

Final Terms dated 26 May 2011

International Bank for Reconstruction and Development

Issue of USD 10,000,000 Zero Coupon Callable Notes due 1 June 2041

under the

Global Debt Issuance Facility

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the Prospectus dated May 28, 2008. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with such Prospectus.

SUMMARY OF THE NOTES

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| 1. Issuer: | International Bank for Reconstruction and Development (“ IBRD ”) |
| 2. (i) Series Number: | 3981 |
| (ii) Tranche Number: | 1 |
| 3. Specified Currency or Currencies (Condition 1(d)): | United States Dollars (“ USD ”) |
| 4. Aggregate Nominal Amount: | |
| (i) Series: | USD 10,000,000 |
| (ii) Tranche: | USD 10,000,000 |
| 5. (i) Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| (ii) Net proceeds: | USD 10,000,000 |
| 6. Specified Denominations (Condition 1(b)): | USD 100,000 |
| 7. Issue Date: | 1 June 2011 |
| 8. Maturity Date (Condition 6(a)): | 1 June 2041 |
| 9. Interest Basis (Condition 5): | Zero Coupon (further particulars specified below) |
| 10. Redemption/Payment Basis (Condition 6): | Each Note will be redeemed at its Optional Redemption Amount, its Early Redemption Amount or its Final Redemption Amount, as applicable. |
| 11. Change of Interest or Redemption/Payment Basis: | Not Applicable |
| 12. Call/Put Options (Condition 6): | Call Option
(further particulars specified below) |
| 13. Status of the Notes (Condition 3): | Unsecured and unsubordinated |
| 14. Listing: | Luxembourg Stock Exchange |
| 15. Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 16. Zero Coupon Note Provisions (Condition 5(c)): | Applicable |
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(i) Amortization Yield (Condition 6(c)(ii)):	5.185 per cent. per annum
(ii) Day Count Fraction (Condition 5(l)):	30/360
(iii) Any other formula/basis of determining amount payable:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

17. Call Option (Condition 6(d)): Applicable

- (i) Optional Redemption Date(s): 1 June in each year, from and including 1 June 2012 to and including 1 June 2040.
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): The Optional Redemption Amount per Specified Denomination for each Optional Redemption Date is set out opposite such date in the table below, expressed as a percentage of the Specified Denomination, and payable on the applicable Optional Redemption Date:

Optional Redemption Date	Optional Redemption Amount expressed as a percentage of the Specified Denomination
1 June 2012	105.185000 per cent.
1 June 2013	110.638842 per cent.
1 June 2014	116.375466 per cent.
1 June 2015	122.409534 per cent.
1 June 2016	128.756468 per cent.
1 June 2017	135.432491 per cent.
1 June 2018	142.454666 per cent.
1 June 2019	149.840940 per cent.
1 June 2020	157.610193 per cent.
1 June 2021	165.782282 per cent.
1 June 2022	174.378093 per cent.
1 June 2023	183.419597 per cent.
1 June 2024	192.929903 per cent.
1 June 2025	202.933319 per cent.
1 June 2026	213.455411 per cent.
1 June 2027	224.523074 per cent.
1 June 2028	236.164596 per cent.
1 June 2029	248.409730 per cent.
1 June 2030	261.289775 per cent.
1 June 2031	274.837650 per cent.
1 June 2032	289.087982 per cent.
1 June 2033	304.077193 per cent.
1 June 2034	319.843596 per cent.

1 June 2035	336.427486 per cent.
1 June 2036	353.871252 per cent.
1 June 2037	372.219476 per cent.
1 June 2038	391.519056 per cent.
1 June 2039	411.819319 per cent.
1 June 2040	433.172151 per cent.

(iii) Notice period:	Not less than five London and New York Business Days prior to the Optional Redemption Date
18. Final Redemption Amount of each Note (Condition 6):	USD 455,632.13 per Specified Denomination
19. Early Redemption Amount (Condition 6(c)):	As set out in the Conditions

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20. Form of Notes (Condition 1(a)):	Registered Notes: Global Registered Certificate available on Issue Date
21. New Global Note:	No
22. Financial Centre(s) or other special provisions relating to payment dates (Condition 7(h)):	London and New York
23. Governing law (Condition 14):	English
24. Other final terms:	Not Applicable

DISTRIBUTION

25. (i) If syndicated, names of Managers and underwriting commitments:	Not Applicable
(ii) Stabilizing Manager(s) (if any):	Not Applicable
26. If non-syndicated, name of Dealer:	HSBC Bank plc
27. Additional selling restrictions:	Not Applicable

OPERATIONAL INFORMATION

28. ISIN Code:	XS0631407086
29. Common Code:	063140708
30. Delivery:	Delivery against payment
31. Registrar and Transfer Agent (if any):	Citibank, N.A., London Branch
32. Intended to be held in a manner which would allow Eurosystem eligibility:	Not Applicable

GENERAL INFORMATION

IBRD's most recent Information Statement was issued on 22 September 2010.

LISTING APPLICATION

These Final Terms comprise the final terms required for the admission to the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's regulated market of the Notes described herein issued pursuant to the Global Debt Issuance Facility of International Bank for Reconstruction and Development.

RESPONSIBILITY

IBRD accepts responsibility for the information contained in these Final Terms.

Signed on behalf of IBRD:

By:

Name:

Title:

Duly authorized