opportunity to end extreme poverty. The WBG's two main goals are (1) to end extreme poverty by reducing the percentage of people living with less than $1.25 per day to no more than 3% globally by 2030 and (2) to promote shared prosperity in a sustainable manner by fostering income growth for the bottom 40% of the population in every developing country. To assist in achieving these goals, the WBG strategy that came into effect in FY15, is aimed at re-aligning its activities and resources, and focusing its client engagement on the most important challenges to achieve these goals, through leveraging the strengths of each of the WBG entities. A key organizational change flowing from the new strategy is the implementation of the "Global Practices" and "Cross-Cutting Solution Areas". These seek to improve the sharing of technical expertise and knowledge within and across the institutions.

Business Model

IBRD provides loans, guarantees, and knowledge for development focused projects and programs to middle income and creditworthy lower-income countries. IBRD's main business activity is extending loans to its eligible member countries. IBRD offers its borrowers long-term loans that can have a final maturity of up to 35 years. Borrowers may customize their repayment terms to meet their debt management or project needs. Loans are offered on both fixed and variable terms, and in multiple currencies; though borrowers have generally preferred loans denominated in U.S dollars and euros. IBRD also supports its borrowers by providing access to risk management tools such as derivative instruments, including currency and interest rate swaps and interest rate caps and collars.

IBRD's loans are financed through its equity, and from borrowings raised in the capital markets. IBRD is rated triple-A by the major rating agencies and its bonds are viewed as high quality securities by investors. IBRD's funding strategy is aimed at achieving the best long-term value on a sustainable basis for its borrowing members. This strategy has enabled IBRD to borrow at favorable market terms and pass the savings on to its borrowing members. Its ability to intermediate the funds it raises in international capital markets to developing member countries is important in helping it achieve its goals. IBRD issues its securities both through global offerings and bond issues tailored to the needs of specific markets or investor types. This is done by offering bonds to investors in various currencies, maturities, markets, and with fixed and variable terms, often opening up new markets for international investors by offering new products or bonds in emerging-market currencies. IBRD's annual funding volumes vary from year to year. Funds not deployed for lending are maintained in IBRD's investment portfolio to supply liquidity for its operations.

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. 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.

IBRD's objective is not to maximize profits, but to earn adequate income to ensure its financial strength and sustain its development activities. After covering for its operating expenses, IBRD sets aside funds in reserves to strengthen its financial position, and provides support to IDA and to trust funds via income transfers for other development purposes as decided by the shareholders.

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 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. Management uses the audited financial statements as the basis for deriving allocable income.

Fair Value Results In an attempt to address the asymmetry in the reported financial statements, in which not all financial instruments are reported on the same measurement basis, IBRD reflects all financial instruments at fair value in the MD&A. The fair value of these instruments is affected by changes in such market variables 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 EMF.

Allocable Income The volatility in IBRD's reported net income is primarily driven by the unrealized mark-to-market gains and losses on the derivative instruments in IBRD's non-trading portfolios (loans, borrowings, and EMF). IBRD's risk management strategy entails the extensive use of derivatives to manage market risk. These derivatives are primarily used to align the interest rate and currency bases of its assets and liabilities. 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.

In line with IBRD's financial risk management policies, IBRD expects to maintain its non-trading portfolio positions. As a result, for non-trading portfolios, allocable income only includes amounts which have been realized. For trading portfolios (investment portfolio), allocable income includes both unrealized mark-to-market gains and losses, as well as realized amounts.

Management has consistently followed this practice of excluding unrealized mark-to-market gains and losses on its non-trading portfolios from reported net income to arrive at allocable income, since adopting FASB's guidance on derivatives and hedging in FY01. Accordingly, in years in which reported net income has been positively impacted by unrealized mark-to-market gains on the non-trading portfolios, IBRD did not take these unrealized mark-to-market gains into account in making income allocation decisions. Likewise, in the case of unrealized mark-to-market losses on the non-trading portfolios, IBRD consistently excludes these amounts from reported net income to arrive at allocable income.

Allocable income also reflects certain other adjustments to reported net income, namely: Board of Governors approved and other transfers, pension adjustments, and restricted income. Board of Governors-approved and other transfers relate to distributions of the prior year's allocable income which have been approved in the current fiscal year and are reflected in the current fiscal year's reported net income as grant expenses. The pension adjustment reflects the difference between IBRD's cash contributions and the accounting expense. Management believes the pension allocation decision should be based on IBRD's cash contributions to the pension plans rather than pension expense, for the purpose of income allocation. Restricted income is excluded from allocable income, as it is already committed to another purpose. All of these adjustments reflect Management's view of the most appropriate measure of a given year's financial results for allocation purposes. Management recommends, and the Board approves all of these adjustments on an annual basis.

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.

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 and its committees are in continuous session at the main IBRD offices in Washington DC, as business requires.

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.

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.

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.

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.

The financial statements below is a Japanese translation of IBRD's audited balance sheet, statement of income and statement of comprehensive income contained in the Information Statement dated September 17, 2015. Neither IBRD nor its auditor has involved in the preparation of the following Japanese translation or reviewed the translation.

BALANCE SHEET

June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	2015	*2014*
Assets		
Due from Banks		
Unrestricted cash	$ 311	$ 3,606
Restricted cash	77	95
	388	3,701
Investments—Trading (including securities transferred under repurchase or securities lending agreements of $844 million—June 30, 2015; $155 million—June 30, 2014)	47,823	42,412
Securities Purchased Under Resale Agreements	2,128	3,070
Derivative Assets		
Investments	22,196	13,514
Loans	3,902	2,784
Client operations	28,739	36,517
Borrowings	78,267	99,150
Others	1,221	2,105
	134,325	154,070
Other Receivables		
Receivable from investment securities traded	69	47
Accrued income on loans	523	510
	592	557
Loans Outstanding		
Total loans	217,223	212,470
Less undisbursed balance	60,211	58,449
Loans outstanding (including loans at fair value of $125 million—June 30, 2015; $141 million—June 30, 2014)	157,012	154,021
Less:		
Accumulated provision for loan losses	1,554	1,626
Deferred loan income	418	417
Net loans outstanding	155,040	151,978
Other Assets		
Premises and equipment, net	1,042	1,010
Miscellaneous	1,887	2,085
	2,929	3,095
Total Liabilities and Equity	$343,225	$358,883

	2015	2014
Liabilities		
Borrowings	$160,980	$161,026
Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received	3,575	3,390
Derivative Liabilities		
Investments	21,279	13,820
Loans	5,535	5,132
Client operations	28,747	36,539
Borrowings	76,140	90,767
Others	623	627
	132,324	146,885
Payable to Maintain Value of Currency Holdings on Account of Subscribed Capital	6	11
Other Liabilities		
Payable for investment securities purchased	2,445	2,553
Liabilities under retirement benefits plans	2,072	2,747
Accounts payable and miscellaneous liabilities	3,186	3,286
	7,703	8,586
Total Liabilities	304,588	319,898
Equity		
Capital Stock		
Authorized capital (2,307,600 shares—June 30, 2015, and June 30, 2014)		
Subscribed capital (2,095,748 shares—June 30, 2015, and 1,929,711 shares—June 30, 2014)	252,821	232,791
Less uncalled portion of subscriptions	237,629	218,786
Paid-in capital	15,192	14,005
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital	(304)	(406)
Receivable Amounts to Maintain Value of Currency Holdings	(365)	(221)
Deferred Amounts to Maintain Value of Currency Holdings	(174)	382
Retained Earnings	27,501	28,287
Accumulated Other Comprehensive Loss	(3,213)	(3,062)
Total Equity	38,637	38,985
Total Liabilities and Equity	$343,225	$358,883

STATEMENT OF INCOME

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2015	*2014*	*2013*
Net interest revenue			
Interest revenue			
Loans, net	$1,170	$ 1,179	$ 1,427
Equity management, net	306	687	1,107
Investments—Trading, net	233	254	192
Other, net	3	2	2
Interest expenses			
Borrowings, net	(392)	(387)	(615)
Net interest revenue, before provision for losses	1,320	1,735	2,113
Release of provision for losses on loans and other exposures	10	60	22
Net interest revenue, after provision for losses	1,330	1,795	2,135
Non interest revenue			
Revenue from externally funded activities	723	653	578
Commitment charges	16	19	21
Other, net	4	7	6
Total	743	679	605
Non interest expenses			
Administrative	(1,701)	(1,568)	(1,480)
Pension	(248)	(253)	(281)
Contributions to special programs	(110)	(162)	(147)
Total	(2,059)	(1,983)	(1,908)
Board of Governors-approved and other transfers	(715)	(676)	(663)
Unrealized mark-to-market (losses) gains on Investments-Trading portfolio, net	(142)	(176)	49
Unrealized mark-to-market gains (losses) on non-trading portfolios, net			
Loans, net	(42)	(134)	1,669
Equity management, net	91	(562)	(1,538)
Borrowings, net	24	92	(126)
Other, net	(16)	(13)	(5)
Total	57	(617)	—
Net (loss) income	$ (786)	$ (978)	$ 218

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013
Expressed in millions of U.S. dollars

	2015	*2014*	*2013*
Net (loss) income	$ (786)	$ (978)	$ 218
Other comprehensive (loss) income			
Reclassification to net income:			
Derivatives and hedging transition adjustment	2	2	3
Net actuarial gains (losses) on benefit plans	840	(424)	1,105
Prior service credit (cost) on benefit plans, net	23	(39)	4
Currency translation adjustments	(1,016)	320	384
Total other comprehensive (loss) income	(151)	(141)	1,496
Comprehensive (loss) income	$ (937)	$(1,119)	$ 1,714

The following is a Japanese translation of IBRD's selected financial information for 3Q FY16 (as of March 31, 2016) contained in the Management Discussion.

SELECTED FINANCIAL DATA

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

	As of and for the nine months ended		As of and for fiscal year
	March 31, 2016	March 31, 2015	June 30, 2015
Lending Highlights			
Commitments [a]	$ 23,763	$ 19,086	$ 23,528
Gross disbursements	16,905	14,705	19,012
Net disbursements [b]	9,846	8,008	9,999
Reported Basis			
Income Statement			
Board of Governors-approved and other transfers	$ (650)	$ (659)	$ (715)
Net income (loss)	669	(1,793)	(786)
Balance Sheet			
Total assets	$ 368,357	$ 346,050	$ 343,225
Net investment portfolio	51,036	42,655	45,105
Net loans outstanding	164,805	151,855	155,040
Borrowing portfolio	175,743	155,167	158,853
Key Management Indicators			
Allocable Income	$ 255	$ 528	$ 686
Usable Equity [c]	$ 40,950	$ 39,430	$ 40,195
Equity-to-loans Ratio [d]	24.4%	25.2%	25.1%

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. *Excluding amounts associated with unrealized mark-to-market gains/losses on non-trading portfolios, net and related cumulative translation adjustments.*
d. *Ratio is computed using usable equity and excludes the respective periods' income. (Fiscal year ended June 30, 2015 amount includes proposed transfer to the General Reserve, which was subsequently approved by IBRD's Executive Directors on August 6, 2015.)*