

**PRICING SUPPLEMENT**



**INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT**

**Global Debt Issuance Facility**

**No. 2710**

**EUR 50,000,000**

**Fixed to Variable Interest Rate Indexed-Linked Notes due  
December 2015**

**Morgan Stanley  
Banca Akros S.p.A (Gruppo Banca Popolare di Milano)**

**The date of this Pricing Supplement is November 26, 2003**

This document (“**Pricing Supplement**”) is issued to give details of an issue by International Bank for Reconstruction and Development (the “**Bank**”) under its Global Debt Issuance Facility.

This Pricing Supplement supplements the terms and conditions in, and incorporates by reference, the Prospectus dated October 7, 1997, and all documents incorporated by reference therein (the “**Prospectus**”), and should be read in conjunction with the Prospectus. Unless otherwise defined in this Pricing Supplement, terms used herein have the same meaning as in the Prospectus.

### **Terms and Conditions**

The following items under this heading “**Terms and Conditions**” are the particular terms which relate to the issue the subject of this Pricing Supplement. These are the only terms which form part of the form of Notes for such issue:

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|-----------|--|---|
| <b>1</b>  | No.:                                       | 2710  |
| <b>2</b>  | Aggregate Principal Amount:                | EUR 50,000,000  |
| <b>3</b>  | Issue Price:                               | 100.00 percent of the Aggregate Principal Amount  |
| <b>4</b>  | Issue Date:                                | December 2, 2003  |
| <b>5</b>  | Form of Notes (Condition 1(a)):            | Bearer Notes  |
| <b>6</b>  | Authorized Denominations (Condition 1(b)): | EUR 1,000   |
| <b>7</b>  | Specified Currency (Condition 1(d)):       | Euro (“ <b>EUR</b> ”)   |
| <b>8</b>  | Maturity Date (Conditions 1(a) and 6(a)):  | December 2, 2015  |
| <b>9</b>  | Interest Basis (Condition 5):              | <ul style="list-style-type: none"><li>(i) Fixed Interest Rate (Condition 5(I)) in respect of the period beginning on and including the Issue Date and ending on but excluding December 2, 2004 and in respect of the period beginning on and including December 2, 2004 and ending on but excluding December 2, 2005; and</li><li>(ii) Variable Interest Rate (Condition 5(II)) in respect of the period beginning on and including December 2, 2005 to but excluding the Maturity Date</li></ul> |
| <b>10</b> | Fixed Interest Rate (Condition 5(I)):      | <ul style="list-style-type: none"><li>(a) Interest Rate:<ul style="list-style-type: none"><li>6.00 percent per annum for the period beginning on and including the Issue Date and ending on but excluding December 2, 2004</li><li>4.00 percent per annum for the period beginning on and including December 2, 2004 and ending on but excluding December 2, 2005</li></ul></li></ul>   |

- (b) Fixed Rate Interest Payment Date(s): December 2, 2004 and December 2, 2005
- (c) Fixed Rate Day Count Fraction(s) if not 30/360 basis: Actual/Actual – ISMA
  - (i) where the period is equal to, or shorter than, the Interest Period during which it ends, the number of days in the period divided by the product of (1) the number of days in such Interest Period and (2) the number of Interest Periods that would normally end in one calendar year and
  - (ii) where the period is longer than one Interest Period, the sum of:
    - (a) the number of days in such period falling in the Interest Period in which the period begins divided by the product of (x) the number of days in such Interest Period and (y) the number of Interest Periods that would normally end in one calendar year and
    - (b) the number of days in the period falling in the next Interest Period divided by the product of (x) the number of days in such Interest Period and (y) the number of Interest Periods that would normally end in one calendar year.

**11** Variable Interest Rate (Condition 5(II)):

- (a) Business Day Convention: Not applicable
- (b) Rate of Interest:
  - (i) Notwithstanding the provisions of Condition 5(II)(b) the Rate of Interest for each Interest Period shall be determined by the Calculation Agent as soon as practicable on the relevant Interest Determination Date in accordance with the formula set out in sub-paragraph (ii) below.
  - (ii) **1.10 percent per annum plus the greater of  $[(FOI_{(n-1)})/(FOI_{(n-2)})-1]$  and 0 percent**  
expressed as a percentage and rounded to

the nearest six decimal places (with 0.0000005 being rounded upwards), where:

FOI<sub>(n-1)</sub> and FOI<sub>(n-2)</sub> mean, in relation to the Interest Payment Date relating to an Interest Period, the levels of the Index (as defined in sub-paragraph (c)) for the months set out in the table below against such Interest Payment Date:

<b>Interest Payment Date</b>	<b>Relevant month for FOI<sub>(n-1)</sub></b>	<b>Relevant month for FOI<sub>(n-2)</sub></b>
December 2, 2006	September 2005	September 2004
December 2, 2007	September 2006	September 2005
December 2, 2008	September 2007	September 2006
December 2, 2009	September 2008	September 2007
December 2, 2010	September 2009	September 2008
December 2, 2011	September 2010	September 2009
December 2, 2012	September 2011	September 2010
December 2, 2013	September 2012	September 2011
December 2, 2014	September 2013	September 2012
December 2, 2015	September 2014	September 2013

- (c) Index: See paragraph 12(b)
- (d) Variable Rate Interest Payment Dates: December 2 of each year commencing on December 2, 2006 and ending on the Maturity Date
- (e) Calculation Agent: Citibank, N.A.
- (f) Interest Determination Date: The fifth TARGET Business Day preceding the relevant Interest Period

**12 Other Variable Interest Rate Terms**

(Condition 5(II) and (III)):

- (a) Variable Rate Day Count Actual/Actual – ISMA (as defined in paragraph Fraction(s) if not actual/360: 10(c))
- (b) Other terms (including fall back provisions) relating to the method of calculating the Rate of Interest or Interest Amounts, the value of which is based upon the level of the Index:
- “Index” or “Index Figure” means the “Indice Nazionale Dei Prezzi al Consumo per le Famiglie di Opera e Impiegati al Netto dei Consumi di Tabacchi” (“**FOI**”) published and calculated by the Italian Central Institute (“**ISTAT**”) (or any successor) and displayed on such service as may be nominated as the information vendor for the purpose of displaying the level of such Index (the “**Official Vendor**”; currently the Italian Official Gazetta Officionale) and appearing monthly on Bloomberg page ITCPI or any successor page thereto or any comparable index which may replace the Index in such circumstances as described below. Provided that in the event of any discrepancy in the Index between that displayed on Bloomberg and that published by the Official Vendor, the level published by the Official Vendor shall prevail.
- (1) If the Index required for calculation of an Interest Amount in respect of an Interest Period is not published on or before the day that is five (5) TARGET Business Days before the Interest Determination Date in respect of such Interest Period, the Calculation Agent shall use the Index which was most recently published prior to such unpublished Index, save where the Index has not been published for two consecutive relevant months for the purposes of  $FOI_{(n-1)}$  and/or  $FOI_{(n-2)}$  and as a result, the Interest Amount for the second of two consecutive Interest Periods would be subject to calculation based on a prior published Index for the relevant month for  $FOI_{(n-1)}$  in which case sub-paragraph (2) below should apply; or
- (2) If the Index is no longer calculated or published by ISTAT, or the Index has not been published for two months, or the Calculation Agent determines that the Index is substantially altered or if any change is made to the calculation of the Index which, in the reasonable opinion of the Calculation Agent fundamentally affects the economical effect of the transaction represented by the Notes contemplated herein (the “**Transaction**”), the Calculation Agent will use:

- (a) where a similar index is published by ISTAT or a successor entity using a calculation formula that in the opinion of the Calculation Agent is substantially identical (the "**First Substitute Index**"), such published level in lieu of the Index; or
- (b) where the First Substitute Index is not available, such substitute index (the "**Second Substitute Index**") as may be published by the relevant authority responsible for monitoring the average change in European consumer prices (such relevant authority to be determined by the Calculation Agent) in respect of the Interest Period; or
- (c) where neither the First Substitute Index nor the Second Substitute Index is available: (i) such substitute index or such method of determining the Index as determined by the Calculation Agent (provided that, to the extent reasonably possible, the use of such substitute index or such method results in an economic outcome which is similar to that which would have resulted had the Index been used), including any amendments to the terms of this Transaction that may be necessary to preserve the economic effect of this Transaction;

- (3) If the Index is revised to a new base, the Calculation Agent will make any necessary adjustments to ensure that the economic

equivalent of this Transaction is preserved (to the extent reasonably practicable); or

- (4) Subject to the provisions of this paragraph, the first publication of the Index (disregarding estimates) for a given month shall be final. If the Index is subsequently corrected, the Calculation Agent will determine the amount payable using the level published prior to any such correction except where such correction is (a) made in order to correct a manifest error (in the opinion of the Calculation Agent) and (b) published on or before the day that is three (3) TARGET Business Days before the commencement of the relevant Interest Period, in which case the Calculation Agent will use the corrected level.

- (c) Good Faith and Commercially Reasonable Actions by the Calculation Agent: In making the decisions and determinations set forth in the preceding paragraphs, the Calculation Agent will at all times act in good faith and in a commercially reasonable manner. In making determinations under the preceding paragraphs, the Calculation Agent may consult with the Stabilizing Manager, which has entered into an offsetting swap transaction with the Bank in relation to the Notes. Notwithstanding the possibility of such consultations, the Calculation Agent shall make its own independent judgments in connection with determinations to be made by it under paragraph 12(b).

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|-----------|--|--|
| <b>13</b> | Relevant Financial Centre:   | London   |
| <b>14</b> | Relevant Business Day:   | TARGET, New York and London  |
| <b>15</b> | Issuer's Optional Redemption (Condition 6(e)):                                     | No   |
| <b>16</b> | Redemption at the option of the Noteholders (Condition 6(f)):                      | No   |
| <b>17</b> | Early Redemption Amount (including accrued interest, if applicable) (Condition 9): | Principal amount of the Notes to be redeemed plus accrued interest thereon |
| <b>18</b> | Governing Law of the Notes:  | English  |

**Other Relevant Terms**

- |          |   |   |
|----------|---|---|
| <b>1</b> | Listing (if yes, specify Stock Exchange):                                 | Luxembourg  |
| <b>2</b> | Details of Clearance System approved by the Bank and the Global Agent and | Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V., as operator of the |

- Clearance and Settlement Procedures: Euroclear System. Payment for the Notes will be on a delivery versus payment basis
- 3** Syndicated: Yes
- 4** If Syndicated:
- (a) Liability: Joint and Several
- (b) Lead Manager: Morgan Stanley & Co. International Limited  
Banca Akros S.p.A (Gruppo Banca Popolare di Milano)
- (c) Stabilizing Manager: Morgan Stanley & Co. International Limited
- 5** Commissions and Concessions: Combined management, underwriting and selling commission of 1.00 per cent. of the Aggregate Principal Amount
- 6** Codes:
- (a) ISIN XS0180039611
- (b) Common Code 018003961
- 7** Identity of Dealer(s)/Manager(s): Morgan Stanley & Co. International Limited  
Banca Akros S.p.A (Gruppo Banca Popolare di Milano)
- 8** Provisions for Bearer Notes:
- (a) Exchange Date: Not earlier than January 11, 2004
- (b) Permanent Global Note(s): Yes
- (c) Definitive Bearer Notes: No

### General Information

The Bank's latest Information Statement was issued on September 15, 2003

The following additional selling restrictions shall apply to the issue:

United Kingdom: Each Dealer is required to comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom

INTERNATIONAL BANK FOR  
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By:

Authorized Officer

## **ANNEX**

### **Information about the Index**

The information contained in this Annex relating to the Index consists of extracts from or summaries of information that is publicly available (unless otherwise stated). The Bank has not independently verified any such information, and does not accept any responsibility for error or omission. The Bank makes no representation or warranty, whether express or implied, as to the completeness or accuracy of such information. Investors may acquire such further information as they deem necessary in relation to the Index from such publicly available information as they deem appropriate. Investors should make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment), based upon their own judgment and upon advice from such advisers as such investors deem necessary and not upon any view expressed by the Bank.

Given the highly specialised nature of these Notes, the Bank considers that they are only suitable for highly sophisticated investors who are able to determine for themselves the risk of an investment linked to indexes.

Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Notes without taking detailed advice from a specialised professional adviser.

#### **Definition**

Consumer prices index for families of workers and employees excluding Tobacco ("FOI" - Indice Nazionale Dei Prezzi al Consumo per le Famiglie di Opera e Impiegati al Netto dei Consumi di Tabacchi) is calculated by "ISTAT" –(Italian Central Institute) and refers to consumption of families of non-agricultural employees in the Republic of Italy.

#### **Publication**

The FOI is a key instrument of monitoring inflation in the Republic of Italy. Time-series for the FOI are available on a monthly basis as from January 1947. ISTAT publishes the FOI for each relevant month between the 16th and the 20th day of the following month. The FOI is published on a monthly basis on the Official Gazette of the Republic of Italy.

#### **Composition and Calculation**

The Index is composed of a basket of real prices of goods and services (classified according to the provisions of the European Union classification criteria COICOP '95 (Classification of Individual Consumption by Purpose) version Rev.1) available to the Italian families considered by the FOI (see above under "Definition").

The FOI is calculated on a monthly basis using the Laspeyres formula: the weight of each good or service within the index is determined on the basis of the value of the expense for the consumption of such goods or service compared to the value of the total expense of the Italian families considered by the FOI (see above under "Definition") in the reference period. As from February 1992 the FOI does not include the tobacco price.

#### **Measures of Inflation**

The annual rate measures the price change between the relevant month and the same month of the previous year.

**FOI (index level, 1995=100)\***

	Jan	Feb	Mar	Apr	May	Jun	July	Ago	Sept	Oct	Nov	Dec	Aver
1996	102.4	102.7	103.0	103.6	104.0	104.2	104.0	104.1	104.4	104.5	104.8	104.9	103.9
1997	105.1	105.2	105.3	105.4	105.7	105.7	105.7	105.7	105.9	106.2	106.5	106.5	105.7
1998	106.8	107.1	107.1	107.3	107.5	107.6	107.6	107.7	107.8	108.0	108.1	108.1	107.6
1999	108.2	108.4	108.6	109.0	109.2	109.2	109.4	109.4	109.7	109.9	110.3	110.4	109.3
2000	110.5	111.0	111.3	111.4	111.7	112.1	112.3	112.3	112.5	112.8	113.3	113.4	112.1
2001	113.9	114.3	114.4	114.8	115.1	115.3	115.3	115.3	115.4	115.7	115.9	116.0	115.1
2002	116.5	116.9	117.2	117.5	117.7	117.9	118.0	118.2	118.4	118.7	119.0	119.1	117.9
2003	119.6	119.8	120.2	120.4	120.5	120.6	120.9	121.1	121.4	121.5			

\*Source: ISTAT.

**Annual FOI Inflation rates (% y-to-y)\*\***

July 1996 - July 1997	1.63%
July 1997 - July 1998	1.80%
July 1998 - July 1999	1.67%
July 1999 - July 2000	2.65%
July 2000 - July 2001	2.67%
July 2001 - July 2002	2.34%
July 2002 - July 2003	2.45%

\*\*Source: ISTAT (rounded to two decimal places).

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

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Washington, D.C. 20433

**GLOBAL AGENT**

**Citibank, N.A.**  
P.O. Box 18055  
5 Carmelite Street  
London EC4Y 0PA

**CALCULATION AGENT**

**Citibank, N.A.**  
P.O. Box 18055  
5 Carmelite Street  
London EC4Y 0PA

**LISTING AND SPECIAL AGENT  
AND PAYING AGENT**

**BNP Paribas Securities Services**  
23, Avenue de la Porte-Neuve  
L-2085 Luxembourg

**LEGAL ADVISERS TO THE MANAGER**

**Linklaters**  
One Silk Street  
London EC2Y 8HQ