

**PRICING SUPPLEMENT  
AND  
SUPPLEMENTAL PROSPECTUS**

**International Bank for Reconstruction and Development  
Global Debt Issuance Facility**

**No: 692**

**ZAR 4,000,000,000 Zero Coupon Notes due 2025**

**Issue Price: 4.80%**

**J.P. MORGAN SECURITIES LTD.  
RBC DS GLOBAL MARKETS**

**The date of this Pricing Supplement is May 12, 1998.**

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 and to provide information supplemental to the Prospectus referred to below.

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.

1. No.: 692
2. Aggregate Principal Amount: ZAR 4,000,000,000
3. Issue Price: 4.80%
4. Issue Date: May 15, 1998
5. Form of Notes: Registered only. Cedel Bank and Euroclear will hold the Registered Global Note which shall represent Notes initially held in Euroclear and Cedel Bank (the "Registered Global Note"), and DTC will hold the DTC Global Note which shall represent Notes initially held in DTC (the "DTC Global Note"). Transfers and exchanges of beneficial interests in the Registered Global Note and the DTC Global Note will be effected only through records maintained by Cedel Bank, Euroclear and DTC and their direct and indirect participants, provided that no such exchange or transfer may take place during the period of 15 days ending on the due date for any

payment of principal of the Notes. Such transfers and exchanges will take place only in accordance with the rules and operating procedures of Euroclear, Cedel Bank and DTC and in compliance with the provisions of the Global Agency Agreement.

6. Authorized Denomination(s): ZAR 5,000
7. Specified Currency: South African Rand
8. Maturity Date: December 31, 2025
9. Interest Basis: Zero Coupon (Condition 5(IV))
10. Zero Coupon:
  - (a) Amortization Yield: 11.791%
  - (b) Reference Price: 4.60%
  - (c) Basis: Compounded annually
11. Relevant Financial Center: Johannesburg
12. Relevant Business Day: Johannesburg, London and New York
13. Governing Law: New York

#### Other Relevant Terms

1. Listing (if yes, specify Stock Exchange): The Luxembourg Stock Exchange
2. Details of Clearance System Approved by the Bank and the Global Agent and Clearance and Settlement Procedures: DTC; Euroclear; Cedel Bank
3. Syndicated: Yes
4. If Syndicated:
  - (a) Liability: Joint and Several

- (b) **Lead Managers:** J.P. Morgan Securities Ltd.  
Royal Bank of Canada Europe Limited
  - (c) **Stabilizing Manager:** J.P. Morgan Securities Ltd.
- 5. **Commissions and Concessions in respect of the Tranche 1 Notes:** 0.10% combined management and underwriting commission  
  
0.20% selling concession  
  
**Commissions and Concessions in respect of the Tranche 2 Notes:** 0.15% combined management and underwriting commission  
  
0.20% selling concession
- 6. **Re-Offer Restriction:** Any Note re-offered to investors by a Manager or any of its subsidiaries or affiliates shall be re-offered at a price of 4.60% until such time as J.P. Morgan Securities Ltd. has notified the Managers that such restriction no longer applies.
- 7. **Codes:**
  - (a) **Common Code:** 8665753
  - (b) **ISIN:** XS0086657532
  - (c) **CUSIP:** 45905UAQ7
- 8. **Identity of Managers:** J.P. Morgan Securities Ltd.  
Royal Bank of Canada Europe Limited

9. Provisions for Registered Notes:

(a) Individual Definitive  
Registered Notes

Available on Issue Date:

No; individual definitive Notes will not be available on the Issue Date. Interests in the DTC Global Note and the Registered Global Note will be exchangeable for Definitive Registered Notes only in the circumstances described in the Prospectus.

(b) DTC Global Note:

Yes; DTC Global Note shall represent Notes initially held in DTC.

(c) Other Global Registered  
Notes:

Yes; Registered Global Note shall represent Notes initially held in Euroclear and Cedel Bank.

10. Other Address at which Bank  
Information Available:

None

**General Information**

The Bank's latest Information Statement was issued on March 31, 1998.

The following additional selling restrictions shall apply to the issue:

Each Manager represents and agrees that it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Manager represents and agrees that it has not offered and sold, and will not offer or sell, or reoffer or resell, directly or indirectly, any Notes in the Republic of South Africa or to persons resident in the Republic of South Africa except in accordance with South African Exchange Control Regulations and in circumstances which would not constitute an offer to the public within the meaning of the South African Companies Act, 1973 (as amended).

## **Supplemental Prospectus Information**

The following discussion supplements and, to the extent inconsistent therewith, replaces the discussion set forth in the Prospectus under the heading "Tax Matters". This discussion summarizes special anticipated United States federal income tax consequences of ownership of the Notes relating to the issuance of the Notes at a discount. This discussion deals only with Notes held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold Notes that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, persons that are not "U.S. Holders", as defined below, or persons whose functional currency is not the U.S. dollar. The summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

Prospective purchasers of Notes should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of the ownership of Notes.

For purposes of this discussion a "U.S. Holder" is a beneficial owner of a Note who or that is (i) a citizen or resident of the United States, (ii) a domestic corporation, (iii) an estate the income of which is subject to United States federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons has the authority to control all substantial decisions of the trust.

### ***Original Issue Discount***

**General.** The Notes will be treated as issued at an original issue discount. The amount of the original issue discount will be measured by the excess of the stated amount payable upon the maturity of a Note over its issue price. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

U.S. Holders of Notes must, generally, include the original issue discount ("OID") on the Notes in income on a constant-yield basis over the term of the Notes. This will require U.S. Holders to include amounts in income prior to the

receipt of cash attributable to such income. Under the OID rules U.S. Holders generally will have to include in income increasingly greater amounts of OID over the term of the Note.

The amount of OID includible in income by a U.S. Holder of a Note in any taxable year will be the sum of the daily portions of OID with respect to the Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds such Note ("accrued OID"). The daily portion of OID is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as no accrual period is longer than one year. The amount of OID allocable to an accrual period equals the product of the Note's adjusted issue price at the beginning of the accrual period and such Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period). The "adjusted issue price" of a Note at the beginning of any accrual period is the issue price of the Note, increased by the amount of accrued OID for each prior accrual period. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable at the maturity of the Note and (y) the Note's adjusted issue price as of the beginning of the final accrual period.

**Acquisition Premium.** A U.S. Holder that purchases a Note for an amount that is less than or equal to the stated amount payable on the maturity of a Note but in excess of its adjusted issue price (as determined above under "Original Issue Discount - General") (any such excess being "acquisition premium") and that does not make the election described below under "Original Issue Discount - Election to Treat All Interest as Original Issue Discount" shall reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the adjusted issue price of the Note, and the denominator of which is the excess of the stated amount payable on the maturity of a Note over the Note's adjusted issue price.

**Market Discount.** A Note will be treated as purchased at a market discount (a "Market Discount Note") if (i) the amount for which a U.S. Holder purchased the Note is less than the Note's issue price (as determined above under "Original Issue Discount - General") and (ii) the Note's "revised issue price" exceeds the amount for which the U.S. Holder purchased the Note by at least  $\frac{1}{4}$  of 1 percent of such Note's revised issue price multiplied by the number of complete years to the Note's maturity. If such excess is not sufficient to cause the Note to be a Market

Discount Note, then such excess constitutes "de minimis market discount" and such Note is not subject to the rules discussed in the following paragraphs. The Code provides that, for these purposes, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note.

Any gain recognized on the maturity or disposition of a Market Discount Note will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. Such an election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Service.

Market discount on a Market Discount Note will accrue on a straight-line basis unless the U.S. Holder elects to accrue such market discount on a constant-yield method. Such an election shall apply only to the Note with respect to which it is made and may not be revoked. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such Note in an amount not exceeding the accrued market discount on such Note until the maturity or disposition of such Note.

**Election to Treat All Interest as Original Issue Discount.** A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under the heading "Original Issue Discount - General", with the modifications described below. For purposes of this election, interest includes OID, market discount and de minimis market discount, as adjusted by any acquisition premium.

In applying the constant-yield method to a Note with respect to which this election has been made, the issue price of the Note will equal its cost to the electing U.S. Holder and the issue date of the Note will be the date of its acquisition by the electing U.S. Holder. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the Service.

If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "Original Issue Discount -- Market Discount" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such U.S. Holder.



Accrual of OID in Foreign Currency. OID for any accrual period on a Note will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described in the Offering Circular under the heading "Tax Matters - United States Federal Income Taxation - Treatment of Qualified Stated Interest". Upon receipt of an amount attributable to OID on the sale or retirement of a Note, a U.S. Holder may recognize ordinary income or loss.

*Purchase, Sale and Retirement of the Notes*

A U.S. Holder's tax basis in a Note will generally be its U.S. dollar cost (as defined below), increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* market discount included in the U.S. Holder's income with respect to the Note. The U.S. dollar cost of a Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. The amount realized on a sale or retirement for an amount in a foreign currency will be the U.S. dollar value of such amount on (i) the date payment is received in the case of a cash basis U.S. Holder, (ii) the date of disposition in the case of an accrual basis U.S. Holder or (iii) in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Except to the extent described above under "Original Issue Discount - Market Discount" or described in the next succeeding paragraph, gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gain of a non-corporate U.S. Holder is generally subject to a maximum tax rate of 28% in respect of property with a holding period of more than one year and to a maximum rate of 20% in respect of property with a holding period in excess of 18-months.

Gain or loss recognized by a U.S. Holder on the sale or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

By: \_\_\_\_\_  
Authorized Officer