WORLD BANK

MultiCat Program

Marketplace on Innovative Financial Solutions for Development

Paris, March 4, 2010

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Agenda

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- The Need for Disaster Risk Insurance
- The Catastrophe Bond Market as Solution
- The MultiCat Program
- The MultiCat Mexico 2009
- Future Directions

Executive Summary

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- **Public finances can be significantly affected by natural disasters**
  - Unpredictability of the event
  - Need for short-term emergency funds to help affected population in the aftermath of the event
- **Insurance (especially in parametric form) against certain disasters makes sense in order to mitigate the negative impact of emergency spending on a country's budget, as well as to have funds available for quick assistance**
- **Through a Cat Bond transaction, the natural disaster risk is transferred to the market at an efficient cost and for a variety of perils**
- **In order to facilitate member country's access to this product, The World Bank Treasury created the MultiCat Program**
  - Shelf documentation available to every country
  - Covering a multiple number of perils
  - The World Bank assists countries with the "scientific" / technical modeling of perils as well as with the preparation of the offering and issuance of the bonds
- **With MultiCat Mexico 2009, Mexico inaugurated the Program**
  - US$290mm, 4-tranche bond covering 3 different perils (Earthquake, Pacific Hurricane, Atlantic Hurricane) in 6 different zones
  - Transaction over 2.5x oversubscribed
  - First time a Sovereign issues a multi-peril, multi-zone Cat Bond
- **The World Bank is very pleased to incorporate the MultiCat Program to the menu of tools available to its member countries to hedge against natural disasters**
  - The World Bank, in partnership with the interested member country government, will advise and set up the necessary framework to execute the transaction (legal, technical/risk modeling, financial institutions, etc.)

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The Case for Natural Disaster Insurance

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- **Natural disasters have increased in frequency and cost (growing urban density and climate change)**
- **Emerging countries are particularly exposed with only 3% of potential loss insured vs 45% in developed countries**
  - Immediate reaction post-disaster is essential in terms of impact on growth
  - International community funds are slow to arrive
- **Traditional insurance has shortcomings**
  - Cat risk exceeds the capacity of local insurers. With constrained government budgets, coverage must come from global insurers
  - However, global insurers show signs of undercapacity
    - *Concentration of "peak risks" (Florida hurricane, European windstorms, Japan earthquake)*
    - *Massive capital loss following events like Mitch (1998) or Katrina (2005)*
  - High absolute level and volatility of premiums
  - Opaqueness of reinsurers create barriers to entry and rationing

		Loss	Insured Loss	Uninsured Loss	
		($B)	(% Loss)	%GDP	%Budget
Earthquake *Marmara (1999)*	**Turkey**	22.0	5%	5%	21%
Hurricane *Katrina (2005)*	**USA**	1380	49%	0.5%	1.5%
Floods *(1997)*	**Poland**	3.5	6%	3%	11%
Earthquake *Gujart/Bhuj (2001)*	**India**	0.6	2%	1%	7%
Earthquake *Northridge (1992)*	**USA**	43.0	47%	0.3%	2%
Earthquake *Sichuan (2008)*	**China**	85.0	0.4%	1.8%	15%
Winter Storm *(1999)*	**France**	6.2	100%	-	-

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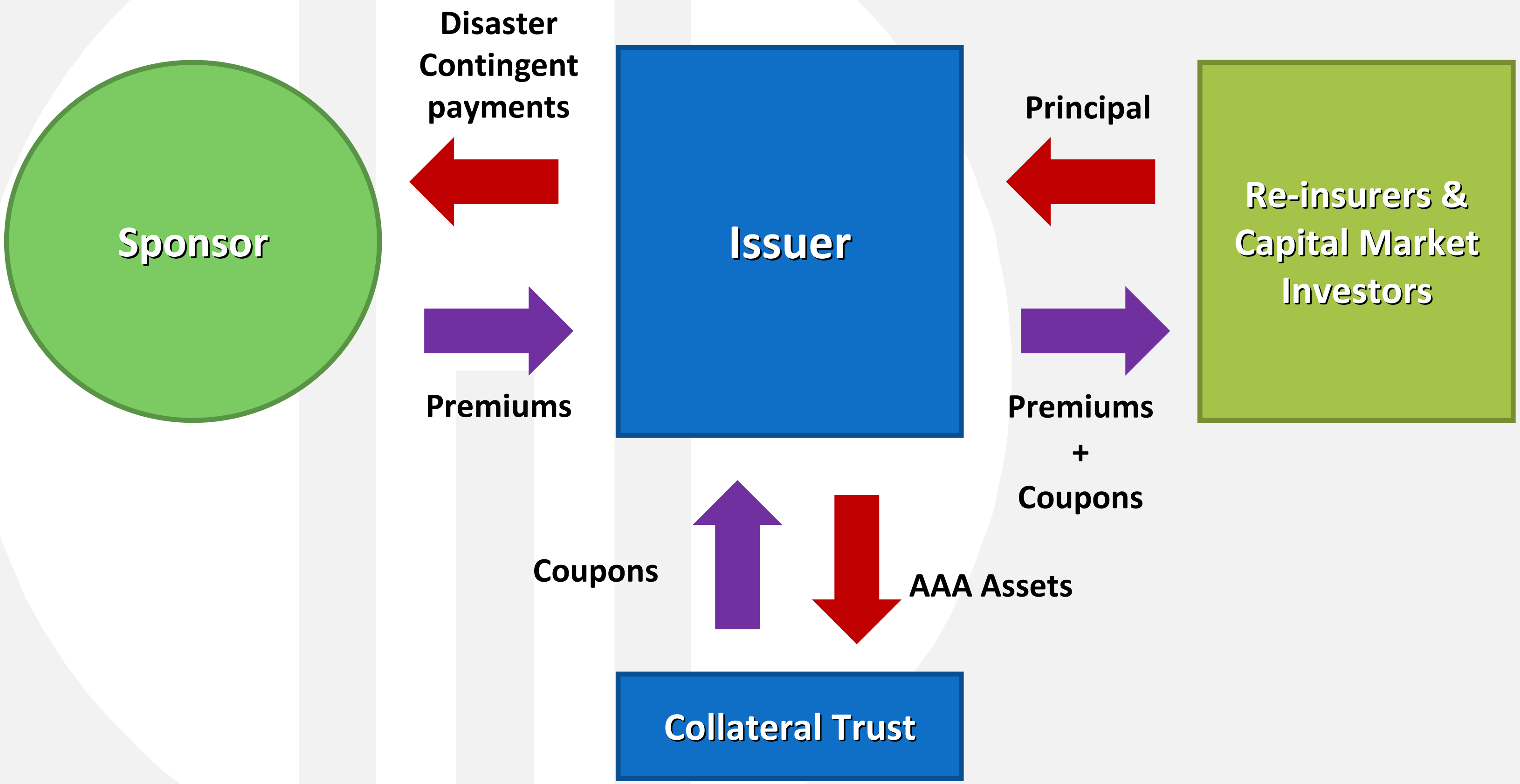
Catastrophe Bond Structure and Cash flows

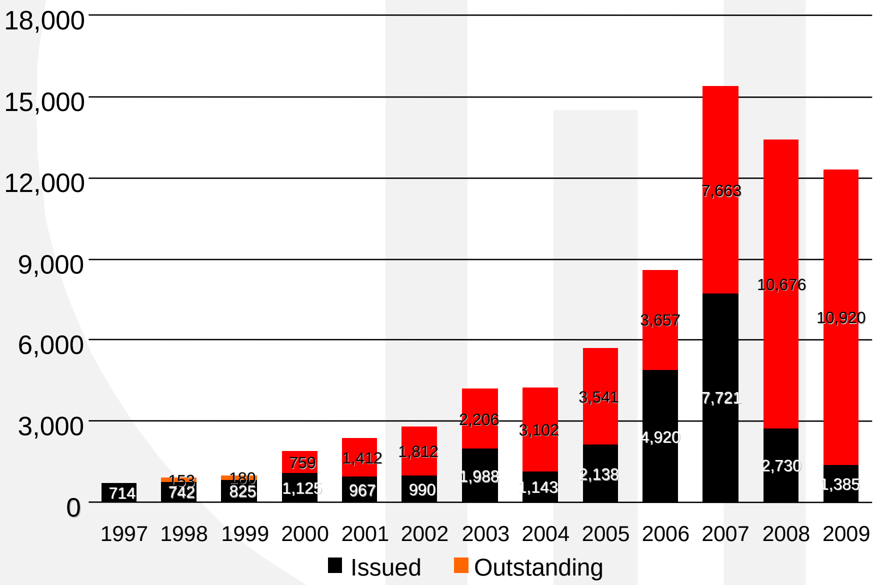
- **A typical (simplified) structure of a catastrophe bond looks as follows:**



Catastrophe Bonds as an Efficient Tool

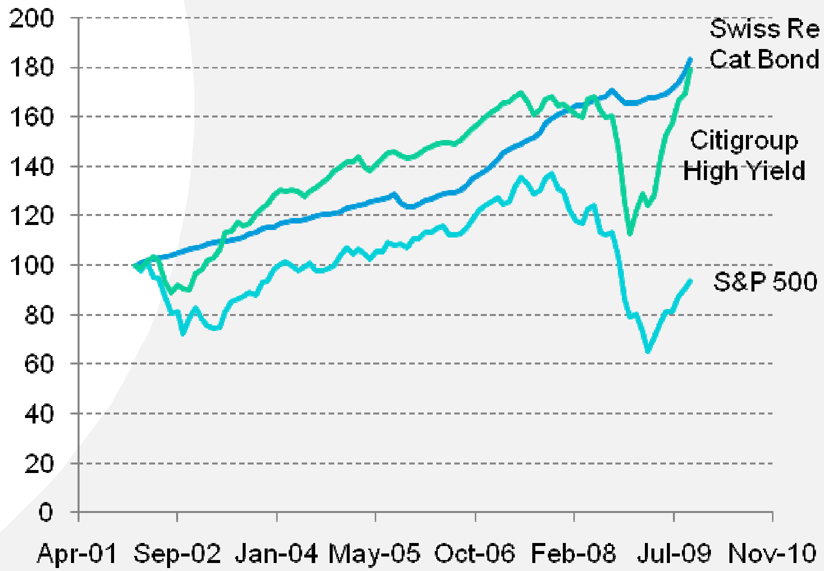
- **Catastrophe Bonds offer a viable alternative and complement to insurance for dealing with disaster relief**
  - Risk modeling and parametric insurance have allowed to convert disaster insurance into a new asset class
  - Cat Bonds have grown into a $12bn market and could grow to an estimated $180bn
  - The enlarged mutualization should reduce the cost of insurance
  - The maturity of Cat Bonds (3-5 years) helps manage the volatility of premiums
  - Cat Bonds have shown resilience and diversification value throughout the crisis

Total Non-Life Bonds Outstanding, By Year (as of June 2009)



Source: Goldman Sachs and Swiss Re

Cumulative Performance from January 2002 to Oct 2009



Source: Bloomberg

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The World Bank's MultiCat Program

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- In order to facilitate the access of sovereign entities in member countries to the cat bond market on efficient terms, the World Bank established the "MultiCat Program" in October 2009.
- The program offers parametric insurance to help ensure access of governments to immediate liquidity to finance emergency relief and reconstruction work after a natural disaster.
- The program supports a wide variety of structures, including the pooling of multiple risks (earthquakes, floods, hurricanes and other wind storms) in different regions.
- Mexico was the first country to issue notes using the MultiCat Program, with a four tranche US$290 million transaction in October 2009.

The World Bank's MultiCat Program

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- **The MultiCat Program is a shelf documentation that facilitates the issuance of notes covering multiple perils and for multiple zones**

- **Some of its key features are the following:**
  - Common documentation
  - Legal and operational framework for the offerings
  - "MultiCat" brand name, offering name recognition with investors
  - Wide variety of structures

- **The World Bank acts as arranger in all MultiCat issues and selects on a competitive basis the lead managers and other service providers**

OFFERING CIRCULAR

MultiCat Program

Principal At-Risk Variable Rate Note Programs
(Issuable in Series by Separate Issuing Entities)

One or more separate issuing entities (each, an "**Issuer**") may from time to time offer notes ("**Notes**") pursuant to such Issuer's principal at-risk variable rate note program under specific terms set forth in the applicable offering circular supplement (each, an "**Offering Circular Supplement**") to this Offering Circular ("**Offering Circular**"). Each Issuer will offer Notes in separate series (each, a "**Series of Notes**" or "**Series**"), each of which will contain one or more classes (each, a "**Class**" or "**Class of Notes**"). If one or more Trigger Events occur with respect to a Class within a Series of Notes, all or a portion of the interest payable on each Payment Date and all or a portion of the Outstanding Principal Amount payable on the Redemption Date to the holders of such Class will be reduced by certain amounts payable by the Issuer of such Class to the applicable Counterparty pursuant to the related Counterparty Contract.

Each Issuer will be specified in the applicable Offering Circular Supplement and, unless otherwise specified in the applicable Offering Circular Supplement, will be a Cayman Islands exempted company. Each offering of Notes (each, an "**Offering**" and, collectively, the "**Offerings**") will be for the purpose of supporting the related Issuer's obligations to the applicable Counterparty under the applicable Counterparty Contract upon the occurrence of one or more Trigger Events during the applicable Risk Period.

Information with respect to each Offering by an Issuer can be found in this Offering Circular and in the applicable Offering Circular Supplement.

Each of the Programs is arranged by the International Bank for Reconstruction and Development.

(Continued on the next page)

Investing in the Notes is speculative and involves a high degree of risk. See "*Risk Factors*" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Notes.

THE NOTES ARE WITH LIMITED RECOURSE TO CERTAIN ASSETS OF THE ISSUER AND WITHOUT RECOURSE TO THE PROGRAM ARRANGER, THE COUNTERPARTY, THE INSURED, IF ANY, THE REINSURED, IF ANY, OR ANY OF THEIR RESPECTIVE AFFILIATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR ANY U.S. STATE OR FOREIGN SECURITIES LAWS AND ARE BEING OFFERED IN BOOK ENTRY FORM ONLY TO INVESTORS WHO (I) ARE QUALIFIED INSTITUTIONAL BUYERS THAT, WITH RESPECT TO U.S. PERSONS, ARE ALSO QUALIFIED PURCHASERS (OR, SOLELY IN CONNECTION WITH THE INITIAL OFFERING OF EACH SERIES OF NOTES, ARE NON-U.S. PURCHASERS THAT ARE INSTITUTIONAL INVESTORS APPROVED BY THE RESPECTIVE ISSUER AND THE INITIAL PURCHASER(S) PRIOR TO THE ISSUANCE OF SUCH NOTES); AND (II) ARE RESIDENTS OF, AND PURCHASING IN, AND WILL HOLD THE NOTES IN, A PERMITTED U.S. JURISDICTION OR A PERMITTED NON-U.S. JURISDICTION. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER "*NOTICE TO INVESTORS.*" EACH PURCHASER OF THE NOTES IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH UNDER "*NOTICE TO INVESTORS.*"

Each Series of Notes offered on each Issuance Date will be offered by one or more initial purchasers for such Series, as specified in the applicable Offering Circular Supplement (each, an "**Initial Purchaser**" and, collectively, the "**Initial Purchasers**"), subject to receipt and acceptance by each Initial Purchaser and subject to each Initial Purchaser's right to reject any order in whole or in part.

The date of this Offering Circular is October 8, 2009.

The World Bank's MultiCat Program
Advantages for Member Countries

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- **Cat bonds present several advantages over traditional re-insurance including greater transparency, lower credit risk, multi-year coverage and lower volatility of premiums. Member countries can gain additional benefits by participating in the MultiCat Program.**

- **The MultiCat Program's established operational and legal framework makes transactions under the program more cost efficient than doing stand-alone issuance.**

- **Economic efficiencies also result from the following:**
  - Diversification benefits through risk pooling across countries and regions
  - World Bank "MultiCat" brand name recognition in the investor community
  - Pre-negotiated lead manager fees

- **Member countries will also benefit from the expertise the World Bank has acquired in the process of preparing and executing a cat bond transaction in the international capital markets.**

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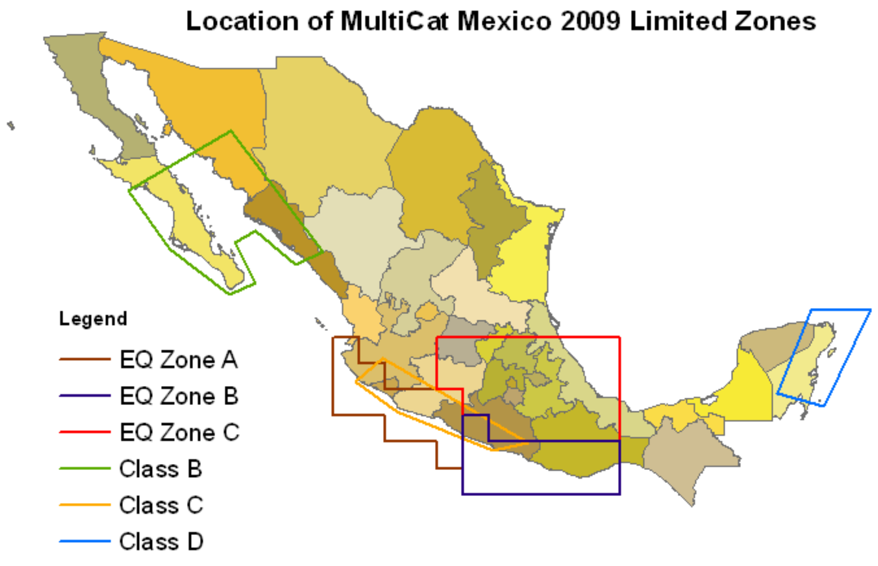
MultiCat Mexico 2009

- **MultiCat Mexico 2009 offers parametric-based insurance to Mexico's FONDEN covering 3 different perils and 6 regions**
  - Earthquake in the Pacific coast and the area surrounding Mexico City
  - Pacific Hurricanes in two different parts of the coast
  - Atlantic Hurricanes in the Yucatan peninsula
- **MultiCat Mexico 2009 successfully issued US$290mm of 3-year bonds**
  - Swiss Re and Goldman Sachs, Joint-Lead Managers; Munich Re, advisor
  - AIR conducted the risk modeling
  - Pricing after a successful 4-day roadshow in Europe, Bermuda and the US
  - Books over 2.5x oversubscribed
  - Pricing at the tight end of the original price guidance

	Class A	Class B	Class C	Class D
Peril	Earthquake	Pacific Hurricane	Pacific Hurricane	Atlantic Hurricane
Notional (US$mm)	140	50	50	50
Risk Period	3 years	3 years	3 years	3 years
Trigger Type	Parametric	Parametric	Parametric	Parametric
Trigger*	7.9; 8.0	944	944	920
AIR Modeled Annualized Expected Loss	4.65%	3.94%	4.00%	2.36%
S&P Ratings	B	B	B	BB-

*Trigger for Earthquake is Magnitude (Richter scale) and for Hurricanes is Central Pressure (milibars)



MultiCat Mexico 2009-I Notes
Investor Distribution by Investor Type

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Investor Type	Amount Invested	Share
Dedicated Funds	$117.50 million	40%
Reinsurers	$98.75 million	34%
Money Managers	$43.75 million	15%
Hedge Funds	$16.75 million	6%
Insurers	$13.25 million	5%

MultiCat Mexico 2009-I Notes
Investor Distribution by Region

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Region	Amount Invested	Share
US	$149.75 million	51%
Bermuda	$101.00 million	35%
Europe	$37.00 million	13%
Japan	$1.75 million	1%
Canada	$0.50 million	<1%

MultiCat Mexico 2009-I Notes Lessons Learned

- The cat bond market proved resilient in the face of the global crisis
- Cat bonds retained amongst the highest values of all asset classes
- Investors continue to exhibit considerable appetite for non-peak risks – the Mexico 2009-I Notes were substantially oversubscribed.
- This portends well for future access of developing countries to the global cat bond market
- World Bank participation as Arranger significantly increased investor comfort
- Standardizing fees and design structure can substantially reduce preparation process delays in future transactions.

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MultiCat Program
Future Directions

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- **Expand investor base**
- **Simplify/standardize product**
- **Pool risks across countries and regions to achieve diversification benefits for member countries**