International Bank for Reconstruction and Development

Management's Discussion & Analysis and Condensed Quarterly Financial Statements

September 30, 2023

(Unaudited)

Contents

Tables

Figures

Section I: Executive Summary

This Management's Discussion and Analysis (MD&A) reflects the results of the International Bank for Reconstruction and Development's (IBRD's) financial performance for the three months ended September 30, 2023 (FY24 YTD). This document should be read in conjunction with IBRD's Financial Statements and MD&A for the fiscal year ended June 30, 2023 (FY23). IBRD undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform with the current year's presentation.

Table 1: Selected Financial Data

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

	As of and for the three months ended September 30,		As of and for the fiscal year ended June 30,
	2023	2022	2023
Lending Highlights (Section III)			
Net commitments [a]	$ 3,330	$ 2,718	$ 38,572
Gross disbursements	5,807	5,644	25,504
Net disbursements	2,259	2,777	12,736
Income Statement (Section III)			
Board of Governors-approved and other transfers	$ (80)	$ (80)	$ (221)
Net income	683	181	1,144
Balance Sheet (Section III)			
Total assets	$ 336,633	$ 321,018	$ 332,641
Net investment portfolio [b]	80,581	84,309	79,195
Net loans outstanding	242,106	226,831	241,041
Borrowing portfolio [c]	270,356	260,080	266,828
Total equity	60,973	55,420	60,382
Non-GAAP Measures			
Allocable Income (Section III)	$ 222	$ 158	$ 1,312
Usable Equity [d] (Section IV)	53,163	50,301	53,105
Equity-to-Loans Ratio [e] (Section IV)	22.0 %	22.0 %	22.0 %

a. *Amounts include guarantee commitments and guarantee facilities that have been approved by the Executive Directors (referred to as "the Board" in this document), and are net of full terminations and cancellations relating to commitments approved in the same fiscal year.*

b. *For the composition of the net investment portfolio, see Notes to the Condensed Quarterly Financial Statements, Note C - Investments - Table C3.*

c. *Includes associated derivatives.*

d. *Excludes amounts associated with unrealized mark-to-market gains/losses on non-trading portfolios, net and related cumulative translation adjustments.*

e. *Ratio is computed using usable equity and excludes the respective periods' income. Full fiscal year usable equity includes the transfer to the General Reserve.*

With its many years of experience and its depth of knowledge in international development, IBRD plays a key role in achieving the World Bank Group's (WBG[1]) goal of helping countries achieve better development outcomes by providing countries with loans, guarantees, advisory services, analytical support and other products.

IBRD and its affiliated organizations seek to help countries in reducing poverty and inequality, achieve improvements in growth, job creation, governance, the environment, climate adaptation, mitigation and resilience, human capital, infrastructure and debt transparency, among others. To meet its development goals, the WBG supports client countries' efforts to implement programs to improve growth and development outcomes. Further, new and ongoing challenges continue to influence the global outlook. These include high inflation, the rise in food insecurity, growing inequality, global fragility, pandemic risk, Russia's invasion of Ukraine and other geopolitical events, rising debt, climate change, and macroeconomic imbalances. In response, IBRD continues to work with partners at global and country levels to support its borrowing countries in addressing the impact of these multiple crises, to enhance resilience, and lay the groundwork for rebuilding better. To further support these efforts, the Board and Management have been working on an Evolution Roadmap for the WBG to better address the scale of development challenges. As part of this evolution, in October 2023, the Board of Governors endorsed a new vision: to create a world free of poverty on a livable planet, a new mission: to end extreme poverty and boost shared prosperity on a livable planet, and initiatives to increase impact, modernize the approach to delivery, and increase financing capacity. Additional steps to increase IBRD's lending capacity include recently approved measures such as a portfolio guarantee platform with shareholders to make more financing available to clients as well as raising Hybrid Capital, giving shareholders and other partners an opportunity to make investments with strong leverage potential.

[1] The other WBG institutions 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). The World Bank consists of IBRD and IDA.

Summary Financial Results

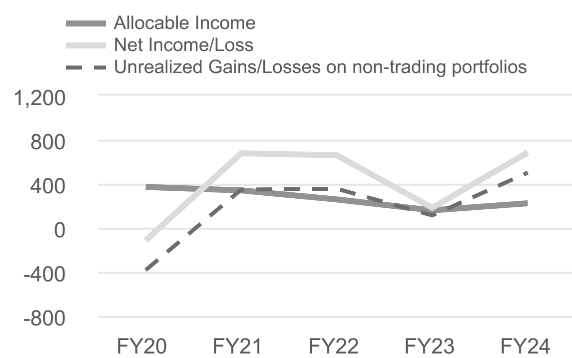
Net Income

IBRD recorded net income of $683 million for the first three months of FY24, compared with net income of $181 million during the same period in FY23. The $502 million increase was primarily due to higher unrealized mark-to-market gains on IBRD's non-trading portfolios, and a decrease in the provision for losses on loans and other exposures. Given IBRD's intention to maintain its non-trading portfolio positions to maturity, unrealized mark-to-market gains and losses for these portfolios are not included in IBRD's allocable income.

Allocable Income

Allocable income is the measure IBRD uses for making net income allocation decisions. During the first three months of FY24, allocable income was $222 million, an increase of $64 million from the same period in FY23. The increase was primarily due to lower provision expenses for losses on loans and other exposures, partially offset by a decrease in net revenue on interest earning assets (see Section III and Section IV).

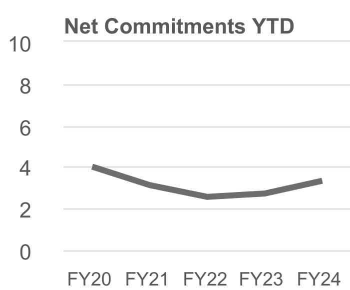
In millions of U.S. dollars - YTD

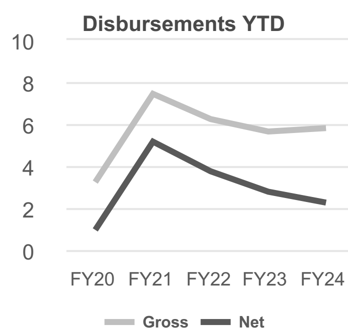


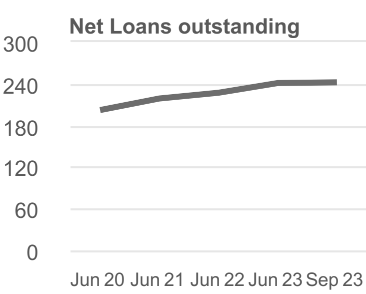
Lending Operations

IBRD's lending operations during the first three months of FY24 provided $3.3 billion of net commitments, $5.8 billion of gross loan disbursements, and $2.3 billion of net loan disbursements. Net loans outstanding were $242.1 billion as of September 30, 2023.

In billions of U.S. dollars





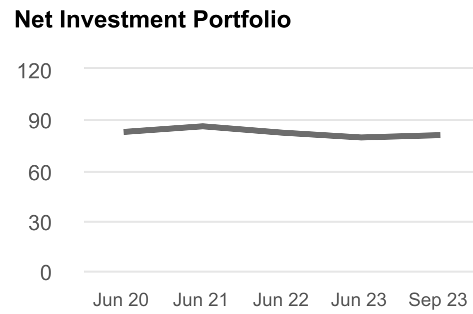


Net commitments were higher by $0.6 billion compared with the same period in FY23 (see Table 5). The regions with the largest share of commitments in the first three months of FY24 were Latin America and the Caribbean with 45%, and East Asia and Pacific with 34%.

Net Investment Portfolio

IBRD’s net investment portfolio increased by $1.4 billion, from $79.2 billion as of June 30, 2023 to $80.6 billion as of September 30, 2023. The increase was primarily due to the net new debt issuances during the period and is consistent with the higher target liquidity level in FY24 compared to FY23 (see Section IV). Seventy-one percent of the investments are rated AA or above (see Table 11), reflecting IBRD’s objective of principal protection and its preference for high-quality investments.

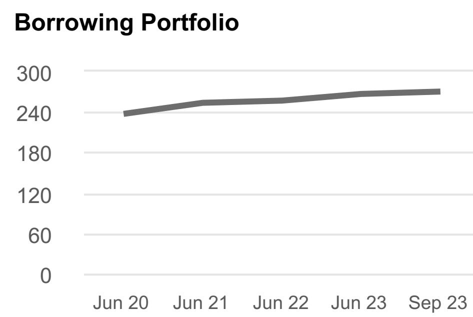
In billions of U.S. dollars



Borrowing Portfolio

As of September 30, 2023, the borrowing portfolio was $270.4 billion, $3.6 billion higher than June 30, 2023. The increase was mainly due to net new debt issuances that financed development and lending operations and satisfied liquidity requirements.

In billions of U.S. dollars

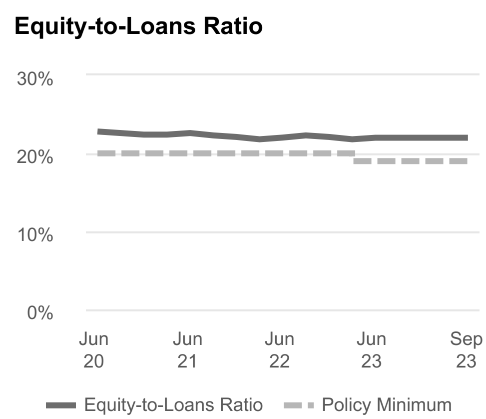


Equity-to-Loans Ratio

The Equity-to-Loans ratio was 22.0% as of September 30, 2023, unchanged from June 30, 2023, and above the policy minimum of 19%. In line with IBRD's currency management approach, exchange rate movements during the period did not have an impact on IBRD's Equity-to-Loans ratio.

During the first three months of FY24, IBRD received $300 million of paid-in capital subscribed under the 2018 General and Selective Capital Increases (GCI and SCI), bringing the cumulative amounts received to $5.7 billion, representing 76% of the total amount expected over the subscription period. The subscription period for the GCI and SCI, now extended, ends on October 1, 2025.

Ratio in percentages



Section: II Overview

IBRD, an international organization owned by its 189 member countries, is one of the five institutions of the WBG. Each institution is legally and financially independent, with separate assets and liabilities. IBRD is not liable for the obligations of the other institutions.

IBRD is a Multilateral Development Bank (MDB) that combines knowledge services and financing with a global reach. IBRD's value is derived from its ability to help eligible borrowing members address their development challenges and meet their rising demand for innovative products. IBRD provides loans, guarantees, and other financial products for development-focused projects and programs to creditworthy middle-income and low-income countries to support sustainable development. By operating across a full range of country clients, IBRD maintains a depth of development knowledge, uses its convening power to promote development and advance the global public goods agenda, and coordinates responses to regional and global challenges.

Member countries use IBRD's technical advice and analysis and convening power to develop or implement better policies, programs, and reforms that help sustain development over the long term. The products delivered range from development data, to reports on key social economic and social issues at the local, country, regional and global levels. The products also include knowledge-sharing workshops focused on local issues, flagship events and fora to address the most pressing global development challenges.

Financial Business Model

IBRD's objective is not to maximize profits, but to earn adequate income to ensure that it has the long-term financial capacity necessary to support its development activities. IBRD seeks to generate sufficient revenue to finance its operations as well as to be able to set aside funds in reserves to strengthen its financial position. It also seeks to provide support to IDA and trust funds through income transfers for other developmental purposes.

IBRD's financial strength rests 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 continues to receive from its members and in the record of its borrowing member countries in meeting their debt service obligations to IBRD. Sound financial and risk management policies and practices have enabled IBRD to maintain adequate capital, 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 offers its borrowers, in middle income and creditworthy low-income countries, long-term loans with maturities up to 35 years. Borrowers may customize their repayment terms to meet their debt management or project needs in multiple currencies on variable spread and previously on fixed spread terms. Borrowers have generally preferred loans denominated in U.S. dollars and euros. IBRD also supports its borrowers by providing access to risk management products such as derivative instruments, including currency and interest rate swaps and interest rate caps and collars.

To meet its development goals, IBRD intermediates funds for lending from the international capital markets. IBRD's loans are also financed through its equity. 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. IBRD's annual funding volumes vary from year to year, and funds raised are used to finance IBRD's development projects and programs in member countries. Funds not deployed for lending are maintained in IBRD's investment portfolio to supply liquidity for its operations.

IBRD uses derivatives to manage its exposure to various market risks from the above activities. These are used to align the interest and currency composition of its assets (loan and investment portfolios) with that of its liabilities (borrowing portfolio), and to stabilize earnings on the portion of the loan portfolio funded by equity. See Section IV: Risk Management for additional details on how IBRD uses derivatives.

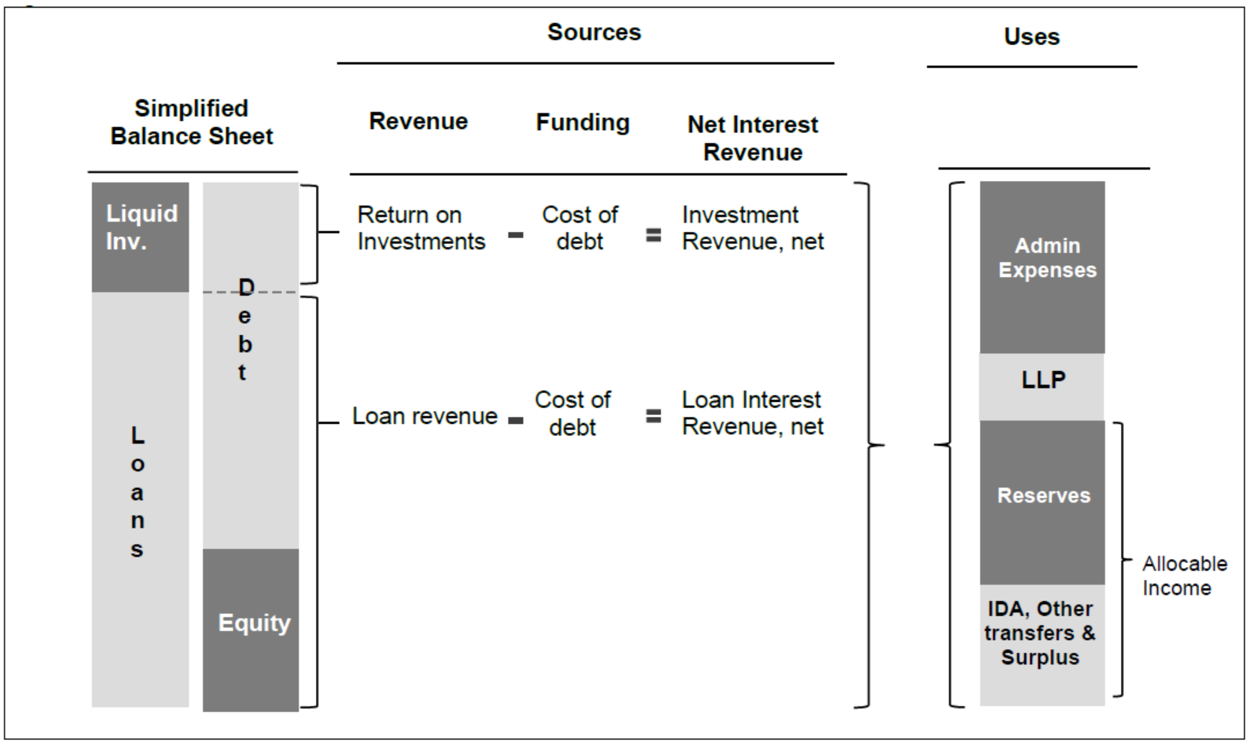
Management believes that these risk management strategies, taken together, effectively manage market risk in IBRD's operations from an economic perspective. However, these strategies entail the use of derivatives, which introduces volatility in net income through unrealized mark-to-market gains and losses (particularly given the long-term nature of some of IBRD's assets and liabilities). Accordingly, Management makes decisions on income allocation without reference to unrealized mark-to-market gains and losses on risk management instruments in the non-trading portfolios – see Basis of Reporting – Allocable Income.

Financial Performance

IBRD's primary sources of revenue are from loans and investments, both net of funding costs (see Figure 1). This revenue is used for administrative expenses, provision for losses on loans and other exposures[2] (LLP), as well as transfers to Reserves, Surplus, and for other development purposes, including transfers to IDA.

In addition, other development activities generate non-interest revenue that is classified as *Revenue from externally funded activities*. These external funds include trust fund fees, reimbursable funds, and revenues from fee-based services to member countries. Non-interest revenue from externally funded activities provides additional capacity to support the development needs of client countries.

Figure 1: Sources and Uses of Revenue



Basis of Reporting

IBRD's financial statements conform with accounting principles generally accepted in the United States of America (U.S. GAAP). All financial instruments in the investment and borrowing portfolios and all derivatives are reported at fair value, with changes in fair value reported in the Statements of Income, except for changes in IBRD's own credit, which are reflected in Other Comprehensive Income. IBRD's loans are reported at amortized cost. Management uses net income as the basis for deriving allocable income, as discussed below.

[2] *Other exposures include signed loan commitments (including deferred drawdown options – DDOs and irrevocable commitments) and guarantees.*

Allocable Income

IBRD's Articles of Agreement (the Articles) require that the Governors determine the allocation of income at the end of every fiscal year. Allocable income, which is a non-GAAP financial measure, is an internal management measure that reflects income available for allocation. IBRD defines allocable income as net income after certain adjustments, that are approved by the Board at the end of every fiscal year. These adjustments primarily relate to unrealized mark-to-market gains and losses associated with the non-trading portfolios, as well as Board of Governors-approved and other transfers, which primarily relate to the allocation of the prior year's net income.

See Financial Results Section (Section III) and Table 2, for details of the adjustments to reported net income to calculate allocable income.

The volatility in IBRD's net income is often driven by the unrealized mark-to-market gains and losses on the derivative instruments in IBRD's non-trading portfolios: loans, borrowings, and other asset/liability management (ALM). IBRD's risk management strategy entails the use of derivatives to manage market risk. These derivatives are primarily used to align the interest rate and currency bases of IBRD's assets and liabilities. IBRD has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are reported at fair value on the Balance Sheets, with changes in fair values reflected in the Statements of Income.

In line with its financial risk management policies, for the non-trading portfolios, unrealized mark-to-market gains and losses from instruments carried at fair value (borrowing portfolio, and derivatives in the loans and Other ALM portfolios) are excluded from allocable income.

For the trading portfolio (investment portfolio), allocable income includes both realized and unrealized mark-to-market gains and losses. In some cases, the unrealized mark-to-market gains and losses on certain trades are excluded from allocable income when the underlying item is a physical asset held at amortized cost.

Section III: Financial Results

Financial Results and Portfolio Performance

The following is a discussion of the key drivers of IBRD's financial performance, including a reconciliation between IBRD's net income and allocable income.

Table 2: Condensed Statements of Income

In millions of U.S. dollars

For the three months ended September 30,	2023	2022	Impact on income: Decrease	Impact on income: Increase
Revenue on interest earning assets, net of funding costs				
Loan interest revenue, net	$ 1,149	$ 841		308
Other ALM derivatives, net	(422)	(29)	(393)	
Investment revenue, net [a]	21	37	(16)	
Total revenue on interest earning assets, net	$ 748	$ 849	(101)	
Provision for losses on loans and other exposures [b]	(205)	(389)		184
Net non-interest expenses (Table 7)	(366)	(363)	(3)	
Net pension cost, other than service cost (Table 7)	48	51	(3)	
Net other revenue (Table 6)	30	1		29
Board of Governors-approved and other transfers	(80)	(80)		—
Non-functional currency translation adjustment gains, net	8	—		8
Unrealized mark-to-market gains on non-trading portfolios, net [c]	500	112		388
Net income	**$ 683**	**$ 181**		502
Adjustments to reconcile net income to allocable income:				
Pension [d] and other adjustments	(33)	9	(42)	
Board of Governors-approved and other transfers	80	80		—
Non-functional currency translation adjustment (gains), net	(8)	—	(8)	
Unrealized mark-to-market gains on non-trading portfolios, net [c]	(500)	(112)	(388)	
Allocable income	**$ 222**	**$ 158**		64

a. Includes unrealized mark-to-market losses on the Investments-trading portfolio of $27 million in FY24 YTD (unrealized mark-to-market gains of $30 million in FY23 YTD) and excludes Post Employment Benefit Plan (PEBP) and Post Retirement Contribution Reserve Fund (PCRF) losses of $9 million in FY24 YTD ($32 million losses for FY23 YTD) reported in Net other revenue (Table 6).

b. Includes changes on recoverable asset relating to Guarantees received under the Exposure Exchange Agreements (EEAs).

c. Adjusted to exclude amounts reclassified to realized gains (losses).

d. Adjustment to pension accounting expense to arrive at pension plan contributions. Pension plan and PCRF contributions were $66 million in FY24 YTD and $62 million in FY23 YTD.

Table 3: Condensed Balance Sheets

In millions of U.S. dollars

As of	September 30, 2023	June 30, 2023	Decrease	Increase
Investments and due from banks	$ 81,132	$ 79,824		1,308
Net loans outstanding [a]	242,106	241,041		1,065
Derivative assets, net	313	271		42
Other assets	13,082	11,505		1,577
Total Assets	**$ 336,633**	**$ 332,641**		3,992
Borrowings	237,785	237,265		520
Derivative liabilities, net	29,356	26,893		2,463
Other liabilities	8,519	8,101		418
Equity	60,973	60,382		591
Total Liabilities and Equity	**$ 336,633**	**$ 332,641**		3,992

a. The fair value of IBRD's loans was $236,513 million as of September 30, 2023 ($236,521 million – June 30, 2023).

The main drivers of the change in the Balance Sheet items are below:

- Increase in investments and due from banks primarily due to net new debt issuances;
- Increase in net loans outstanding primarily from net loan disbursements;
- Increase in other assets mainly from increase in unsettled trades related to borrowings and higher accrued interest on loans consistent with the increase in interest rates;
- Increase in derivative liabilities primarily due to unrealized mark-to-market losses as a result of the increase in interest rates; and
- Increase in equity, primarily due to the increase in retained earnings and the increase in paid-in capital during FY24 YTD.

Net Income

IBRD's net income was $683 million for the first three months of FY24, compared with net income of $181 million during the same period in FY23. The $502 million increase was primarily due to higher unrealized mark-to-market gains on IBRD's non-trading portfolios and a decrease in the provision for losses on loans and other exposures, partially offset by a decrease in net revenue on interest earning assets (see Table 2).

Results from Lending activities

Loan Interest Revenue, net

Under IBRD's pricing policy, the lending rates for all loans are based on the underlying cost of the borrowings funding these loans. After the effect of related derivatives, the loan and borrowing portfolios are based on variable interest rates. The portion of the loan portfolio funded by equity is sensitive to changes in interest rates.

Figure 2: Loans interest revenue and funding cost (including derivatives)
In millions of U.S. dollars, YTD

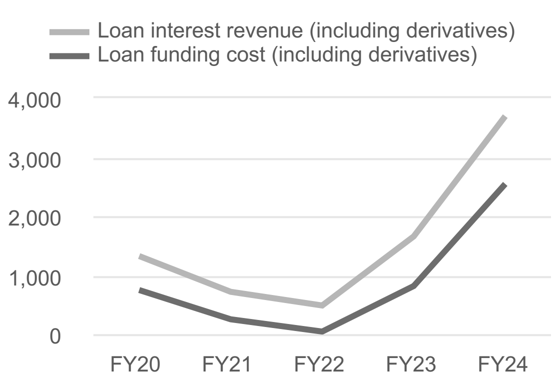
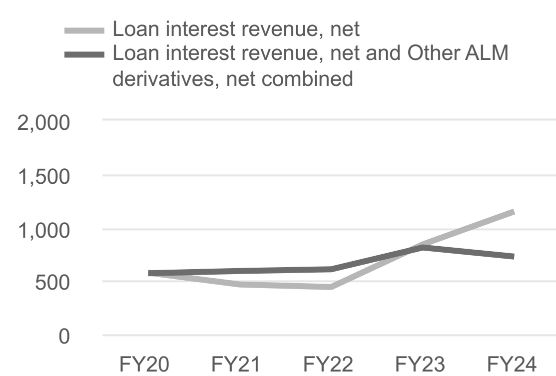


Figure 3: Loan interest revenue, net
In millions of U.S. dollars, YTD



For the first three months of FY24, IBRD's loan interest revenue, net of funding costs was $1,149 million, an increase of $308 million compared with the same period in FY23 (Figure 3), consistent with the increase in average interest rates during the period. Other ALM derivatives moderate the impact of interest rate changes on the portion of the loan portfolio that is sensitive to interest rate movements, thereby partially stabilizing the net interest revenue earned from these loans (see Figure 3). Other ALM derivatives comprise interest rate swaps, which are used to convert the variable rate cash flows from these loans to fixed rate cash flows.

The combined effect of the increase in loan interest revenue, net of $308 million and the decrease in interest revenue from Other ALM derivatives, net of $393 million from FY23 YTD to FY24 YTD, resulted in a total decrease in net loan interest revenue of $85 million. The decrease was primarily due to the 6-month London Interbank Offer Rate (LIBOR) based borrowing portfolio resetting at higher rates, whereas the majority of the loan portfolio had transitioned to the Secured Overnight Financing Rate (SOFR) by the end of FY23. This was partially offset by the increase in loan interest revenue due to the higher average loan balance.

Provision for losses on loans and other exposures

IBRD recorded provision expenses for losses on loans and other exposures of $205 million in FY24 YTD, $184 million lower than the same period in FY23. This decrease was primarily driven by the decrease in the loss given default (severity) due to the lower increase in implied forward interest rates in FY24 YTD compared to FY23 YTD. The severity reflects the expected losses from delays in receiving interest payments since IBRD does not charge interest on overdue interest. As the majority of IBRD's loans carry a variable interest rate, changes in forward interest rates impact the expected losses that are recorded through the provision for losses on loans and other exposures in the statements of income.

Figure 4: Change in Net Loans Outstanding
In billions of U.S. dollars

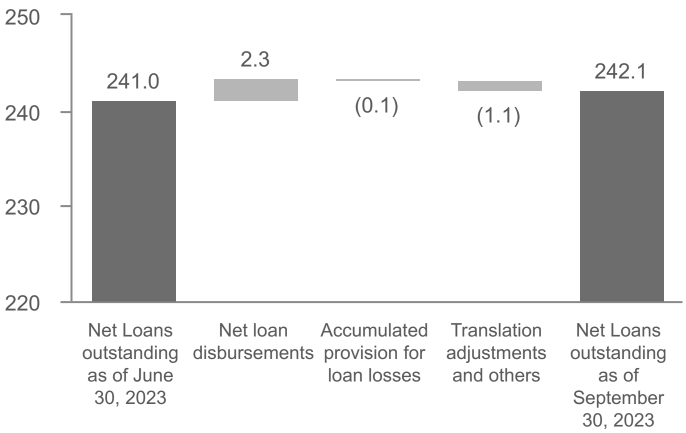
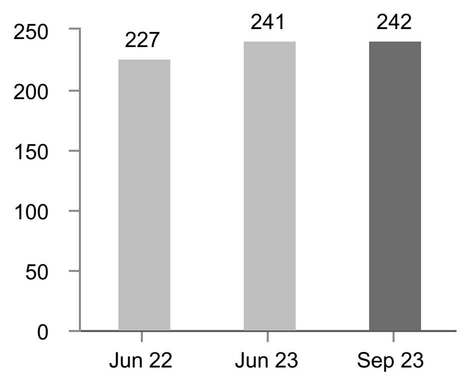


Figure 5: Net Loans Outstanding
In billions of U.S. dollars



As of September 30, 2023, 82% of IBRD's total loans outstanding, after derivatives, were denominated in U.S. dollars, and 18% were denominated in euro. For the regional presentation of loans outstanding, see Notes to Condensed Quarterly Financial Statements, Note D: Loans and other exposures, Table D6.

Gross disbursements were $5.8 billion in FY24 YTD, a $0.2 billion increase compared with the same period in FY23 (Table 4). The increase is primarily driven by the increase in Development Policy Financing (DPF) disbursements.

Table 4: Gross Disbursements by Region
In millions of U.S. dollars

For the three months ended September 30,	*2023*	*% of total*	*2022*	*% of total*	*Variance*
Eastern and Southern Africa	$ 75	1 %	$ 959	17 %	$ (884)
Western and Central Africa	22	*	17	*	5
East Asia and Pacific	343	6	470	8	(127)
Europe and Central Asia	2,274	39	355	6	1,919
Latin America and the Caribbean	1,766	31	2,415	43	(649)
Middle East and North Africa	777	13	1,054	19	(277)
South Asia	550	10	374	7	176
Total	**$ 5,807**	**100 %**	**$ 5,644**	**100 %**	**$ 163**

** Indicates percentage less than 0.5%.*

Net commitments were $3.3 billion in FY24 YTD, a $0.6 billion increase compared with the same period in FY23 (Table 5), mainly driven by the increase in DPF commitments.

Table 5: Net Commitments by Region
In millions of U.S. dollars

For the three months ended September 30,	2023	% of total	2022	% of total	Variance
Eastern and Southern Africa	$ 184	6 %	$ —	— %	$ 184
Western and Central Africa	—	—	—	—	—
East Asia and Pacific	1,130	34	—	—	1,130
Europe and Central Asia	110	3	1,085	40	(975)
Latin America and the Caribbean	1,510	45	637	24	873
Middle East and North Africa	350	11	496	18	(146)
South Asia	46	1	500	18	(454)
Total	**$ 3,330**	**100 %**	**$ 2,718**	**100 %**	**$ 612**

Results from Investing Activities

Net Investment Portfolio

IBRD's net investment portfolio was $80.6 billion as of September 30, 2023 ($79.2 billion as of June 30, 2023). Of this amount, $76.7 billion related to the liquid asset portfolio ($75.4 billion as of June 30, 2023). See Notes to Condensed Quarterly Financial Statements, Note C: Investments. The increase in the liquid asset portfolio is primarily due to the net debt issuances during the period and in line with the higher target liquidity level for FY24 (see Table 13).

Net Investment Revenue

IBRD's net investment revenue decreased by $16 million in FY24 YTD compared to FY23 YTD. This was primarily due to higher unrealized mark-to-market losses from the impact of interest rate movements and lower unrealized mark-to-market gains on forward contracts due to foreign currency changes.

Figure 6: Net Investment Portfolio
In billions of U.S. dollars

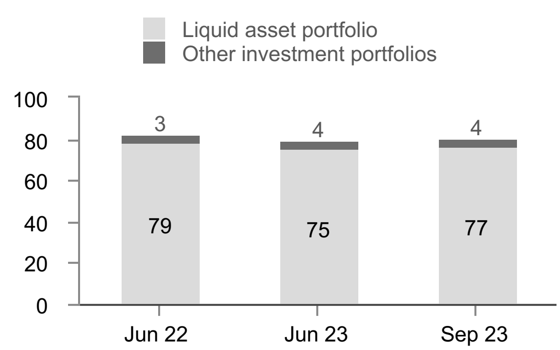
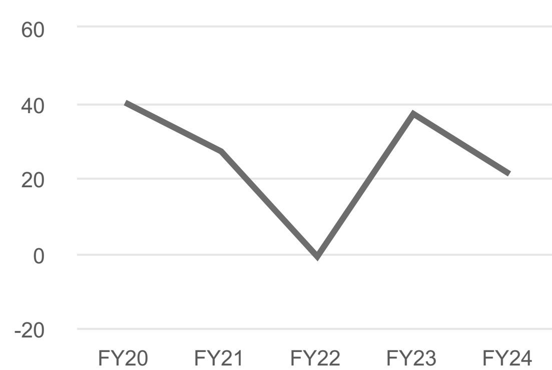


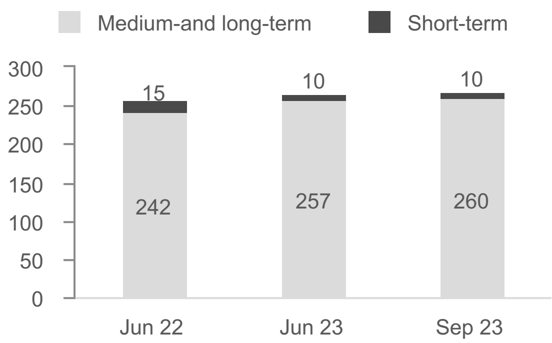
Figure 7: Investment Revenue, net
In millions of U.S. dollars, YTD



Results from Borrowing Activities

As of September 30, 2023, the borrowing portfolio was $270.4 billion, a $3.6 billion increase compared with June 30, 2023 (see Notes to Condensed Quarterly Financial Statements, Note E: Borrowings). The increase was primarily due to new debt issuances, net of retirements. New issuances of medium-and long-term debt of $14.1 billion during the first three months of FY24 were highly diversified by investor profile and location, with an average maturity of 7.5 years. The funds raised financed development lending operations and satisfied the liquidity requirements.

Figure 8: **Borrowing Portfolio (original maturities)**
In billions of U.S. dollars



Net Other Revenue

Net other revenue was higher by $29 million in FY24 YTD, compared with the same period in FY23. The increase was mainly due to the lower (negative) investment earnings from the PEBP and PCRF holdings, consistent with prevailing market conditions.

Table 6: Net Other Revenue
In millions of U.S. dollars

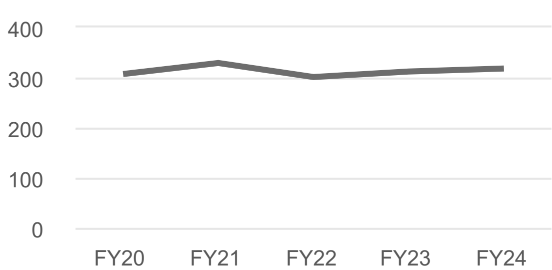
For the three months ended September 30,	*2023*	*2022*	*Variance*
Loan commitment fees	$ 35	$ 30	$ 5
Guarantee fees	4	3	1
Net Earnings from PEBP and PCRF	(9)	(32)	23
Net other revenue (Table 2)	**$ 30**	**$ 1**	**$ 29**

Net Non-Interest Expenses

As shown in Table 7, IBRD's net non-interest expenses are primarily comprised of administrative expenses, net of revenue from externally funded activities. IBRD and IDA's administrative budget is a single resource envelope that funds the combined work programs of both entities. The allocation of net administrative expenses between IBRD and IDA is based on an agreed cost and revenue-sharing methodology, approved by their Boards, which is primarily driven by the relative level of lending, knowledge services, and other services between the two entities. The administrative expenses shown in Table 7 include costs related to IBRD-executed trust funds and other externally funded activities.

Figure 9: **Net Non-Interest Expenses (GAAP basis)**

In millions of U.S. dollars, YTD



The increase in net non-interest expenses on both a GAAP basis and allocable income basis from FY23 YTD to FY24 YTD was primarily driven by higher staff costs and higher travel expenses (see Table 7).

Table 7: Net Non-Interest Expenses

In millions of U.S. dollars

For the three months ended September 30,	2023	2022	Variance
Administrative expenses			
Staff costs	$ 286	$ 270	$ 16
Travel	23	17	6
Consultant fees and contractual services	71	68	3
Pension and other postretirement benefits [a]	70	87	(17)
Communications and technology	23	21	2
Premises and equipment	30	30	—
Other expenses	26	26	—
Total administrative expenses	**$ 529**	**$ 519**	**$ 10**
Contributions to special programs	1	—	1
Revenue from externally funded activities:			
Reimbursable revenue – IBRD executed trust funds	(98)	(91)	(7)
Other revenue	(66)	(65)	(1)
Total revenue from externally funded activities	**$ (164)**	**$ (156)**	**$ (8)**
Net non-interest expenses (Table 2)	366	363	3
Net pension cost, other than service cost [b] (Table 2)	(48)	(51)	3
Net non-interest expenses - GAAP basis	**$ 318**	**$ 312**	**$ 6**
Adjustments to arrive at net non-interest expenses - allocable income basis			
Pension, Externally Financed Outputs (EFO) and Reserve Advisory and Management Partnership (RAMP) adjustments [c]	42	23	19
Net non-interest expenses - Allocable income (Non-GAAP basis)	**$ 360**	**$ 335**	**$ 25**

a. Represents the service cost component of net periodic pension cost. See Notes to Condensed Quarterly Financial Statements, Note H: Pension and Other Postretirement Benefits.

b. Amount is included in Other Non-interest expenses in the Condensed Statements of Income (see Table 2).

c. Adjustments are included in the Pension and other adjustments line in Table 2.

Unrealized mark-to-market gains and losses on non-trading portfolios

Unrealized mark-to-market gains and losses associated with the non-trading portfolios are excluded from reported net income to arrive at allocable income. As a result, from a long-term financial sustainability perspective, income allocations are generally based on amounts that have been realized (except for the Investments-Trading portfolio, as previously discussed). For the first three months of FY24, $500 million of net unrealized mark-to-market gains ($112 million net unrealized mark-to-market gains for same period in FY23) were excluded from reported net income to arrive at allocable income (see Table 2).

Table 8: Unrealized Mark-to-market Gains / (Losses) on Non-trading Portfolios [a]

In millions of U.S. dollars

For the three months ended September 30,	2023	2022	Variance
Loan-related derivatives	$ 1,254	$ 1,978	$ (724)
Other asset/liability management derivatives, net	(707)	(1,729)	1,022
Borrowings, including derivatives	(47)	(137)	90
Client operations derivatives	—	1	(1)
Others, net	—	(1)	1
Total	**$ 500**	**$ 112**	**$ 388**

a. Adjusted to exclude amounts reclassified to realized mark-to-market gains (losses).

Loan Portfolio

Loans are reported at amortized cost on the balance sheet and therefore the mark to market effect on loans is not reflected in reported net income. However, the derivatives used to convert loans from fixed-rate to variable-rate instruments, for asset / liability management purposes, are reported at fair value. From an economic perspective, IBRD's loans after the effect of derivatives carry variable interest rates and have a low sensitivity to interest rates. The unrealized mark to market gains on loan related derivatives were $1,254 million for the first three months of FY24, primarily due to the increase in interest rates during this period. The lower unrealized mark to market gains in FY24 YTD were primarily due to the less prominent increase in interest rates compared to the same period in FY23. See Section IV: Risk Management for additional details on how IBRD uses derivatives in the loan portfolio.

Other ALM Portfolio

IBRD uses derivatives to stabilize its interest revenue from the portion of loans that is sensitive to changes in short-term interest rates. The Other ALM portfolio consists of derivatives which convert variable rate loan cash flows to fixed rate loan cash flows. In the first three months of FY24, IBRD recorded unrealized mark-to-market losses of $707 million on this portfolio primarily due to the increase in interest rates for the three months ended September 30, 2023. The lower unrealized mark-to-market losses in FY24 YTD were primarily due to the less prominent increase in interest rates compared to the same period in FY23. As of September 30, 2023, the duration of this portfolio was 3.7 years, within the Board established limit of 5 years.

Borrowing Portfolio

IBRD's bonds and the related derivatives are reported at fair value. IBRD recorded $47 million of net unrealized mark-to-market losses on IBRD's bonds and associated derivatives, due to the increase in interest rates for the three months ended September 30, 2023. The losses on the bond-related derivatives exceeded the gains on the bonds. The net unrealized mark-to-market gains on IBRD's bonds exclude changes in IBRD's own credit, referred to as the DVA on Fair Value Option elected liabilities, which is instead recorded in Accumulated Other Comprehensive Income (AOCI). For the first three months of FY24, the DVA was $55 million of unrealized mark-to-market losses, resulting mainly from the tightening of IBRD's credit spreads relative to the applicable reference rate during the period. As of September 30, 2023, IBRD's Condensed Balance Sheets included a cumulative DVA of $296 million of mark-to-market gains reflected in AOCI (see Notes to the Condensed Quarterly Financial Statements, Note K – Fair Value Disclosures).

Board of Governors-approved Transfers

On August 21, 2023, IBRD's Board of Governors approved a transfer of $80 million from Surplus to the Trust Fund for Gaza and the West Bank. The transfer was made on September 6, 2023.

On August 21, 2023, IBRD's Board of Governors also approved a transfer of $40 million from Surplus to the IBRD Fund for Innovative Global Public Goods Solutions (GPG Fund). The transfer was made on September 12, 2023. During the three months ended September 30, 2023, there was no utilization out of the cumulative transfers from the IBRD Fund for Innovative GPG Fund and no expense was recognized in the Statements of Income. The unutilized balance as of September 30, 2023 of the GPG Fund was $101 million.

Since 1964, IBRD has made transfers to IDA out of its net income, upon approval by the Governors. Under a formula-based approach for IBRD's income support to IDA, the amount of income transfer recommended for IDA is a function of IBRD's financial results. On October 13, 2023, the Board of Governors approved a transfer of $291 million to IDA out of FY23 allocable income, which was made on October 24, 2023.

Section IV: Risk Management

Risk Governance

IBRD's risk management processes and practices evolve to reflect changes in activities in response to market, credit, product, operational, and other developments. The Board, particularly the Audit Committee, periodically reviews trends in IBRD's risk profiles and performance, and any major developments in risk management policies and controls. Management believes that effective risk management is critical for its overall operations. Accordingly, the risk management governance structure is designed to manage the principal risks IBRD assumes in its activities.

Risk Oversight and Coverage

The Vice President and WBG Chief Risk Officer (CRO) oversees both financial and operational risks. These risks include (i) country credit risks in the core sovereign-lending business, (ii) market and counterparty risks, including liquidity risk, and (iii) operational risks relating to people, processes, and systems, or from external events.

The risk of IBRD's operations not meeting their development outcomes (development outcome risk) in IBRD's lending activities is monitored at the corporate level by Operations Policy and Country Services (OPCS). Where fraud and corruption risks may impact IBRD-financed projects, OPCS, the regions and practice groups, and the Integrity Vice Presidency jointly address such issues.

For a detailed discussion of the risk governance and risk oversight and coverage, see IBRD's MD&A for the fiscal year ended June 30, 2023, Section IX: Risk Management.

Management of IBRD's Risks

IBRD assumes financial risks in order to achieve its development and strategic objectives. IBRD's financial risk management framework is designed to enable and support the institution in achieving its goals in a financially sustainable manner. IBRD manages credit, market, and operational risks in its financial activities, which include lending, borrowing and investing. The primary financial risk to IBRD is the country credit risk inherent in its loan portfolio. IBRD is also exposed to risks in its liquid asset and derivative portfolios, where the major risks are interest rate, exchange rate, commercial counterparty credit, and liquidity risks. IBRD's operational risk management framework is based on a structured and uniform approach to identify, assess and monitor key operational risks across business units.

In an effort to maximize IBRD's capacity to lend to member countries for development purposes, IBRD limits its exposure to market and counterparty credit risks. In addition, to ensure that the financial risks associated with its loans and other exposures do not exceed its risk-bearing capacity, IBRD uses a strategic capital adequacy framework as a key medium-term capital planning tool.

Geopolitical Events and Global Outlook

Russia's invasion of Ukraine that began in February 2022 negatively impacted regional and global financial markets and economic conditions. It also created significant needs for humanitarian and other critical support. From the outbreak of the conflict, through September 30, 2023, IBRD committed $4.3 billion to Ukraine. Over the same period, IBRD disbursed $4.5 billion (including commitments made prior to the start of the invasion) to help the government of Ukraine provide critical services.

As of September 30, 2023, IBRD's loans outstanding to Ukraine were $10.1 billion, with $4.3 billion guaranteed by third parties. In addition, IBRD provided $0.6 billion of guarantees to Ukraine that were outstanding as of September 30, 2023. As of September 30, 2023, there were no loans outstanding to the Russian Federation.

As of September 30, 2023, IBRD had sufficient resources to meet its liquidity requirements and continues to have access to capital market resources. The liquid asset portfolio was above the Target Liquidity Level (see Table 13).

Management remains vigilant in assessing funding needs in the medium and longer-term to manage the effect of any significant market movements.

IBRD's capital adequacy, as indicated by the Equity-to-Loans ratio (Table 9) remains above the minimum level.

As of the reporting date, country credit risk and counterparty credit risk remain in line with the existing governance framework and established credit limits. The loan loss provisions include IBRD's current assessment of country credit risk. The fair values of related financial instruments reflect counterparty credit risk in IBRD's portfolios. Developments in the market continue to be closely monitored and managed.

Capital Adequacy

IBRD holds capital to cover the credit, market and operational risks inherent in its operating activities and financial assets. Country credit risk is the most substantive risk covered by IBRD's equity.

IBRD's capital adequacy is the degree to which its equity is sufficient to withstand unexpected shocks. IBRD's Board monitors IBRD's capital adequacy within a strategic capital adequacy framework and uses the Equity-to-Loans ratio as a key indicator of capital adequacy. The framework seeks to ensure that IBRD's equity is aligned with the financial risk associated with its loan portfolio and other exposures over a medium-term capital-planning horizon.

As shown in Table 9, IBRD's Equity-to-Loans ratio was stable at 22.0% as of September 30, 2023 from June 30, 2023, and remained above the 19% minimum ratio under the strategic capital adequacy framework.

During the first three months of FY24, IBRD received $300 million of paid-in capital subscribed under the 2018 GCI and SCI, bringing the cumulative amounts received to $5.7 billion, 76% of the $7.5 billion expected over the subscription period. In line with IBRD's currency management policy, exchange rate movements during the period did not have an impact on IBRD's Equity-to-Loans ratio. Under the currency management policy, to minimize exchange rate risk, IBRD matches its borrowing obligations in any one currency (after derivatives) with assets in the same currency. In addition, IBRD periodically undertakes currency conversions to align the currency composition of its equity with that of its outstanding loans, across major currencies.

Table 9: Equity-to-Loans Ratio

In millions of U.S. dollars

			Variance		
As of	*September 30, 2023*	*June 30, 2023*	*Total*	*Due to Activities*	*Due to Translation Adjustments*
Usable paid-in capital (Table 10)	$ 20,904	$ 20,669	$ 235	$ 300	$ (65)
Special reserve	293	293	—	—	—
General reserve [a]	32,974	32,974	—	—	—
Cumulative translation adjustment [b]	(1,202)	(1,004)	(198)	—	(198)
Other adjustments [c]	194	173	21	—	21
Equity (usable equity)	**$ 53,163**	**$ 53,105**	**$ 58**	**$ 300**	**$ (242)**
Loan exposure	$ 245,087	$ 243,896	$ 1,191	$ 2,259	$ (1,068)
Present value of guarantees	2,893	2,840	53	87	(34)
Effective but undisbursed DDOs	531	100	431	442	(11)
Relevant accumulated provisions	(3,045)	(2,853)	(192)	(205)	13
Deferred loan income	(530)	(520)	(10)	(13)	3
Adjustments to reflect third-party guarantees received	(3,419)	(1,877)	(1,542)	(1,551)	9
Other exposures	341	320	21	21	—
Loans (total exposure)	**$ 241,858**	**$ 241,906**	**$ (48)**	**$ 1,040**	**$ (1,088)**
Equity-to-Loans Ratio	**22.0 %**	**22.0 %**			

a. June 30, 2023 amount includes the transfer to the General Reserve, which was approved by the Board on August 3, 2023.

b. Excludes cumulative translation amounts associated with the unrealized mark-to-market gains/losses on non-trading portfolios, net.

c. Includes cumulative translation gains on non-functional currencies of $242 million ($221 million gains as of June 30, 2023).

Table 10: Usable Paid-In Capital
In millions of U.S. dollars

As of	September 30, 2023	June 30, 2023	Variance
Paid-in Capital	$ 22,119	$ 21,819	$ 300
Deferred amounts to maintain value of currency holdings [a]	(536)	(436)	(100)
Adjustments for unreleased NCPIC:			
Restricted cash	(51)	(51)	—
Nonnegotiable, noninterest-bearing demand obligations on account of subscribed capital	(316)	(320)	4
Receivable amounts to maintain value of currency holdings	(314)	(345)	31
MOV payable	2	2	—
Total Adjustments for unreleased NCPIC	$ (679)	$ (714)	$ 35
Usable paid-in capital	**$ 20,904**	**$ 20,669**	**$ 235**

a. The Maintenance-Of-Value (MOV) on released National Currency Paid-In Capital (NCPIC) is considered to be deferred.

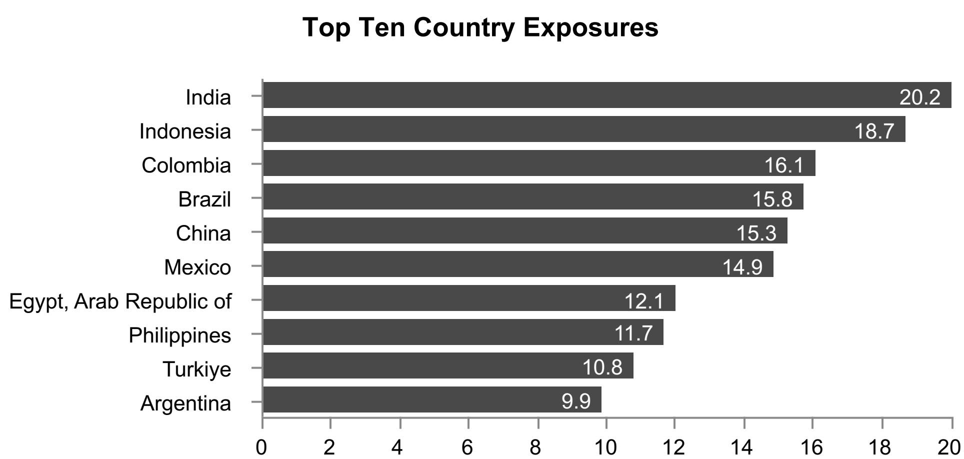
Credit Risk

IBRD faces two types of credit risk: country credit risk and counterparty credit risk. Country credit risk is the risk of loss due to a country not meeting its contractual obligations, and counterparty credit risk is the risk of loss attributable to a counterparty not honoring its contractual obligations. IBRD is exposed to commercial as well as non-commercial counterparty credit risk.

Country Credit Risk

IBRD manages country credit risk by using individual country exposure limits and produces credit risk ratings for all its borrowing countries, which reflect country economic, financial, and political circumstances, and also considers Environmental, Social and Governance (ESG) risk factors. In addition, IBRD conducts stress tests of the effects of changes in market variables and of potential geopolitical events on its portfolio to complement its capital adequacy framework.

Figure 10: **Country Exposures as of September 30, 2023**
In billions of U.S. dollars



Portfolio Concentration Risk

Portfolio concentration risk, which arises when a small group of borrowers accounts for a large share of loans outstanding, is a key risk for IBRD. The ten countries with the highest exposures accounted for 59% of IBRD's total exposure as of September 30, 2023.

Concentration risk is carefully managed, in part, by applying an exposure limit to a single borrowing country for the aggregate balance of loans outstanding, the present value of guarantees, the undisbursed portion of DDOs, and other eligible exposures that have become effective. Under the current guidelines, IBRD's exposure to a single borrowing country is restricted to the lower of an Equitable Access Limit (EAL) or the Single Borrower Limit (SBL).

The SBL framework reflects a dual-SBL system, which differentiates between countries below the Graduation Discussion Income (GDI) threshold and those above it. Under this system, the FY24 SBL is $28.9 billion for highly creditworthy countries below the GDI, and $21.2 billion for highly creditworthy countries above the GDI.

Accumulated Provision for Losses on Loans and Other Exposures

As of September 30, 2023, IBRD's accumulated provision for losses on loans and other exposures was $3,073 million, including $526 million of accumulated provision related to loan commitments (see Notes to Condensed Quarterly Financial Statements, Note D: Loans and Other Exposures). This was less than 1% of the underlying exposures ($2,878 million as of June 30, 2023, less than 1% of the underlying exposures).

As of September 30, 2023, 0.6% of IBRD's total loans outstanding were in nonaccrual status, all related to Zimbabwe and Belarus. During the first three months of FY24, IBRD received $1 million (less than $1 million for FY23 YTD) from borrowers in non-accrual status as payment towards amounts overdue, of which $1 million (Nil in FY23 YTD) relates to the interest income recognized in the Statements of Income. See Notes to Condensed Quarterly Financial Statements, Note D: Loans and Other Exposures.

No loans to any borrowing country were restored to accrual status during the first three months of FY24.

Counterparty Credit Risk

IBRD is exposed to commercial and non-commercial counterparty credit risk.

Commercial Counterparty Credit Risk

Commercial counterparty credit risk is the risk that counterparties fail to meet their payment obligations under the terms of the contract or other financial instruments. Effective management of counterparty credit risk is vital to the success of IBRD's funding, investment, and asset/liability management activities. The monitoring and management of these risks is continuous as the market environment evolves.

As a result of IBRD's use of collateral arrangements for swap transactions, its residual commercial counterparty credit risk is concentrated in the investment portfolio, in instruments issued by sovereign governments and non-sovereign holdings (including Agencies and Asset-backed securities, Corporates, and Time Deposits).

As shown in Table 11, 71% of IBRD's investment portfolio is rated AA or above, and the remainder predominantly rated A. The exposures with AAA and AA rated counterparties primarily relate to sovereign debt and time deposits. The decrease in exposure rated AAA was primarily driven by a credit rating agency's downgrade of U.S Treasuries holdings in FY24 YTD. The A rated counterparties principally consist of financial institutions (limited to short-term deposits and swaps) and sovereign debt.

Table 11: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

In millions of U.S. dollars

	As of September 30, 2023				
	Investments				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 10,430	$ 6,242	$ —	$ 16,672	21 %
AA	5,317	33,690	19	39,026	50
A	9,539	13,305	94	22,938	29
BBB	2	34	—	36	*
BB or lower/unrated	—	3	—	3	*
Total	**$ 25,288**	**$ 53,274**	**$ 113**	**$ 78,675**	**100 %**

	As of June 30, 2023				
	Investments				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 21,337	$ 8,157	$ —	$ 29,494	38 %
AA	156	31,763	19	31,938	41
A	7,096	8,711	135	15,942	21
BBB	3	35	—	38	*
BB or lower/unrated	—	3	2	5	*
Total	**$ 28,592**	**$ 48,669**	**$ 156**	**$ 77,417**	**100 %**

a. Average rating is calculated using available ratings from the three major rating agencies; however, if ratings are not available from each of the three rating agencies, IBRD uses the average of the ratings available from any of such rating agencies or a single rating to the extent that an instrument or issuer (as applicable) is rated by only one rating agency.

** Indicates percentage less than 0.5%.*

Non-Commercial Counterparty Credit Risk

In addition to its derivative transactions with commercial counterparties, IBRD offers derivative-intermediation and other services to borrowing member countries, as well as to affiliated and non-affiliated organizations, to help meet their development needs and fulfill their development mandates (see Table 12).

IBRD has a master derivatives agreement with the International Finance Facility for Immunisation (IFFIm), under which several transactions have been executed. IBRD has the right to call for collateral above an agreed specified threshold. As of September 30, 2023, IBRD had not exercised this right, but may do so under the existing terms of the agreement. Rather than calling for collateral, IBRD and IFFIm have agreed to manage IBRD's exposure by applying a risk management buffer to the gearing ratio limit. The gearing ratio limit represents the maximum amount of IFFIm's net financial obligations less cash and liquid assets, as a percentage of the net present value of its financial assets.

Table 12: Non-Commercial Counterparty Credit Risk

In millions of U.S. dollars

Exposures as of September 30, 2023

Non-Commercial Counterparty	Instrument used	Purpose of derivative transaction	Notional	Net Exposure
Borrowing Member Countries	Derivatives	Assist borrowing member countries with managing risks	$ 7,887	$ —
Non-Affiliated Organization	Derivatives	Assist IFFIm with managing financial risks	3,083	—
			$ 10,970	**$ —**

Changes in Credit Spreads

The sensitivity of IBRD's portfolios to credit represents the change in fair value corresponding to changes in credit spreads.

- *Investments*: IBRD purchases investment-grade securities for its liquid asset portfolio. Credit risk is controlled through appropriate eligibility criteria (see investment eligibility criteria in IBRD's MD&A as of June 30, 2023) and a consultative loss limit.
- *Borrowings*: IBRD's own credit risk reflects the cost of funding relative to applicable reference rates. Changes in IBRD's credit spreads result in unrealized mark-to-market gains/losses, recorded as Net Change in DVA on Fair Value Option elected liabilities in the Condensed Statements of Comprehensive Income.
- *Loans:* IBRD's fair value model represents a hypothetical exit price of the loan portfolio. It incorporates Credit Default Swaps (CDS) spreads as an indicator of the credit risk for each borrower. IBRD does not hedge its sovereign credit exposure, but Management assesses its credit risk through a loan-loss provisioning framework. The loan loss provision represents the expected losses inherent in its accrual and nonaccrual portfolios. IBRD's country credit risk is managed by using individual country exposure limits and by monitoring its credit-risk-bearing capacity.
- *Derivatives:* IBRD uses derivatives to manage exposures to currency and interest rate risks in its investment, loan, other ALM and borrowing portfolios. It is therefore exposed to commercial counterparty credit risk on these instruments.

Market Risk

IBRD is exposed to changes in interest and exchange rates, and it uses various strategies to minimize its exposure to market risk.

Interest Rate Risk

Under its current interest rate risk management strategy, IBRD seeks to match the interest rate sensitivity of its assets (loan and investment trading portfolios) with those of its liabilities (borrowing portfolio) by using derivatives, such as interest rate swaps. These derivatives effectively convert IBRD's financial assets and liabilities into variable-rate instruments. After considering the effects of these derivatives, virtually the entire loan and borrowing portfolios are carried at variable interest rates.

Loans to borrowing countries

Under IBRD's loan agreements, if an interest rate yields a negative rate, the interest rate charged is zero.

Liquid Asset Portfolio

IBRD's existing guidelines allow for the investment in a wide variety of credit products in both developed and emerging market economies (see investment eligibility criteria in IBRD's MD&A as of June 30, 2023).

The interest rate risk on IBRD's liquid asset portfolio, including the risk that the value of assets in the portfolio will fluctuate in response to changes in market interest rates, is managed within specified duration-mismatch limits. The liquid asset portfolio has spread exposure because IBRD holds instruments other than short-term bank deposits. These investments generally yield positive returns over the risk-free reference rate (SOFR) but can generate mark-to-market gains or losses if the credit spread moves.

Fixed Spread Loan Refinancing Risk

Refinancing risk for funding fixed-spread loans relates to the potential impact of any future deterioration in IBRD's funding spread relative to what was computed in the fixed-spread when the loan was initially disbursed. IBRD does not match the maturity of its funding with that of its fixed spread loans as this would result in significantly higher financing costs for all loans. Instead, IBRD targets a shorter average funding maturity and manages the refinancing risk by charging a risk premium.

Effective April 1, 2021, IBRD's offering of loans on fixed spread terms was suspended.

Other Interest Rate Risks

Interest rate risk also arises from other variables, including differences in timing between the contractual maturities or re-pricing of IBRD's assets, liabilities, and derivative instruments. On variable-rate assets and liabilities, IBRD is exposed to timing mismatches between the reset dates on its variable-rate receivables and payables. IBRD monitors these exposures and may execute overlay interest rate swaps to reduce sizable timing mismatches.

Alternative Reference Rates

The Financial Conduct Authority (FCA), the regulator of LIBOR, confirmed that effective December 31, 2021, all the LIBOR settings, except for certain USD LIBOR, which were available until June 30, 2023, ceased to be provided by any administrator or were no longer representative.

In consideration of the regulatory guidance and in preparation for the global markets' transition away from LIBOR, IBRD took the necessary steps to facilitate a smooth and orderly transition of its financial instruments to alternative reference rates. This transition started on January 1, 2022.

Out of the total loans outstanding as of September 30, 2023, 33% were not required to transition to alternative reference rates. Of the remaining loans outstanding, approximately 62% had transitioned and 5% were still subject to transition to alternative reference rates. The switch over of existing variable spread and non-USD fixed spread loans to alternative reference rates began in January 2022, at the loan reset dates, and was completed as of June 30, 2022. The USD fixed spread loans began transitioning in July 2023, as the loans reset, and will be completed by the end of December 2023.

Out of the total derivative portfolio notional as of September 30, 2023, 33% was not subject to transition to alternative reference rates. Of the remaining derivative portfolio, approximately 43% had transitioned and 24% were still subject to transition to alternative reference rates, which started in July 2023, as derivatives reset. For the vast majority of the derivative portfolio subject to transition, IBRD either has sufficient provisions in the derivative agreements with its counterparties, has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol) or works bilaterally with counterparties, to ensure a smooth transition to alternative reference rates.

As of September 30, 2023, almost all of IBRD's borrowings either carried fixed interest rates or were not subject to transition to alternative reference rates.

IBRD will continue to work with key stakeholders, including internal subject matter experts, senior management, borrowers, industry groups and other market participants, to mitigate potential financial and operational risks to which IBRD is exposed, and to ensure an orderly completion of the transition to the alternative reference rates.

Exchange Rate Risk

IBRD holds the majority of its assets and liabilities in U.S. dollars and euro. However, the reported levels of its assets, liabilities, income, and expenses in the financial statements are affected by exchange rate movements in all the currencies in which IBRD transacts, relative to its reporting currency, the U.S. dollar. While IBRD's equity could be affected by exchange rate movements, IBRD's risk management policies work to minimize the exchange rate risk in its capital adequacy, by immunizing the Equity-to-Loans ratio against exchange rate movements.

To minimize exchange rate risk, IBRD matches its borrowing obligations in any one currency (after derivatives) with assets in the same currency. In addition, IBRD undertakes periodic currency conversions to align the currency composition of its equity with that of its outstanding loans across major currencies. Together, these policies are designed to minimize the impact of exchange rate fluctuations on the Equity-to-Loans ratio; thereby preserving IBRD's ability to better absorb unexpected losses from arrears on loan repayments, regardless of exchange rate movements. As a result, exchange rate movements during the period generally do not have an impact on the overall Equity-to-Loans ratio.

Liquidity Risk

Liquidity risk arises in the general funding of IBRD's activities and in managing its financial position. It includes the risk of IBRD being unable to fund its portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Under IBRD's liquidity management guidelines, liquid asset holdings are kept at or above a specified Prudential Minimum to safeguard against cash flow interruptions.

The Target Liquidity Level represents twelve-months' coverage as calculated at the start of every fiscal year. The Prudential Minimum is defined as 80% of the Target Liquidity Level. The maximum guideline of 150% of Target Liquidity Level continues to function as a guideline rather than a hard ceiling (see Table 13).

Table 13: Liquidity Levels for FY24

		In billions of U.S. dollars	*% of Target Liquidity Level*
Target Liquidity Level	$	59.0	
Guideline Maximum Liquidity Level		89.0	150%
Prudential Minimum Liquidity Level		47.2	80%
Liquid Asset Portfolio as of September 30, 2023	$	76.7	130%

The FY24 Target Liquidity Level is $5.0 billion higher than the prior year, due to the higher projected debt service.

Operational Risk

Operational risk is defined as the risk of financial loss, or damage to IBRD's reputation resulting from inadequate or failed internal processes, people and systems, or from external events.

IBRD recognizes the importance of operational risk management activities, which are embedded in its financial operations. As part of its business activities, IBRD is exposed to a range of operational risks including physical security and staff health and safety, data and cyber security, business continuity, and third-party vendor risks. IBRD's approach to identifying and managing operational risk includes a dedicated program for these risks and a robust process that includes assessing and prioritizing operational risks, monitoring and reporting relevant key risk indicators, aggregating and analyzing internal and external events, and identifying emerging risks that may affect business units and developing risk response and mitigating actions.

Section V: Governance

Senior Management Changes

There were no senior management changes during the first three months of FY24.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

CONTENTS

September 30, 2023

CONDENSED QUARTERLY FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED BALANCE SHEETS

Expressed in millions of U.S. dollars

	September 30, 2023 (Unaudited)	*June 30, 2023 (Unaudited)*
Assets		
Due from banks—Notes C and K		
Unrestricted cash	$ 455	$ 479
Restricted cash	64	68
	519	547
Investments-Trading (including securities transferred under repurchase or securities lending agreements of $12 million—September 30, 2023 and $9 million—June 30, 2023)—Notes C and K	80,538	79,199
Securities purchased under resale agreements—Notes C and K	75	78
Derivative assets, net—Notes C, E, F, I and K	313	271
Loans outstanding—Notes D, I and K		
Total loans approved	326,594	329,008
Less: Undisbursed balance (including signed loan commitments of $65,180 million—September 30, 2023 and $59,350 million—June 30, 2023)	(81,507)	(85,112)
Loans outstanding	245,087	243,896
Less:		
Accumulated provision for loan losses	(2,451)	(2,336)
Deferred loan income	(530)	(519)
Net loans outstanding	242,106	241,041
Other assets—Notes C, D, E and I	13,082	11,505
Total assets	$ 336,633	$ 332,641

	September 30, 2023 (Unaudited)	June 30, 2023 (Unaudited)
Liabilities		
Borrowings—Notes E and K	$ 237,785	$ 237,265
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and K	12	9
Derivative liabilities, net—Notes C, E, F, I and K	29,356	26,893
Other liabilities—Notes C, D and I	8,507	8,092
Total liabilities	275,660	272,259
Equity		
Capital stock—Note B		
Authorized capital (2,783,873 shares—September 30, 2023 and June 30, 2023)		
Subscribed capital (2,657,029 shares—September 30, 2023, and 2,634,728 shares—June 30, 2023)	320,531	317,840
Less: Uncalled portion of subscriptions	(298,412)	(296,021)
Paid-in capital	22,119	21,819
Nonnegotiable, noninterest-bearing demand obligations on account of subscribed capital	(316)	(320)
Receivable amounts to maintain value of currency holdings	(314)	(345)
Deferred amounts to maintain value of currency holdings	(536)	(436)
Retained earnings (Condensed Statements of Changes in Retained Earnings and Note G)	36,824	36,141
Accumulated other comprehensive income—Note J	3,196	3,523
Total equity	60,973	60,382
Total liabilities and equity	$ 336,633	$ 332,641

The Notes to the Condensed Quarterly Financial Statements are an integral part of these Statements.

CONDENSED STATEMENTS OF INCOME

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2023	2022
Interest revenue		
Loans, net—Note D	$ 3,695	$ 1,657
Other asset/liability management derivatives, net	(422)	(29)
Investments-Trading, net	1,068	418
Borrowing expenses, net—Note E	(3,562)	(1,216)
Interest revenue, net of borrowing expenses	779	830
Provision for losses on loans and other exposures, charge—Note D	(207)	(394)
Non-interest revenue		
Revenue from externally funded activities—Note I	164	156
Commitment charges—Note D	35	30
Other	12	14
Total	211	200
Non-interest expenses		
Administrative—Notes H and I	(529)	(519)
Contributions to special programs	(1)	—
Other, net—Note H	42	45
Total	(488)	(474)
Board of Governors-approved and other transfers—Note G	(80)	(80)
Non-functional currency translation adjustment gains, net	8	—
Unrealized mark-to-market losses on Investments-Trading portfolio, net—Notes F and K	(40)	(13)
Unrealized mark-to-market gains on non-trading portfolios, net—Notes D, E, F and K	500	112
Net income	$ 683	$ 181

The Notes to the Condensed Quarterly Financial Statements are an integral part of these Statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2023	2022
Net income	$ 683	$ 181
Other comprehensive loss —Note J		
Reclassification to net income:		
Amortization of unrecognized net actuarial gains on pension plans	(16)	(7)
Amortization of unrecognized prior service costs on pension plans	2	5
Net change in Debit Valuation Adjustment (DVA) on Fair Value Option elected liabilities—Note K	(55)	289
Currency translation adjustments on functional currency	(258)	(605)
Total other comprehensive loss	(327)	(318)
Total comprehensive income (loss)	$ 356	$ (137)

CONDENSED STATEMENTS OF CHANGES IN RETAINED EARNINGS

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2023	2022
Retained earnings at the beginning of the fiscal year	$ 36,141	$ 34,997
Net income for the period	683	181
Retained earnings at the end of the period	$ 36,824	$ 35,178

The Notes to the Condensed Quarterly Financial Statements are an integral part of these Statements.

CONDENSED STATEMENTS OF CASH FLOWS

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2023	*2022*
Cash flows from investing activities		
Loans		
Disbursements	$ (5,791)	$ (5,633)
Principal repayments	3,531	2,700
Principal prepayments	17	167
Loan origination fees received	8	4
Net derivatives-loans	4	2
Other investing activities, net	(31)	(35)
Net cash used in investing activities	(2,262)	(2,795)
Cash flows from financing activities		
Medium and long-term borrowings		
New issues	13,285	10,851
Retirements	(9,672)	(6,239)
Short-term borrowings (original maturities greater than 90 days)		
New issues	3,147	6,016
Retirements	(6,368)	(5,478)
Net short-term borrowings (original maturities less than 90 days)	3,077	(737)
Net derivatives-borrowings	(133)	(150)
Capital subscriptions	300	401
Net cash provided by financing activities	3,636	4,664
Cash flows from operating activities		
Net income	683	181
Adjustments to reconcile net income to net cash used in operating activities:		
Unrealized mark-to-market losses on non-trading portfolios, net	(500)	(112)
Non-functional currency translation adjustment gains, net	(8)	—
Depreciation and amortization	145	65
Provision for losses on loans and other exposures	207	394
Changes in:		
Investment portfolio	(1,519)	(2,308)
Other assets and liabilities	(403)	(83)
Net cash used in operating activities	(1,395)	(1,863)
Effect of exchange rate changes on unrestricted and restricted cash	(7)	(6)
Net increase (decrease) in unrestricted and restricted cash	(28)	—
Unrestricted and restricted cash at the beginning of the fiscal year	547	479
Unrestricted and restricted cash at the end of the period	$ 519	$ 479
Supplemental disclosure		
Increase (decrease) in ending balances resulting from exchange rate fluctuations		
Loans outstanding	$ (1,068)	$ (2,744)
Investment portfolio	(76)	(52)
Borrowing portfolio	(871)	(1,978)
Capitalized loan origination fees included in total loans	16	11
Interest paid on borrowing portfolio	3,587	569

The Notes to the Condensed Quarterly Financial Statements are an integral part of these Statements.

NOTES TO CONDENSED QUARTERLY FINANCIAL STATEMENTS

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Basis of Preparation

These unaudited condensed quarterly financial statements and notes should be read in conjunction with the June 30, 2023 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2023 audited financial statements has not been audited. In the opinion of management, the condensed quarterly financial statements reflect all adjustments necessary for a fair presentation of IBRD's financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed quarterly financial statements and the reported amounts of income and expenses during the reporting periods. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. Areas in which significant estimates have been made include, but are not limited to, the provision for losses on loans and other exposures, the valuation of certain instruments carried at fair value, and the valuation of pension and other postretirement plan-related liabilities. The results of operations for the first three months of the current fiscal year are not necessarily indicative of results for the full year.

Accounting and Reporting Developments

Evaluated Accounting Standards:

In June 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2022-03, *Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and should not be factored in when measuring fair value. The ASU also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The ASU requires certain disclosures for equity securities subject to contractual sale restrictions. For IBRD, the ASU will be effective from the quarter ending September 30, 2024, and the adoption of this ASU is not expected to have a material impact on IBRD's financial statements.

In March 2022, the FASB issued ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance on troubled debt restructurings for creditors and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. This ASU became effective for IBRD from the quarter ended September 30, 2023, and the adoption of this ASU did not have a material impact on IBRD's financial statements.

NOTE B—CAPITAL STOCK

The following table provides a summary of changes in IBRD's authorized and subscribed shares:

Table B1: IBRD's Shares

	Authorized shares	*Subscribed shares*
As of June 30, 2022	2,783,873	2,545,984
General Capital Increase/Selective Capital Increase (GCI/SCI)	–	88,744
As of June 30, 2023	2,783,873	2,634,728
GCI/SCI	–	22,301
As of September 30, 2023	2,783,873	2,657,029

The following table provides a summary of the changes in subscribed capital, uncalled portion of subscriptions, and paid-in capital:

Table B2: IBRD's Capital

In millions of U.S. dollars

	Subscribed capital	*Uncalled portion of subscriptions*	*Paid-in capital*
As of June 30, 2022	$ 307,135	$ (286,636)	$ 20,499
GCI/SCI	10,705	(9,385)	1,320
As of June 30, 2023	317,840	(296,021)	21,819
GCI/SCI	2,691	(2,391)	300
As of September 30, 2023	$ 320,531	$ (298,412)	$ 22,119

The uncalled portion of subscriptions is subject to call only when required to meet the obligations incurred by IBRD as a result of borrowings or guaranteeing loans.

On October 1, 2018, IBRD's Board of Governors approved two resolutions that increased IBRD's authorized capital. The total increase in authorized capital was $57.5 billion, of which, $27.8 billion and $29.7 billion relate to the GCI and SCI, respectively. Under the terms of the 2018 GCI and SCI, paid-in capital is expected to increase by up to $7.5 billion. On May 23, 2023, the Board approved the extension of the subscription period for GCI and SCI from October 1, 2023 to October 1, 2025. As of September 30, 2023, the cumulative subscription payments received under the 2018 capital increases were $5.7 billion.

NOTE C—INVESTMENTS

IBRD's investments include the liquid asset portfolio, holdings relating to the Post Employment Benefit Plan (PEBP) and the Post Retirement Contribution Reserve Fund (PCRF).

Investments held by IBRD are designated as trading and reported at fair value or at face value which approximates fair value. As of September 30, 2023, Investments were primarily comprised of government and agency obligations, and time deposits (42% and 54%, respectively), with all of the instruments classified as Level 1 or Level 2 within the fair value hierarchy. As of September 30, 2023, the largest holding of investments from a single counterparty was Government of Japan (11%).

A summary of IBRD's Investments-Trading is as follows:

Table C1: Investments - Trading composition

In millions of U.S. dollars

	September 30, 2023	June 30, 2023
Government and agency obligations	$ 33,763	$ 39,046
Time deposits	43,333	36,809
Asset-backed Securities (ABS)	1,170	1,087
Other fund investments [a]	2,000	1,982
Equity securities [a]	272	275
Total	$ 80,538	$ 79,199

a. Related to PEBP holdings. Other fund investments are comprised of investments in hedge funds, private equity funds, commingled funds, credit strategy funds and real estate funds, at net asset value (NAV).

IBRD manages its investments on a net portfolio basis. The following table summarizes IBRD's net portfolio position:

Table C2: Net investment portfolio

In millions of U.S. dollars

	September 30, 2023	June 30, 2023
Investments-Trading	$ 80,538	$ 79,199
Securities purchased under resale agreements	75	78
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received [a]	(78)	(149)
Derivative assets		
Currency swaps and forward contracts	1,101	926
Interest rate swaps	19	18
Other	1	–
Total	1,121	944
Derivative liabilities		
Currency swaps and forward contracts	(42)	(33)
Interest rate swaps	(328)	(300)
Other	(1)	(6)
Total	(371)	(339)
Cash held in investment portfolio [b]	358	385
Receivable from investment securities traded [c]	72	102
Payable for investment securities purchased [d]	(1,134)	(1,025)
Net investment portfolio	$ 80,581	$ 79,195

a. Includes $66 million of cash collateral received from counterparties under derivative agreements ($140 million—June 30, 2023).

b.This amount is included in Unrestricted cash under Due from banks on the Condensed Balance Sheets.

c. Included in Other assets on the Condensed Balance Sheets.

d. This amount includes $419 million of liabilities related to IFC PCRF payable, which is included in Other liabilities on the Condensed Balance Sheets ($385 million—June 30, 2023) and $57 million of liabilities related to short sales ($59 million—June 30, 2023).

The composition of IBRD's net investment portfolio is as follows:

Table C3: Net investment portfolio composition

In millions of U.S. dollars

	September 30, 2023	June 30, 2023
Net investment portfolio		
Liquid assets	$ 76,748	$ 75,413
PEBP holdings	2,647	2,684
PCRF holdings	1,186	1,098
Total	$ 80,581	$ 79,195

IBRD uses derivative instruments to manage the associated currency and interest rate risks in the portfolio. For details of these instruments, see Note F—Derivative Instruments. After considering the effects of these derivatives, IBRD's investment portfolio is predominantly denominated in U.S. dollars.

Commercial Credit Risk

For the purpose of risk management, IBRD is a party to a variety of financial transactions, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential loss due to possible non-performance by obligors and counterparties under the terms of the contracts. For all securities, IBRD limits trading to a list of authorized dealers and counterparties. In addition, IBRD may require collateral in connection with resale agreements and swap agreements. The collateral serves to mitigate IBRD's exposure to credit risk.

Swap Agreements: Credit risk is mitigated through the application of eligibility criteria and volume limits for transactions with individual counterparties and through the use of mark-to-market collateral arrangements for swap transactions. IBRD may require collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

IBRD has entered into master derivative agreements that contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. Credit risk with financial assets subject to a master derivatives arrangement is further reduced under these agreements to the extent that payments and receipts with the counterparty are netted at settlement. The reduction in exposure as a result of these netting provisions can vary due to the impact of changes in market conditions on existing and new transactions. The extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date. For more information on netting and offsetting provisions, see Note F—Derivative Instruments.

The following is a summary of the collateral received by IBRD for swap transactions:

Table C4: Collateral received

In millions of U.S. dollars

	September 30, 2023	June 30, 2023
Collateral received		
Cash	$ 66	$ 140
Securities	252	161
Total collateral received	$ 318	$ 301
Collateral permitted to be repledged	$ 318	$ 301
Amount of collateral repledged	–	–
Amount of cash collateral invested	63	134

Securities Lending: IBRD may engage in securities lending and repurchases, against adequate collateral, as well as secured borrowing and reverse repurchases (resales) of government and agency obligations, corporate securities, ABS and Mortgage-backed securities (MBS). These transactions, if any, are conducted under legally enforceable master netting arrangements, which allow IBRD to reduce its gross credit exposure related to these transactions. IBRD presents its securities lending and repurchases, as well as resales, on a gross basis on the Condensed Balance

Sheets. As of September 30, 2023 and June 30, 2023, there were no amounts that could potentially be offset as a result of legally enforceable master netting arrangements.

Securities lending and repurchase agreements expose IBRD to several risks, including counterparty risk, reinvestment risk, and risk of a collateral gap (due to increases or decrease in the fair value of collateral pledged). IBRD has procedures in place to ensure that trading activity and balances under these agreements are below predefined counterparty and maturity limits, and to actively manage net counterparty exposure, after collateral, using daily market values. Whenever the collateral pledged by IBRD related to its borrowings under repurchase agreements and securities lending agreements declines in value, the transaction is re-priced as appropriate by returning cash or pledging additional collateral.

Transfers of securities by IBRD to counterparties are not accounted for as sales as the accounting criteria for the treatment as a sale have not been met. Counterparties are permitted to repledge these securities until the repurchase date.

As of September 30, 2023, liabilities relating to securities transferred under repurchase or securities lending agreements were $12 million ($9 million—June 30, 2023) and there were no unsettled trades relating to repurchase or securities lending agreements. There were no replacement trades entered into in anticipation of maturing trades of a similar amount (Nil—June 30, 2023). As of September 30, 2023 and June 30, 2023, the remaining contractual maturity of these agreements were overnight and continuous. The securities transferred were mainly comprised of government and agency obligations and equity securities.

In the case of resale agreements, IBRD receives collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IBRD's Condensed Balance Sheets as the accounting criteria for treatment as a sale have not been met. As of September 30, 2023 and June 30, 2023, there were no unsettled trades pertaining to securities purchased under resale agreements. For resale agreements, IBRD received securities with a fair value of $74 million as of September 30, 2023 ($78 million—June 30, 2023). As of September 30, 2023 and June 30, 2023, none of these securities had been transferred under repurchase or security lending agreements.

NOTE D—LOANS AND OTHER EXPOSURES

IBRD's loans and other exposures (collectively, "exposures") are generally made to, or guaranteed by, member countries of IBRD. In addition, IBRD may also make loans to the International Finance Corporation (IFC), an affiliated organization, without any guarantee. Other exposures include signed loan commitments including deferred drawdown options (DDOs) and irrevocable commitments and guarantees. As of September 30, 2023, all of IBRD's loans were reported at amortized cost.

IBRD uses derivatives to manage the currency risk and the interest rate risk between its loans and borrowings. For details regarding derivatives used in the loan portfolio, see Note F—Derivative Instruments.

IBRD excludes the interest receivable balance from the amortized cost basis and from the related disclosures. Accrued interest receivable on loans of $3,686 million as of September 30, 2023 ($3,138 million—June 30, 2023) is included in Other assets on the Condensed Balance Sheets.

As of September 30, 2023, 0.6% of IBRD's loans were in nonaccrual status and related to two borrowers (see Table D4 - Loans in nonaccrual status). The total accumulated provision for losses on loans was 1.0% of the total loan portfolio. Based on IBRD's internal credit quality indicators, the majority of loans outstanding are in the medium-risk and high-risk classes.

Credit Quality of Sovereign Exposures

Based on an evaluation of IBRD's exposures, management has determined that IBRD has one portfolio segment – Sovereign Exposures. IBRD's loans constitute the majority of the Sovereign Exposures portfolio segment.

IBRD's country risk ratings are an assessment of its borrowers' ability and willingness to repay IBRD on time and in full. These ratings are internal credit quality indicators. Individual country risk ratings are derived on the basis of both quantitative and qualitative analysis. The components considered in the analysis can be grouped broadly into eight categories: political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks, and corporate sector debt and vulnerabilities. The analysis also takes into account Environmental, Social, and Governance (ESG) factors. For the purpose of analyzing the risk characteristics of IBRD's exposures, these exposures are grouped into three classes in accordance with assigned borrower risk ratings, which relate to the likelihood of loss: Low, Medium and High-risk classes, as well as exposures in nonaccrual status.

IBRD's borrowers' country risk ratings are key determinants in the provision for losses. Country risk ratings are grouped in pools of borrowers with similar credit ratings for the purpose of the calculation of the expected credit losses. Exposure for certain countries in accrual status may be individually assessed on the basis that they do not share common risk characteristics with an existing pool of exposures. All exposures for countries in nonaccrual status are individually assessed. Country risk ratings are determined in review meetings that take place several times a year. All countries are reviewed at least once a year, or more frequently, if circumstances warrant, to determine the appropriate ratings.

An assessment was also performed to determine whether a qualitative adjustment of the loan loss provision was needed as of September 30, 2023, including consideration of global and macroeconomic events. Management concluded that a qualitative adjustment beyond the regular application of IBRD's loan loss provision framework was not warranted.

The following tables provide an aging analysis of the loans outstanding:

Table D1: Loan portfolio aging structure

In millions of U.S. dollars

	September 30, 2023							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ –	$ –	$ –	$ –	$ –	$ –	$ 7,171	$ 7,171
Medium	–	–	–	–	–	–	117,203	117,203
High	3	–	1	2	–	6	119,290	119,296
Loans in accrual status	3	–	1	2	–	6	243,664	243,670
Loans in nonaccrual status	12	12	–	40	557	621	796	1,417
Total	$ 15	$ 12	$ 1	$ 42	$ 557	$ 627	$ 244,460	$ 245,087

Table D1.1

In millions of U.S. dollars

	June 30, 2023							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ –	$ –	$ –	$ –	$ –	$ –	$ 7,341	$ 7,341
Medium	–	–	–	–	–	–	117,886	117,886
High	2	–	–	–	–	2	117,242	117,244
Loans in accrual status	2	–	–	–	–	2	242,469	242,471
Loans in nonaccrual status	–	1	40	26	532	599	826	1,425
Total	$ 2	$ 1	$ 40	$ 26	$ 532	$ 601	$ 243,295	$ 243,896

IBRD considers the signature date of a loan agreement as the best indicator of the decision point in the origination process, rather than the disbursement date. The tables below disclose the outstanding balances of IBRD's loan portfolio, classified by the year the loan agreement was signed.

Table D2: Loan portfolio vintage disclosure

In millions of U.S. dollars

	September 30, 2023								
	Fiscal Year of Origination								
	2024	2023	2022	2021	2020	Prior Years	CAT DDOs Disbursed and Revolving	CAT DDOs Converted to Term Loans	Loans outstanding as of September 30, 2023
Risk Class									
Low	$ –	$ –	$ 250	$ –	$ –	$ 6,921	$ –	$ –	$ 7,171
Medium	750	7,170	6,141	9,510	7,747	83,213	300	2,372	117,203
High	2,002	5,953	10,848	9,242	7,711	82,625	–	915	119,296
Loans in accrual status	2,752	13,123	17,239	18,752	15,458	172,759	300	3,287	243,670
Loans in nonaccrual status	–	–	–	–	124	1,293	–	–	1,417
Total	$ 2,752	$13,123	$17,239	$18,752	$15,582	$ 174,052	$ 300	$ 3,287	$ 245,087

Table D2.1

In millions of U.S. dollars

	June 30, 2023								
	Fiscal Year of Origination								
	2023	2022	2021	2020	2019	Prior Years	CAT DDOs Disbursed and Revolving	CAT DDOs Converted to Term Loans	Loans outstanding as of June 30, 2023
Risk Class									
Low	$ –	$ 250	$ –	$ –	$ –	$ 7,091	$ –	$ –	$ 7,341
Medium	7,012	6,082	9,419	7,516	5,499	79,676	800	1,882	117,886
High	4,977	10,660	9,128	7,674	7,476	76,405	–	924	117,244
Loans in accrual status	11,989	16,992	18,547	15,190	12,975	163,172	800	2,806	242,471
Loans in nonaccrual status	–	–	–	127	28	1,270	–	–	1,425
Total	$11,989	$16,992	$18,547	$15,317	$13,003	$ 164,442	$ 800	$ 2,806	$ 243,896

There were $500 million Catastrophe Deferred Drawdown Options (CAT DDOs) converted to term loans during the three months ended September 30, 2023 (Nil —three months ended September 30, 2022).

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the expected losses inherent in IBRD's exposures.

Delays in receiving loan payments result in economic losses to IBRD since it does not charge additional interest on any overdue interest or loan charges. These economic losses are estimated as the difference between the present value of payments of interest and charges made according to the related loan's contractual terms and the present value of its expected future cash flows. It is IBRD's practice not to write off its loans. Historically, all contractual obligations associated with exposures in nonaccrual status were eventually cleared, thereby allowing borrowers to emerge from nonaccrual status. To date, no loans have been written off by IBRD.

Management reassesses the adequacy of the accumulated provision on a quarterly basis and adjustments to the accumulated provision are recorded as a charge to or release of provision in the Condensed Statements of Income.

Changes to the accumulated provision for losses on loans and other exposures are summarized below:

Table D3: Accumulated provision

In millions of U.S. dollars

	September 30, 2023			
	Loans outstanding	*Loan commitments*	*Other [a]*	*Total*
Accumulated provision, beginning of the fiscal year	$ 2,336	$ 452	$ 90	$ 2,878
Provision - charge	125	76	6	207
Translation adjustment	(10)	(2)	—	(12)
Accumulated provision, end of the period	$ 2,451	$ 526	$ 96	$ 3,073
Composed of accumulated provision for losses on:				
Loans in accrual status	$ 2,120			
Loans in nonaccrual status	331			
Total	$ 2,451			
Loans, end of the period:				
Loans in accrual status	$ 243,670			
Loans in nonaccrual status	1,417			
Total loans outstanding	$ 245,087			

Table D3.1

In millions of U.S. dollars

	June 30, 2023			
	Loans outstanding	*Loan commitments*	*Other [a]*	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,742	$ 359	$ 64	$ 2,165
Provision - charge	573	88	24	685
Translation adjustment	21	5	2	28
Accumulated provision, end of the fiscal year	$ 2,336	$ 452	$ 90	$ 2,878
Composed of accumulated provision for losses on:				
Loans in accrual status	$ 2,014			
Loans in nonaccrual status	322			
Total	$ 2,336			
Loans, end of the fiscal year:				
Loans in accrual status	$ 242,471			
Loans in nonaccrual status	1,425			
Total loans outstanding	$ 243,896			

a. Primarily relates to guarantees and does not include recoverable asset relating to guarantees received under the Exposure Exchange Agreements (for more details see Guarantees section).

	Reported as:	
	Condensed Balance Sheets	***Condensed Statements of Income***
Accumulated Provision for Losses on:		
Loans outstanding	Accumulated provision for loan losses	Provision for losses on loans and other exposures
Loan commitments and other exposures	Other liabilities	Provision for losses on loans and other exposures

The accumulated provision for losses on loan and other exposures as of September 30, 2023 was $3,073 million, compared to $2,878 million in June 30, 2023. This increase was primarily driven by the increase in the loss given default (severity) due to the increase in the implied forward interest rates for the three months ended September 30, 2023.

Overdue Amounts

IBRD considers loans to be past due when a borrower fails to make payment on any principal, interest or other charges due to IBRD on the dates provided in the contractual loan agreement.

As of September 30, 2023, there were $2 million of principal and less than $1 million of interest on loans in accrual status that were overdue by more than three months.

The following tables provide a summary of selected financial information related to loans in nonaccrual status:

Table D4: Loans in nonaccrual status

In millions of U.S. dollars

Borrower	Nonaccrual since	Recorded investment	Accumulated Provision for loan losses	Average recorded investment	Overdue amounts: Principal	Overdue amounts: Interest and Charges
Belarus	October 2022	$ 991	$ 118	$ 998	$ 195	$ 39
Zimbabwe	October 2000	426	213	426	426	668
Total - September 30, 2023		$ 1,417	$ 331	$ 1,424	$ 621	$ 707
Total - June 30, 2023		$ 1,425	$ 322	$ 1,419	$ 598	$ 690

During the three months ended September 30, 2023, no loans were placed in nonaccrual status or restored to accrual status.

During the three months ended September 30, 2023, interest and other revenue not recognized as a result of loans being in nonaccrual status was $20 million ($7 million – three months ended September 30, 2022).

In addition, during the three months ended September 30, 2023, interest income of $1 million was recognized on loans in nonaccrual status upon receipt of payment (Nil —three months ended September 30, 2022).

Guarantees

Guarantees provided

Guarantees of $6,587 million were outstanding as of September 30, 2023 ($6,542 million—June 30, 2023). These amounts represent the maximum potential amount of undiscounted future payments that IBRD could be required to make under these guarantees and are not included in the Condensed Balance Sheets. These guarantees have original maturities ranging between 10 and 21 years and expire in decreasing amounts through 2042.

As of September 30, 2023, liabilities related to IBRD's obligations under guarantees included the obligation to stand ready of $292 million ($303 million—June 30, 2023), and the accumulated provision for guarantee losses of $80 million ($76 million—June 30, 2023). These have been included in Other liabilities on the Condensed Balance Sheets.

During the three months ended September 30, 2023 and September 30, 2022, no guarantees provided by IBRD were called.

IBRD participates in Exposure Exchange Agreements (EEAs) which are recognized as financial guarantees in the financial statements. Information on the location and amounts associated with the EEAs executed with the Multilateral Investment Guarantee Agency (MIGA), African Development Bank and Inter-American Development Bank included in the Condensed Balance Sheets and Condensed Statements of Income is presented in the following table:

Table D5: Amounts associated with EEAs

In millions of U.S. dollars

	September 30, 2023			June 30, 2023			
	Notional amount	*(Stand ready obligation) Asset*	*(Provision) Recoverable asset*	*Notional amount*	*(Stand ready obligation) Asset*	*(Provision) Recoverable asset*	*Location on the Condensed Balance Sheets*
Guarantee provided [a,c]	$ 3,617	$ (144)	$ (32)	$ 3,619	$ (149)	$ (29)	Other liabilities
Guarantee received [b]	(3,613)	144	28	(3,619)	149	27	Other assets
	$ 4	$ –	$ (4)	$ –	$ –	$ (2)	

a. For the three months ended September 30, 2023, Provisions for losses on loans and other exposures line in the Condensed Statements of Income includes $2 million of charge relating to Guarantees provided ($6 million of charge —three months ended September 30, 2022).

b. For the three months ended September 30, 2023, Non-interest revenue - Other, line on the Condensed Statements of Income includes $2 million of gain in recoverable asset relating to Guarantees received ($5 million of gain in recoverable asset—three months ended September 30, 2022).

c. Notional amount, obligation to stand ready and provision for the guarantee provided are included in IBRD's total guarantees outstanding of $6,587 million, obligations to stand ready of $292 million and accumulated provision for guarantee losses of $80 million, respectively ($6,542 million, $303 million and $76 million, respectively—June 30, 2023).

Guarantees received

As of September 30, 2023, IBRD had received third-party guarantees totaling $5,377 million ($3,325 million as of June 30, 2023) that are contractually attached to the loan. These guarantees increase IBRD’s lending capacity in certain countries. IBRD considers the benefit of these credit enhancements in the determination of the loan loss provision.

Waivers of Loan Charges

The Executive Directors have approved waivers of certain charges on eligible loans. These include a portion of interest on loans, a portion of the commitment charge on undisbursed balances, and a portion of the front-end fee. The forgone income resulting from waivers of loan charges was $2 million for three months ended September 30, 2023 ($5 million—three months ended September 30, 2022).

Concentration risk

Loan revenue comprises interest, commitment fees, loan origination fees and prepayment premiums, net of waivers. For the three months ended September 30, 2023, there was no country that contributed more than 10% to the total loan revenue.

Information about IBRD's loan revenue and associated loans outstanding by geographic region is presented in the following table:

Table D6: Loan revenue and associated outstanding loan balances

In millions of U.S. dollars — *For the three months ended and as of*

	September 30, 2023		September 30, 2022	
Region	Loan Revenue [a]	Loans Outstanding	Loan Revenue [a]	Loans Outstanding
Latin America and the Caribbean	$ 1,117	$ 78,808	$ 626	$ 74,202
East Asia and Pacific	756	49,826	410	48,337
Europe and Central Asia	621	48,607	229	43,909
Middle East and North Africa	446	33,842	226	31,807
South Asia	383	24,053	194	22,025
Eastern and Southern Africa	115	8,060	80	7,432
Western and Central Africa	18	1,891	9	1,665
Total	$ 3,456	$ 245,087	$ 1,774	$ 229,377

a. Does not include interest expenses, net from loan related derivatives. Includes commitment charges of $35 million for the three months ended September 30, 2023 ($30 million—three months ended September 30, 2022).

For the three months ended September 30, 2023, Interest revenue—Loans, net on the Condensed Statements of Income of $3,695 million ($1,657 million—three months ended September 30, 2022) includes $274 million of interest revenue, net from loan related derivatives (interest expense, net of $87 million—three months ended September 30, 2022).

NOTE E—BORROWINGS

IBRD issues unsubordinated and unsecured fixed and variable rate debt in a variety of currencies. Variable rates are primarily based on exchange rates or market interest rates.

Borrowings issued by IBRD are reported at fair value. As of September 30, 2023, 99% of the instruments were classified as Level 2 within the fair value hierarchy. In addition, most of these instruments were denominated in U.S. dollars and euro (63% and 14%, respectively).

IBRD uses derivatives, reported at fair value, to manage the currency risk and the interest rate risk between its loans and borrowings. For details regarding the derivatives used, see Note F—Derivative Instruments.

The following table summarizes IBRD's borrowing portfolio, including derivatives:

Table E1: Borrowings and borrowing-related derivatives

In millions of U.S. dollars

	September 30, 2023	June 30, 2023
Borrowings [a]	$ 237,785	$ 237,265
Currency swaps, net	9,390	8,697
Interest rate swaps, net	23,181	20,866
Total	$ 270,356	$ 266,828

a. Includes $999 million of unsettled borrowings, representing a non-cash financing activity, for which there is a related receivable included in Other assets on the Condensed Balance Sheets as of September 30, 2023 ($19 million—June 30, 2023).

For the three months ended September 30, 2023, Borrowing expenses, net in the Condensed Statements of Income of $3,562 million ($1,216 million—three months ended September 30, 2022) include $2,100 million of interest expense, net related to derivatives associated with the Borrowing portfolio (interest expense, net of $241 million—three months ended September 30, 2022).

NOTE F—DERIVATIVE INSTRUMENTS

IBRD uses derivative instruments in its investment, loan and borrowing portfolios, and for asset/liability management purposes. It also offers derivative intermediation services to clients and, concurrently, enters into offsetting transactions with market counterparties.

The following table summarizes IBRD's use of derivatives in its various financial portfolios:

Portfolio	*Derivative instruments used*	*Purpose / Risk being managed*
Risk management purposes:		
Investments	Currency swaps, currency forward contracts, interest rate swaps, options, swaptions and futures contracts, to-be-announced (TBA) securities	Manage currency and interest rate risk
Loans	Currency swaps and interest rate swaps	Manage currency risk and interest rate risk between loans and borrowings
Borrowings	Currency swaps and interest rate swaps	Manage currency risk and interest rate risk between loans and borrowings
Other asset/liability management	Currency swaps and interest rate swaps	Manage currency risk and the duration of IBRD's equity
Other purposes:		
Client operations	Currency swaps, currency forward contracts, and interest rate swaps	Assist clients in managing risks

The derivatives in the related tables of Note F are presented on a net basis by instrument. A reconciliation to the presentation in the Condensed Balance Sheets is shown in table F1.

Offsetting assets and liabilities

IBRD enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements with substantially all of its derivative counterparties. These legally enforceable master netting agreements give IBRD the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty in the event of default by the counterparty.

The following tables summarize the gross and net derivative positions by instrument type. Instruments that are in a net asset position are included in the Derivative Assets columns and instruments that are in a net liability position are included in the Derivative Liabilities columns. The gross columns represent the fair value of the instrument leg that is in an asset or liability position that are then netted with the other leg of the instrument in the gross offset columns. The effects of the ISDA master netting agreements are applied on an aggregate basis to the total derivative asset and liability positions and are presented net of any cash collateral received on the Condensed Balance Sheets. The net derivative asset positions in the tables below have been further reduced by any securities received as collateral to show IBRD's net exposure on its derivative asset positions.

Table F1: Derivative assets and liabilities before and after netting adjustments

In millions of U.S. dollars

	September 30, 2023					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	$ 22,208	$ (12,829)	$ 9,379	$ 69,429	$ (38,013)	$ 31,416
Currency swaps [a]	47,289	(42,518)	4,771	77,387	(65,032)	12,355
Other [b]	4	(3)	1	1	–	1
Total	$ 69,501	$ (55,350)	$ 14,151	$ 146,817	$ (103,045)	$ 43,772
Less:						
Amounts subject to legally enforceable master netting agreements			13,772 [d]			14,416 [e]
Cash collateral received [c]			66			
Net derivative position on the Condensed Balance Sheet			$ 313			$ 29,356
Less:						
Securities collateral received [c]			223			
Net derivative exposure after collateral			$ 90			

a. Includes currency forward contracts.

b. These relate to swaptions, options and futures contracts.

c. Does not include excess collateral received.

d. Includes $24 million Credit Valuation Adjustment (CVA).

e. Includes $668 million Debit Valuation Adjustment (DVA).

Table F1.1

In millions of U.S. dollars

	June 30, 2023					
	Derivative Assets			Derivative Liabilities		
Interest rate swaps	$ 23,985	$ (15,792)	$ 8,193	$ 64,855	$ (36,683)	$ 28,172
Currency swaps [a]	46,549	(41,926)	4,623	75,586	(64,022)	11,564
Other [b]	–	–	–	6	–	6
Total	$ 70,534	$ (57,718)	$ 12,816	$ 140,447	$ (100,705)	$ 39,742
Less:						
Amounts subject to legally enforceable master netting agreements			12,405 [d]			12,849 [e]
Cash collateral received [c]			140			
Net derivative position on the Condensed Balance Sheet			$ 271			$ 26,893
Less:						
Securities collateral received [c]			145			
Net derivative exposure after collateral			$ 126			

a. Includes currency forward contracts.

b. These relate to swaptions, options and futures contracts.

c. Does not include excess collateral received.

d. Includes $27 million CVA.

e. Includes $471 million DVA.

The following tables provide information about the credit risk exposures at fair value of IBRD's derivative instruments by portfolio, before the effects of master netting arrangements and collateral:

Table F2: Credit risk exposure of the derivative instruments [a]

In millions of U.S. dollars

	September 30, 2023		
Portfolio	*Interest rate swaps*	*Currency swaps (including currency forward contracts)*	*Total*
Investments	$ 19	$ 1,101	$ 1,120
Loans	7,192	1,515	8,707
Client operations	408	540	948
Borrowings	1,339	1,615	2,954
Other asset/liability management derivatives	421	–	421
Total Exposure	$ 9,379	$ 4,771	$ 14,150

Table F2.1

In millions of U.S. dollars

	June 30, 2023		
Portfolio	*Interest rate swaps*	*Currency swaps (including currency forward contracts)*	*Total*
Investments	$ 18	$ 926	$ 944
Loans	6,032	1,486	7,518
Client operations	323	531	854
Borrowings	1,415	1,680	3,095
Other asset/liability management derivatives	405	–	405
Total Exposure	$ 8,193	$ 4,623	$ 12,816

a. Excludes exchange traded instruments as they are generally subject to daily margin requirements and are deemed to have no material credit risk.

The volume of derivative contracts is measured using the U.S. dollar equivalent notional balance. The notional balance represents the face value or reference value on which the calculations of payments on the derivative instruments are determined. As of September 30, 2023, the notional amounts of IBRD's derivative contracts outstanding were as follows: interest rate swaps $440,322 million ($443,108 million—June 30, 2023), currency swaps $117,702 million ($115,634 million—June 30, 2023), long positions of other derivatives $335 million ($360 million—June 30, 2023), and short positions of other derivatives $120 million ($113 million—June 30, 2023).

IBRD is not required to post collateral under its derivative agreements as long as it maintains a triple-A credit rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a liability position as of September 30, 2023 was $29,706 million ($27,110 million—June 30, 2023). IBRD has not posted any collateral with these counterparties due to its triple-A credit rating.

If the credit risk related contingent features underlying these agreements were triggered to the extent that IBRD would be required to post collateral as of September 30, 2023, the amount of collateral that would need to be posted would be $25,267 million ($22,746 million—June 30, 2023). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $29,706 million ($27,110 million—June 30, 2023). IBRD received collateral totaling $318 million as of September 30, 2023 ($301 million—June 30, 2023), in relation to swap transactions (see Note C—Investments).

The following table provides information on the unrealized mark-to-market gains and losses on the non-trading derivatives and their location on the Condensed Statements of Income:

Table F3: Unrealized mark-to-market gains or losses on non-trading derivatives

In millions of U.S. dollars

	Reported as:	Three Months Ended September 30,	
		2023	2022
Interest rate swaps	Unrealized mark-to-market (losses) gains on non-trading portfolios, net	$ (2,136)	$ (5,722)
Currency swaps (including currency forward contracts and structured swaps)		280	(1,440)
Total		$ (1,856)	$ (7,162)

All of the instruments in IBRD's investment portfolio are held for trading purposes. Within the investment portfolio, IBRD holds highly rated fixed income securities, equity securities and derivatives. The trading portfolio is primarily held to ensure the availability of funds to meet future cash flow requirements and for liquidity management purposes.

The following table provides information on the amount of unrealized mark-to-market gains and losses on the net Investment–Trading portfolio and their location on the Condensed Statements of Income:

Table F4: Unrealized mark-to-market gains or losses on net investment-trading portfolio

In millions of U.S. dollars

	Reported as:	Three Months Ended September 30,	
		2023	2022
Type of instrument [a]			
Fixed income	Unrealized mark-to-market (losses) gains on Investments-Trading portfolio, net	$ (33)	$ 6
Equity [b]		(7)	(19)
Total		$ (40)	$ (13)

a. Amounts associated with each type of instrument include gains and losses on both derivative instruments and non-derivative instruments.

b. Related to PEBP holdings.

NOTE G—RETAINED EARNINGS, ALLOCATIONS AND TRANSFERS

IBRD makes net income allocation decisions on the basis of reported net income, adjusted to exclude unrealized mark-to-market gains and losses on the non-trading portfolios, net; restricted income; Board of Governors-approved and other transfers; non-functional currency translation adjustments; and the allocation to the pension reserve.

On August 3, 2023, IBRD's Executive Directors approved the following adjustments and allocations relating to the net income earned in the fiscal year ended June 30, 2023: an increase in the General Reserve of $921 million and an increase in the Pension Reserve by $193 million.

On August 21, 2023, IBRD's Board of Governors approved a transfer of $80 million from Surplus to the Trust fund for Gaza and the West Bank and $40 million from Surplus to the IBRD Fund for Innovative Global Public Goods Solutions (GPG Fund). The transfers were made on September 6, 2023 and September 12, 2023 respectively.

The cumulative transfers to the IBRD Fund for Innovative Global Public Goods Solutions are $125 million. An expense is recognized when an amount is utilized from the GPG Fund provided the conditions specified for use by the beneficiaries have been met. During the three months ended September 30, 2023, no amount was expensed and the unutilized balance as of September 30, 2023 of the GPG Fund was $101 million.

Subsequent Event: On October 13, 2023, IBRD's Board of Governors approved a transfer of $291 million to the International Development Association (IDA) and a transfer of $100 million to Surplus out of the net income earned in the fiscal year ended June 30, 2023. The transfer to IDA was made on October 24, 2023.

Retained earnings is comprised of the following components:

Table G1: Retained earnings composition

In millions of U.S. dollars

	September 30, 2023	June 30, 2023
Special reserve	$ 293	$ 293
General reserve	32,974	32,053
Pension reserve	932	739
Surplus	—	120
Cumulative fair value adjustments [a]	1,103	1,271
Unallocated net income (Loss)	1,153	1,364
Restricted retained earnings	11	21
Other reserves [b]	358	280
Total	$ 36,824	$ 36,141

a. Unrealized mark-to-market gains (losses), net related to non-trading portfolios reported at fair value.

b. Comprised of non-functional currency translation gains/losses, the unutilized portion of the cumulative transfers to the GPG Fund and revenue from prior years which is set aside for a dedicated purpose.

NOTE H—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, IFC and MIGA participate in the defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and the PEBP (collectively "the Pension Plans") that cover substantially all of their staff members.

All costs, assets and liabilities associated with the Pension Plans are allocated between IBRD, IFC and MIGA based upon their employees' respective participation in the Pension Plans. Costs allocated to IBRD are then shared between IBRD and IDA based on an agreed cost-sharing methodology.

The following tables summarize the benefit costs associated with the Pension Plans for IBRD and IDA:

Table H1: Pension Plans benefit costs

In millions of U.S. dollars

	Three Months Ended September 30, 2023				Three Months Ended September 30, 2022			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Service cost	$ 100	$ 28	$ 20	$ 148	$ 128	$ 35	$ 23	$ 186
Interest cost	253	40	25	318	236	40	23	299
Expected return on plan assets	(344)	(61)	—	(405)	(347)	(59)	—	(406)
Amortization of unrecognized prior service costs [a]	1	—	1	2	1	3	1	5
Amortization of unrecognized net actuarial gains [a]	—	(16)	—	(16)	—	(7)	—	(7)
Net periodic pension cost	$ 10	$ (9)	$ 46	$ 47	$ 18	$ 12	$ 47	$ 77
Of which:								
IBRD's share	$ 4	$ (4)	$ 22	$ 22	$ 8	$ 6	$ 22	$ 36
IDA's share	6	(5)	24	25	10	6	25	41

a. Included in amounts reclassified into net income in Note J—Accumulated Other Comprehensive Income.

The components of net periodic pension cost, other than the service cost, are included in the Non-interest expenses—Other, net in the Condensed Statements of Income. The service cost component is included in the Non-interest expenses—Administrative in the Condensed Statements of Income.

The following tables provide the amounts of IBRD's pension service cost:

Table H2: Pension service cost
In millions of U.S. dollars

	Three Months Ended September 30, 2023				Three Months Ended September 30, 2022			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Service cost	$ 100	$ 28	$ 20	$ 148	$ 128	$ 35	$ 23	$ 186
Of which:								
IBRD's share	$ 47	$ 13	$ 10	$ 70	$ 60	$ 16	$ 11	$ 87
IDA's share	53	15	10	78	68	19	12	99

NOTE I—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

IBRD transacts with affiliated organizations by providing loans, administrative and derivative intermediation services, and through its pension and other postretirement benefit plans.

In addition, IBRD provides transfers to IDA out of its net income, upon approval by the Board of Governors (see Note G—Retained Earnings, Allocations and Transfers).

IBRD had the following receivables from (payables to) its affiliated organizations:

Table I1: IBRD's receivables and payables with affiliated organizations
In millions of U.S. dollars

	September 30, 2023				June 30, 2023			
	IDA	IFC	MIGA	Total	IDA	IFC	MIGA	Total
Administrative services, net	$ 523	$ 27	$ 8	$ 558	$ 594	$ 35	$ 10	$ 639
Payable for PCRF investments	(626)	(419)	—	(1,045)	(579)	(385)	—	(964)
Pension and other postretirement benefits	(722)	(695)	(27)	(1,444)	(712)	(704)	(27)	(1,443)
Total	$ (825)	$ (1,087)	$ (19)	$ (1,931)	$ (697)	$ (1,054)	$ (17)	$ (1,768)

The receivables from (payables to) these affiliated organizations are reported on the Condensed Balance Sheets as follows:

Receivables / Payables related to:	Reported as:
Administrative services	Other assets
PCRF investments	Other liabilities
Pension and other postretirement benefits	Other liabilities

Loans and Other Exposures

IBRD has a Local Currency Loan Facility Agreement with IFC, which is capped at $300 million. As of September 30, 2023 and June 30, 2023, there were no loans outstanding under this facility.

During the fiscal year ended June 30, 2014, IBRD entered into an exposure exchange agreement with MIGA under which IBRD and MIGA exchanged selected exposures, with each divesting exposure in countries where their lending capacities are limited, in return for exposure in countries where they have excess lending capacity. Under the agreement, IBRD and MIGA have each exchanged $120 million of notional exposure as follows: MIGA assumes IBRD's loan principal and interest exposure in exchange for IBRD's assumption of principal and interest exposure of MIGA under its Non-Honoring of Sovereign Financial Obligation agreement. As of September 30, 2023, assets related to IBRD's right to be indemnified under this agreement amounted to less than $1 million (less than $1 million—June 30, 2023), while liabilities related to IBRD's obligation under this agreement amounted to less than $1 million (less than $1 million—June 30, 2023). These include an accumulated provision for guarantee losses of less than $1 million as of September 30, 2023 (less than $1 million—June 30, 2023).

Administrative Services

Expenses jointly incurred by IBRD and IDA are allocated based on an agreed cost-sharing methodology, and amounts are settled quarterly. For the three months ended September 30, 2023, IBRD's administrative expenses exclude the share of expenses allocated to IDA of $428 million ($421 million—three months ended September 30, 2022).

Revenue

Revenue jointly earned by IBRD and IDA is allocated based on an agreed revenue-sharing methodology and amounts are settled quarterly. For the three months ended September 30, 2023, IBRD's other revenue excludes revenue allocated to IDA of $60 million ($56 million—three months ended September 30, 2022), and is included in Revenue from externally funded activities on the Condensed Statements of Income. This revenue also includes revenue from contracts with clients that are not affiliated with IBRD and are as follows:

Table I2: Revenue from contracts with clients

In millions of U.S. dollars

	Three Months Ended September 30,	
	2023	*2022*
Trust fund fees	$ 36	$ 22
Reimbursable advisory services	14	13
Asset management services	8	8
Total	$ 58	$ 43
Of which:		
IBRD's share	$ 30	$ 23
IDA's share	28	20

Each revenue stream represents compensation for services provided and the related revenue is recognized over time.

When IBRD performs services, its rights to consideration are deemed unconditional and are classified as receivables. IBRD also has an obligation to provide certain services for which it has received consideration in advance. Such considerations are presented as contract liabilities and are subsequently recognized as revenue when the related performance obligation is satisfied.

The following table shows IBRD's receivables and contract liabilities related to revenue from contracts with clients:

Table I3: Receivables and contract liabilities related to revenue from contracts with clients

In millions of U.S. dollars

	September 30, 2023	*June 30, 2023*
Receivables	$ 107	$ 125
Contract liabilities	189	181

The amount of fee revenue associated with services provided to affiliated organizations that is included in Revenue from externally funded activities in the Condensed Statements of Income, is as follows:

Table I4: Fee revenue from affiliated organizations

In millions of U.S. dollars

	Three Months Ended September 30,	
	2023	*2022*
Fees charged to IFC	$ 23	$ 23
Fees charged to MIGA	2	1

Pension and Other Postretirement Benefits

The payable to IDA represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and PEBP assets. These will be realized over the life of the pension plan participants. The payables to IFC and MIGA represent their respective share of PEBP assets.

The PEBP assets are managed by IBRD and are part of the investment portfolio. For Pension and Other Postretirement Benefits related disclosures, see Note H—Pension and Other Postretirement Benefits.

Derivative Transactions

These relate to currency forward contracts entered into for IDA with IBRD acting as the intermediary with the market. As of September 30, 2023 and June 30, 2023, there were no derivative receivable or payable with any affiliated organization.

Investments

These relate to investments that IBRD has made on behalf of IFC, associated with the PCRF and are included in Investments-Trading on IBRD's Condensed Balance Sheets. The corresponding payable to IFC is included in Other liabilities on IBRD's Condensed Balance Sheets. As a result, there is no impact on IBRD's net asset value from these transactions.

NOTE J—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income or loss consists of net income and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income. Other comprehensive income (loss) comprises currency translation adjustments on assets and liabilities denominated in euro, DVA on Fair Value Option elected liabilities, and pension related items. These items are presented in the Condensed Statements of Comprehensive Income.

The following tables present the changes in Accumulated Other Comprehensive Income (AOCI) and Accumulated Other Comprehensive Loss (AOCL):

Table J1: AOCI/AOCL changes

In millions of U.S. dollars

	Three Months Ended September 30, 2023				
	Balance, beginning of the fiscal year	*Changes in AOCI*	*Amounts reclassified into net income*	*Net Changes during the period*	*Balance, end of the period*
Cumulative Translation Adjustments	$ (295)	$ (258)	$ —	$ (258)	$ (553)
DVA on Fair Value Option elected liabilities	351	(57)	2	(55)	296
Unrecognized Net Actuarial Gains (Losses) on Benefit Plans	3,490	—	(16)	(16)	3,474
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(23)	—	2	2	(21)
Total AOCI	$ 3,523	$ (315)	$ (12)	$ (327)	$ 3,196

Table J1.1
In millions of U.S. dollars

	Three Months Ended September 30, 2022				
	Balance, beginning of the fiscal year	Changes in AOCL	Amounts reclassified into net income	Net Changes during the period	Balance, end of the period
Cumulative Translation Adjustments	$ (790)	$ (605)	$ —	$ (605)	$ (1,395)
DVA on Fair Value Option elected liabilities	364	288	1	289	653
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	1,387	–	(7)	(7)	1,380
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(43)	–	5	5	(38)
Total AOCL	$ 918	$ (317)	$ (1)	$ (318)	$ 600

NOTE K— FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of September 30, 2023 and June 30, 2023, IBRD had no assets or liabilities measured at fair value on a non-recurring basis.

Due from Banks

The carrying amount of unrestricted and restricted cash is considered a reasonable estimate of the fair value of these positions.

Loans and Loan commitments

There were no loans carried at fair value as of September 30, 2023 or June 30, 2023. IBRD's loans and loan commitments would be classified as Level 3 within the fair value hierarchy.

Summarized below are the techniques applied in determining the fair values of IBRD's financial instruments.

Investment securities

Investment securities are classified based on management's intention on the date of purchase, their nature, and IBRD's policies governing the level and use of such investments. As of September 30, 2023, all of the financial instruments in IBRD's investment portfolio were classified as trading. These securities are carried and reported at fair value, or at face value or NAV, which approximates fair value. Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, mutual funds, exchange-traded equity securities and ABS securities.

For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally generated or vendor-supplied, that include the standard discounted cash flow method using observable market inputs such as yield curves, credit spreads, and conditional prepayment rates. Where applicable, unobservable inputs such as conditional prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits are reported at face value, which approximates fair value, as they are short term in nature.

Securities purchased under resale agreements, Securities sold under repurchase agreements, and Securities lent under securities lending agreements

These securities are of a short-term nature and reported at face value, which approximates fair value.

Discount notes and vanilla bonds

Discount notes and vanilla bonds issued by IBRD are valued using the standard discounted cash flow method which relies on observable market inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Where available, quoted market prices are used to determine the fair value of short-term notes, as well as some floating rate notes of longer maturity.

Structured bonds

Structured bonds issued by IBRD have coupon or repayment terms linked to the level or the performance of interest rates, foreign exchange rates, equity indices, catastrophic events, or commodities. The fair value of the structured bonds is generally derived using the discounted cash flow method based on estimated future pay-offs determined by applicable models and computation of embedded optionality such as caps, floors and calls. A wide range of industry standard models such as one factor Hull-White, LIBOR Market Model and Black-Scholes are used depending on the specific structure. These models incorporate observable market inputs, such as yield curves, foreign exchange rates, basis spreads, funding spreads, interest rate volatilities, equity index volatilities and equity indices. Where applicable, the models also incorporate significant unobservable inputs such as correlations between relevant market data and long-dated interest rate volatilities. Generally, the movements in correlations are considered to be independent of movements in long-dated interest rate volatilities.

Derivative instruments

Derivative contracts include currency forward contracts, TBA securities, swaptions, options and futures contracts, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are either plain vanilla or structured. Currency forward contracts and plain vanilla currency and interest rate swaps are valued using the standard discounted cash flow methods using observable market inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. For structured currency and interest rate swaps, which primarily consist of callable swaps linked to interest rates, foreign exchange rates, and equity indices, valuation models and inputs similar to the ones applicable to the valuation of structured bonds are used. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities.

Valuation adjustments on fair value option elected liabilities

The DVA on fair value option elected liabilities is measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IBRD's funding spread applicable to the relevant reference rate. The table below presents IBRD's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts:

Table K1: Fair value and carrying amount of financial assets and liabilities

In millions of U.S. dollars

	September 30, 2023		*June 30, 2023*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from banks	$ 519	$ 519	$ 547	$ 547
Investments-Trading (including Securities purchased under resale agreements)	80,613	80,613	79,277	79,277
Net loans outstanding	242,106	236,513	241,041	236,521
Derivative assets, net	313	313	271	271
Miscellaneous assets	55	55	55	55
Liabilities				
Borrowings	237,785	237,785	237,265	237,265
Securities sold/lent under repurchase agreements/securities lending agreements and payable for cash collateral received	12	12	9	9
Derivative liabilities, net	29,356	29,356	26,893	26,893

As of September 30, 2023, IBRD's signed loan commitments were $65 billion ($59 billion—June 30, 2023) and had a fair value of $0.4 billion ($0.5 billion—June 30, 2023).

The following tables present IBRD's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis. The fair value of Other fund investments measured using the NAV as a practical expedient are included in the table below but excluded from the fair value hierarchy.

Table K2: Fair value hierarchy of IBRD's assets and liabilities

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis September 30, 2023			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments–Trading				
Government and agency obligations	$ 14,208	$ 19,555	$ —	$ 33,763
Time deposits	3,367	39,966	—	43,333
ABS	—	1,170	—	1,170
Other fund investments [a]	—	—	—	2,000
Equity securities	272	—	—	272
Total Investments–Trading	$ 17,847	$ 60,691	$ —	$ 80,538
Securities purchased under resale agreements	17	58	—	75
Derivative assets				
Currency swaps [b]	$ —	$ 4,731	$ 40	$ 4,771
Interest rate swaps	—	9,326	53	9,379
Other [c]	1	—	—	1
	$ 1	$ 14,057	$ 93	$ 14,151
Less:				
Amounts subject to legally enforceable master netting agreements [e]				13,772
Cash collateral received				66
Derivative assets, net				$ 313
Miscellaneous assets	—	55	—	55
Liabilities:				
Borrowings	$ —	$ 234,401	$ 3,384	$ 237,785
Securities sold under repurchase agreements and securities lent under securities lending agreements [d]	—	12	—	12
Derivative liabilities				
Currency swaps [b]	$ —	$ 12,145	$ 210	$ 12,355
Interest rate swaps	—	31,217	199	31,416
Other [c]	1	—	—	1
	$ 1	$ 43,362	$ 409	$ 43,772
Less:				
Amounts subject to legally enforceable master netting agreements [f]				14,416
Derivative liabilities, net				$ 29,356

a. Investments at NAV related to PEBP holdings, not included in the fair value hierarchy.

b. Includes currency forward contracts.

c. These relate to swaptions, options and futures contracts and TBA securities.

d. Excludes $66 million relating to payable for cash collateral received.

e. Includes $24 million CVA.

f. Includes $668 million DVA.

Table K2.1
In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis June 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments–Trading				
Government and agency obligations	$ 12,651	$ 26,395	$ —	$ 39,046
Time deposits	1,992	34,817	—	36,809
ABS	—	1,087	—	1,087
Other fund investments [a]	—	—	—	1,982
Equity securities	275	—	—	275
Total Investments–Trading	$ 14,918	$ 62,299	$ —	$ 79,199
Securities purchased under resale agreements	18	60	—	78
Derivative assets				
Currency swaps [b]	$ —	$ 4,475	$ 148	$ 4,623
Interest rate swaps	—	8,120	73	8,193
Other [c]	—	—	—	—
	$ —	$ 12,595	$ 221	$ 12,816
Less:				
Amounts subject to legally enforceable master netting agreements [e]				12,405
Cash collateral received				140
Derivative asset, net				$ 271
Miscellaneous assets	—	55	—	55
Liabilities:				
Borrowings	$ —	$ 233,658	$ 3,607	$ 237,265
Securities sold under repurchase agreements and securities lent under securities lending agreements [d]	—	9	—	9
Derivative liabilities				
Currency swaps [b]	—	11,429	135	11,564
Interest rate swaps	—	27,965	207	28,172
Other [c]	6	—	$ —	$ 6
	$ 6	$ 39,394	$ 342	$ 39,742
Less:				
Amounts subject to legally enforceable master netting agreements [f]				12,849
Derivative liabilities, net				$ 26,893

a. Investments at NAV related to PEBP holdings, not included in the fair value hierarchy.
b. Includes currency forward contracts.
c. These relate to swaptions, options and futures contracts and TBA securities.
d. Excludes $140 million relating to payable for cash collateral received.
e. Includes $27 million CVA.
f. Includes $471 million DVA.

IBRD's Level 3 borrowings primarily relate to structured bonds. The fair value of these bonds is estimated using discounted cash flow valuation models that incorporate model parameters, observable market inputs, and unobservable inputs. The significant unobservable inputs used in the fair value measurement of structured bonds and swaps are correlations and long-dated market interest rate volatilities. Generally, the movements in correlations are considered to be independent of the movements in long-dated interest rate volatilities.

Correlation is the statistical measurement of the relationship between two variables. For contracts where the holder benefits from the convergence of the underlying index prices (e.g., market interest rates and foreign exchange rates), an increase in correlation would generally result in an increase in the fair value of the instrument. The magnitude and direction of the fair value adjustment would depend on whether the holder is short or long the option.

Interest rate volatility is the extent to which the level of interest rates changes over time. For purchased options, an increase in volatility will generally result in an increase in the fair value. In general, the volatility used to price the option depends on the maturity of the underlying instrument and the option strike price. During the three months ended September 30, 2023, and the fiscal year ended June 30, 2023, the interest rate volatilities for certain currencies were extrapolated for certain tenors and, thus, are considered an unobservable input.

IBRD entered into transactions which have an embedded option associated with an equity index. Valuation inputs of such transactions include, among other valuation inputs, volatilities of the equity indices, that are the extent to which the level of equity index changes over time. These index volatility levels are consistent with the respective index construction methodologies and historical movements. Similar to the impact of the volatility of the other asset classes described above, an increase in the equity index volatility will result in an increase in the value of the purchase option and vice versa.

In certain instances, particularly for instruments with coupon or repayment terms linked to catastrophic events, management relies on instrument valuations supplied by external pricing vendors.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used. Level 3 instruments represent 1% of IBRD's borrowings.

Table K3: Level 3 Borrowings and derivatives valuation technique and quantitative information regarding the significant unobservable inputs:

In millions of U.S. dollars

Portfolio	*Fair Value as of September 30, 2023*	*Fair Value as of June 30, 2023*	*Valuation Technique*	*Unobservable input*	*Range (average), September 30, 2023*	*Range (average), June 30, 2023*
Borrowings	$ 3,384	$ 3,607	Discounted Cash Flow	Correlations	-14% to 98% (12%)	-16% to 99% (11%)
				Interest rate volatilities	67% to 91% (83%)	63% to 85% (78%)
				Equity index volatilities	5% to 15% (9%)	5% to 15% (9%)
Derivative liabilities, net	$ (316)	$ (121)	Discounted Cash Flow	Correlations	-14% to 98% (12%)	-16% to 99% (11%)
				Interest rate volatilities	67% to 91% (83%)	63% to 85% (78%)
				Equity index volatilities	5% to 15% (9%)	5% to 15% (9%)

The tables below provide the details of transfers between Level 2 and Level 3 that are due to changes in observable inputs.

Table K4: Borrowings and derivatives inter level transfers
In millions of U.S. dollars

	Three Months Ended September 30, 2023		*Three Months Ended September 30, 2022*	
	Level 2	*Level 3*	*Level 2*	*Level 3*
Borrowings				
Transfer into (out of)	$ —	$ —	$ –	$ –
Transfer (out of) into	(20)	20	(118)	118
	$ (20)	$ 20	$ (118)	$ 118
Derivative assets, net				
Transfer into (out of)	$ 95	$ (95)	$ –	$ –
Transfer (out of) into	—	—	–	–
	95	(95)	–	–
Derivative liabilities, net				
Transfer (into) out of	$ (2)	$ 2	$ –	$ –
Transfer out of (into)	6	(6)	324	(324)
	4	(4)	324	(324)
Total Derivative Transfers, net	$ 99	$ (99)	$ 324	$ (324)

The following tables provide a summary of changes in the fair value of IBRD's Level 3 borrowings and derivatives:

Table K5: Borrowings Level 3 changes
In millions of U.S. dollars

	Three Months Ended September 30,	
	2023	*2022*
Beginning of the period/fiscal year	$ 3,607	$ 3,932
Issuances	27	—
Settlements	(146)	(171)
Total realized/unrealized mark-to-market losses (gains) in:		
Net income	(98)	(155)
Other comprehensive income (loss)	(26)	(136)
Transfers to (from) Level 3, net	20	118
End of the period	$ 3,384	$ 3,588

Table K6: Derivatives Level 3 changes

In millions of U.S. dollars

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Derivatives, Assets/(Liabilities)			Derivatives, Assets/(Liabilities)		
	Currency Swaps	Interest Rate Swaps	Total	Currency Swaps	Interest Rate Swaps	Total
Beginning of the period/fiscal year	$ 13	$ (134)	$ (121)	$ (379)	$ (165)	$ (544)
Issuances	1	—	1	—	—	—
Settlements	30	9	39	(15)	—	(15)
Total realized/unrealized mark-to-market (losses) gains in:						
Net income	(79)	(23)	(102)	(52)	(130)	(182)
Other comprehensive income (loss)	(36)	2	(34)	(91)	4	(87)
Transfers (from) to Level 3, net	(99)	—	(99)	(324)	—	(324)
End of the period	$ (170)	$ (146)	$ (316)	$ (861)	$ (291)	$ (1,152)

Information on the unrealized gains or losses included in the Condensed Statements of Income and Condensed Statements of Comprehensive Income relating to IBRD's Level 3 borrowings and derivatives that are still held at the reporting dates, is presented in the following table:

Table K7: Unrealized gains or losses relating to IBRD's Level 3 borrowings and derivatives

In millions of U.S. dollars

	Three Months Ended September 30,	
	2023	2022
Reported as:		
Borrowings		
Net income [a]	$ 7	$ 111
Other Comprehensive Income [b]	27	123
Derivatives		
Net income (loss) [a]	$ 18	$ (112)
Other Comprehensive Loss [c]	(29)	(74)

a. Amounts are included in Unrealized mark-to-market gains (losses) on non-trading portfolios, net on the Condensed Statements of Income.

b. Amounts are included in Currency translation adjustment on functional currency and Net Change in DVA on fair value option elected liabilities, in the Condensed Statements of Comprehensive Income.

c. Amounts are included in Currency translation adjustment on functional currency, in the Condensed Statements of Comprehensive Income.

Table K8: Borrowings fair value and contractual principal balance

In millions of U.S. dollars

	Fair Value	Principal Amount Due Upon Maturity	Difference
September 30, 2023	$ 237,785	$ 267,777	$ (29,992)
June 30, 2023	$ 237,265	$ 265,147	$ (27,882)

The following tables provide information on the changes in fair value due to the change in IBRD's own credit risk for financial liabilities measured under the fair value option, included in the Condensed Statements of Other Comprehensive Income:

Table K9: Changes in fair value due to IBRD's own credit risk

In millions of U.S. dollars

Unrealized mark-to-market gains (losses) due to DVA on fair value option elected liabilities	*Three Months Ended September 30, 2023*	*Three Months Ended September 30, 2022*
DVA on Fair Value Option Elected Liabilities	$ (57)	$ 288
Amounts reclassified to net income upon derecognition of a liability	2	1
Net change in DVA on Fair Value Option Elected Liabilities	$ (55)	$ 289

The following table provides information on the cumulative changes in fair value due to the change in IBRD's own-credit risk for financial liabilities measured under the fair value option, and their location on the Condensed Balance Sheets:

Table K10: Cumulative changes in fair value due to the change in IBRD's own-credit risk

In millions of U.S. dollars

DVA on fair value option elected liabilities	*September 30, 2023*	*June 30, 2023*
Reported as:		
Accumulated other comprehensive income	$ 296	$ 351

Table K11: Unrealized mark-to-market gains or losses on investments-trading, and non-trading portfolios, net

In millions of U.S. dollars

	Three Months Ended September 30, 2023			*Three Months Ended September 30, 2022*		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*	*Realized gains (losses)*	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments-Trading	$ (89)	$ 49	$ (40)	$ 502	$ (515)	$ (13)
Non trading portfolios, net						
Loan-related derivatives—Note F	—	1,254	1,254	—	1,978	1,978
Other assets/liabilities management derivatives, net	—	(707)	(707)	—	(1,729)	(1,729)
Borrowings, including derivatives —Notes E and F	—	(47)	(47) [b]	—	(137)	(137) [b]
Client operations derivatives	—	—	—	—	1	1
Others, net	—	—	—	—	(1)	(1)
Total	$ —	$ 500	$ 500	$ —	$ 112	$ 112

a. Adjusted to exclude amounts reclassified to realized gains (losses).

b. Includes $2,403 million of unrealized mark-to-market losses related to derivatives associated with borrowings for three months ended September 30, 2023 (unrealized mark-to-market losses of $7,412 million—three months ended September 30, 2022).

NOTE L—CONTINGENCIES

From time to time, IBRD may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. The outcome of any existing legal action, in which IBRD has been named as a defendant or co-defendant, as of and for the three months ended September 30, 2023, is not expected to have a material adverse effect on IBRD's financial position, results of operations or cash flows.

Deloitte.

Deloitte & Touche LLP
7900 Tysons One Place
Suite 800
McLean, VA 22102
USA
Tel: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT

President and Board of Executive Directors
International Bank for Reconstruction and Development:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed balance sheet of the International Bank for Reconstruction and Development ("IBRD") as of September 30, 2023, and the related condensed statements of income, comprehensive income, changes in retained earnings, and cash flows for the three-month periods ended September 30, 2023 and 2022, and the related notes (collectively referred to as the "interim financial information").

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of IBRD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Balance Sheet as of June 30, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of June 30, 2023, and the related statements of income, comprehensive income, changes in retained earnings, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated

August 4, 2023. In our opinion, the accompanying condensed balance sheet of IBRD as of June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte + Touche LLP

November 10, 2023