

# International Development Association



Management's Discussion & Analysis  
and  
Condensed Quarterly Financial Statements  
September 30, 2019  
(Unaudited)



**International Development Association  
Management's Discussion and Analysis  
September 30, 2019  
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## Box 1: Selected Financial Data

This Management's Discussion & Analysis (MD&A) discusses the results of the International Development Association's (IDA) financial performance for the three-month period ended September 30, 2019 (FY20 YTD). This document should be read in conjunction with IDA's financial statements and MD&A issued for the fiscal year ended June 30, 2019 (FY19). IDA undertakes no obligation to update any forward-looking statements. For information relating to its development operations' results and corporate performance, refer to the World Bank Corporate Scorecard and Sustainability Review.

*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 years ended June 30,			
	2019	2018	2019	2018	2017	2016
<b>Lending Highlights (Section IV)</b>						
<b>Loans, Grants and Guarantees</b>						
Commitments <sup>a</sup>	\$ 3,046	\$ 2,897	\$ 21,932	\$ 24,010	\$ 19,513	\$ 16,171
Gross disbursements <sup>a</sup>	3,170	2,281	17,549	14,383	12,718	13,191
Net disbursements <sup>a</sup>	1,841	1,058	12,221	9,290	8,154	8,806
<b>Balance Sheet (Section IV)</b>						
Total assets <sup>b</sup>	\$ 186,093	\$ 182,849	\$ 188,553	\$ 184,666	\$ 173,357	\$ 167,985
Net investment portfolio	31,957	32,766	32,443	33,735	29,673	29,908
Net loans outstanding	150,106	145,020	151,921	145,656	138,351	132,825
Borrowing portfolio <sup>c</sup>	11,329	7,275	10,149	7,318	3,660	2,906
Total equity	160,630	161,827	162,982	163,945	158,476	154,700
<b>Income Statement (Section IV)</b>						
Interest revenue, net of borrowing expenses	\$ 443	\$ 418	\$ 1,702	\$ 1,647	\$ 1,521	\$ 1,453
Transfers from affiliated organizations and others	-	-	258	203	599	990
Development Grants	(42)	(1,250)	(7,694)	(4,969)	(2,577)	(1,232)
Net Income (Loss)	220	(1,247)	(6,650)	(5,231)	(2,296)	371
<b>Adjusted Net Income <sup>d</sup> (Section IV)</b>	114	(4)	225	(391)	(158)	423
<b>Capital Adequacy (Section V)</b>						
Deployable strategic capital ratio	35.5%	37.1%	35.3%	37.4%	37.2%	NA

a. Excludes commitments and disbursements relating to IFC-MIGA Private Sector Window (PSW) activities.

b. Effective June 30, 2019, derivatives are presented net by counterparty, after cash collateral received, on the Balance Sheet. The presentation of the prior periods has been updated for comparability (For further details, see Note A: Summary of Significant Accounting and Related Policies in the Notes to the Financial Statements for the fiscal year ended June 30, 2019).

c. Includes related derivative balances.

d. Effective June 30, 2019, IDA introduced a new income measure, Adjusted Net Income (ANI), to reflect the economic results of its operations. Prior period numbers have been calculated and presented for comparability.

## Section I: Executive Summary

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Owned by its 173 members, IDA, an entity rated triple-A by the major rating agencies and one of the five institutions of the WBG, has been providing financing and knowledge services to many of the world's developing countries for more than 58 years.

With its many years of experience and its depth of knowledge in the international development arena, IDA plays a key role in achieving the World Bank Group's (WBG<sup>1</sup>) goal of helping countries achieve better development outcomes.

IDA contributes to both of the WBG's twin goals of ending extreme poverty and promoting shared prosperity by providing loans, grants, and guarantees to countries to help meet their development needs and by leveraging its experience and expertise to provide technical assistance and policy advice. It also supports countries with disaster risk financing and insurance against natural disasters and health-related crises and facilitates financing through trust fund partnerships.

IDA and its affiliated organizations seek to help countries achieve improvements in growth, job creation, poverty reduction, governance, the environment, climate adaptation and resilience, human capital, infrastructure and debt transparency. To meet its development goals, the WBG is increasing its focus on country programs in order to improve growth and development outcomes. Support is being expanded for countries at lower levels of income, and fragile and conflict-affected states.

The Eighteenth Replenishment of IDA's resources (IDA18) represents an innovative policy and financing package for FY18 through FY20. The IDA18 financing framework represents a shift in IDA's approach to mobilizing finance since it combines contributions from members with market debt, helping IDA provide \$75 billion<sup>2</sup> in financing for its clients.

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<sup>1</sup> The other WBG institutions are the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

<sup>2</sup> U.S. dollar amounts are based on an IDA18 reference rate of USD/SDR 1.40207. The U.S. dollar amounts are provided for reporting purposes only, as IDA's balance sheet is predominantly managed in Special Drawing Rights (SDR).

## Financial Results and Portfolio Performance

### Equity and Capital Adequacy

As of September 30, 2019, IDA's reported equity was \$160.6 billion, a decrease of \$2.4 billion from June 30, 2019. The decrease was primarily due to \$3 billion of negative currency translation adjustments during the period, partially offset by \$0.4 billion of cash received from members for subscriptions and contributions as well as \$0.2 billion of reported net income. See Section IV: Financial Results.

**\$160.6** billion  
Total Equity

IDA's main measure for capital adequacy, the deployable strategic capital (DSC) ratio was 35.5% as of September 30, 2019, above the zero percent policy minimum. IDA's capital continues to be adequate to support its operations. See **Table 13**.

**35.5%**  
DSC

### Lending Operations

IDA had \$3 billion of commitments in FY20 YTD, of which \$2.2 billion were loan and guarantee commitments. The remaining were grant commitments (\$0.8 billion), which are recorded as an expense in IDA's Statement of Income, once all conditions have been met.

**\$150.1** billion  
Net Loans Outstanding

IDA's net loans outstanding decreased by \$1.8 billion, to \$150.1 billion as of September 30, 2019, from \$151.9 billion as of June 30, 2019. The key driver of the decrease was the \$3 billion of negative currency translation adjustments during the period due to the depreciation of the SDR against the U.S. dollar, offset by \$1.1 billion of net loan disbursements during the period.

**\$0.8** billion  
Grant Commitments

### Net Investment Portfolio

IDA's investments remain concentrated in the upper end of the credit spectrum, with 60% rated AA or above (See **Table 15**), reflecting IDA's objective of principal protection and resulting preference for high-quality investments. As of September 30, 2019, the net investment portfolio was \$32 billion, a decrease of \$0.4 billion compared to June 30, 2019 (\$32.4 billion) primarily driven by net loan and grant disbursements being higher than the net debt issuances and cash contributions from members during the period.

**\$32** billion  
Net Investment Portfolio

### Borrowing Portfolio

**Market borrowings:** As of September 30, 2019, the total amount outstanding for short-term debt instruments was \$3.1 billion. The medium and long-term debt together with associated derivative instruments amounted to \$1.5 billion.

**\$4.6** billion  
Market Borrowings

**Concessional Partner Loans:** As of September 30, 2019, total borrowings from members - Concessional Partner Loans (CPLs) - were \$6.7 billion, a marginal decrease of \$0.1 billion compared to June 30, 2019 (\$6.8 billion).

**\$6.7** billion  
Concessional Partner Loans

### Net Income and Adjusted Net Income

**Net Income:** For FY20 YTD, IDA reported a net income of \$0.2 billion, compared to a \$1.2 billion net loss for FY19 YTD. The shift in IDA's net income was primarily driven by the decrease in development grant expenses due to the adoption of an accounting standard that became effective from the quarter ended September 30, 2019 (See Section II: Overview – Basis of Reporting).

**\$0.2** billion  
Net Income

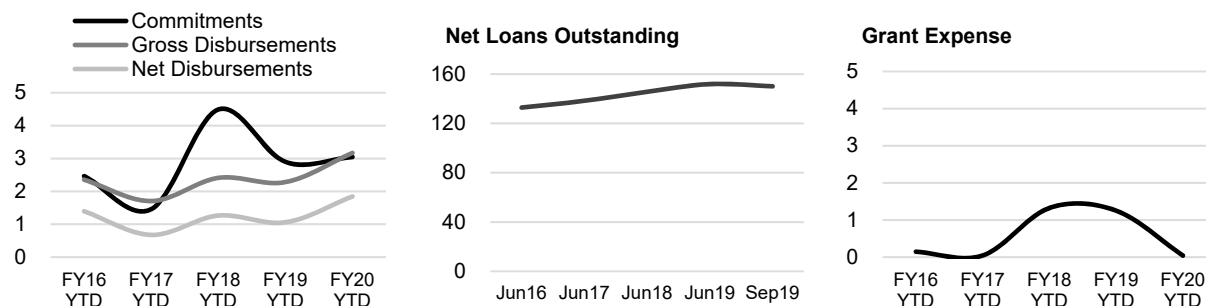
**Adjusted Net Income:** For FY20 YTD, IDA's adjusted net income was \$114 million, an increase of \$118 million compared with the \$4 million of adjusted net loss in FY19 YTD. The increase was primarily due to the unrealized mark-to-market gains/losses on the investment-trading portfolio between FY20 YTD (\$43 million of gains) and FY19 YTD (\$57 million of losses).

**\$0.1** billion  
Adjusted Net Income

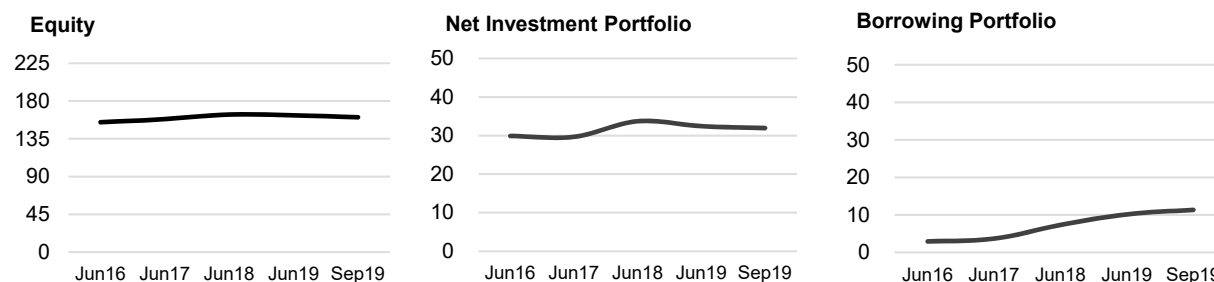
## Key Performance Indicators

In billions of U.S. dollars (except for ratio)

**Lending** – During the first three months of FY20, IDA committed \$3 billion in loans, grants and guarantees to help its eligible member countries to finance their development. The majority of IDA’s loans typically disburse over a period of 5 to 10 years and have repayment periods of up to 40 years. Therefore, each replenishment generally results in a steady increase in IDA’s net loans outstanding. Since IDA’s loans are primarily in SDR, their reported balance is affected by the appreciation /depreciation of the SDR against the U.S. dollar.

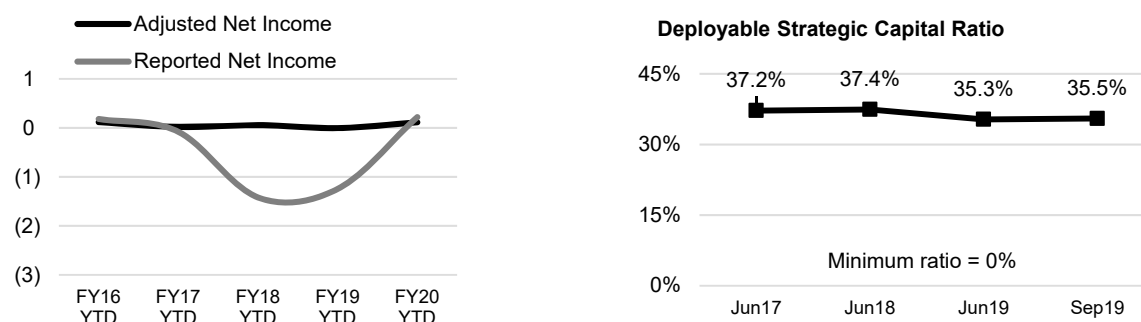


**Equity, Liquidity and Borrowings** – Each successive replenishment has increased the amount of equity available to finance IDA’s operations. Since IDA’s resources are managed primarily in SDR, the reported balance of IDA’s equity is affected by the appreciation/depreciation of the SDR against the U.S. dollar. IDA has maintained high levels of liquidity in its investment portfolio to ensure that it can meet its liquidity needs, even under potential scenarios of severe market disruptions. The borrowings balance reflects both borrowings from members and capital market debt.



**Financial Results and Capital Adequacy** – IDA’s reported net results are primarily driven by its grant activity, as previously discussed. Given the long duration of IDA’s investment portfolio, which is carried at fair value, results are also affected by unrealized mark-to-market gains and losses due to movements in the relevant yield curves. IDA’s Adjusted Net Income has been relatively stable when compared with the volatility of IDA’s reported net income. See

**Table 12.** The DSC measures the amount of capital available to support future commitments over and above the current loan portfolio.



## Section II: Overview

Every three years, representatives of IDA’s members<sup>3</sup> meet to assess IDA’s financial capacity and the medium-term demand for new IDA financing. Members decide the policy framework, agree upon the amount of financing to be made available for the replenishment period, and commit to additional contributions of equity that are required to meet these goals. The meetings culminate in a replenishment agreement that determines the size, sources (both internal and external), and uses of funds for the following three years. For the three-year funding cycle of IDA18, the agreed resource envelope totals \$75 billion, supported by \$27 billion of member contributions. The fiscal year beginning July 1, 2019 is the last year of IDA18.

### Financial Business Model

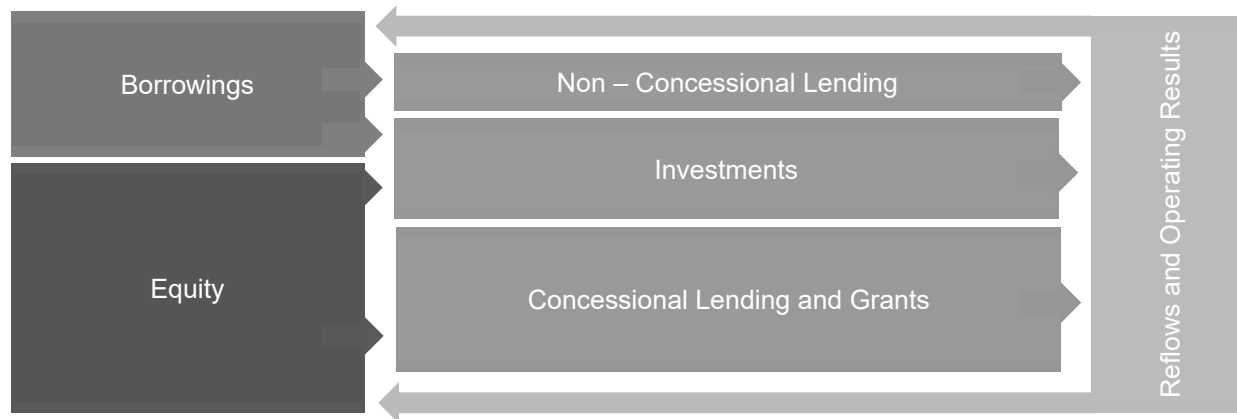
IDA has financed its operations over the years with its own equity, including regular additions to equity provided by member countries as part of the replenishment process. IDA first introduced debt into its business model in IDA17, starting from FY15, through concessional partner loans (CPLs) received from some of its members. In order to make the most

efficient use of the strong equity base that has been built up over the decades, IDA has moved to a hybrid financing model by including market debt in its business model starting from FY18. By prudently leveraging its equity and blending market debt with additional equity contributions from members, IDA has increased its financial efficiency, and scaled up its financing to support the escalating demand for its resources to deliver on the following priorities:

- retain IDA’s mandate to provide concessional financing on terms that respond to clients’ needs; and
- ensure long-term financial sustainability of IDA’s financial model through a prudent risk management framework.

Concessional lending, including grants, is primarily financed by IDA’s equity. Non-concessional lending will primarily be financed by market debt. To the extent that market debt will be used to finance concessional lending, it will be blended with member contributions, which will provide an interest subsidy. See **Figure 1**.

**Figure 1: IDA's Financial Business Model**



<sup>3</sup> IDA’s members are owners and hold voting rights in IDA. Members do not, however, hold shares in IDA and are therefore not referred to as shareholders. Payments for subscriptions and contributions from members increase IDA’s paid-in equity and are financially equivalent to paid-in capital in multilateral development organizations with capital structures.



## Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), referred to in this document as the “reported basis”. IDA’s functional currencies are the SDR and its component currencies of U.S. dollar, Euro, Japanese Yen, Pound Sterling and Chinese Renminbi. For the convenience of its members and other users, IDA’s financial statements are reported in U.S. dollars. Management uses the reported net income as the basis for deriving adjusted net income, as discussed in Section IV: Financial Results.

IDA adopted ASU 2018-08 relating to *Contributions Made* in the quarter ended September 30, 2019. Previously, all grants were recognized as expenses at the time of approval. Now, development grants

approved after July 1, 2019 are expensed when all conditions have been met, which generally occurs at the time of disbursement. Development grants that are deemed to be unconditional, continue to be expensed upon Board approval. See Notes to the Condensed Quarterly Financial Statements, Note A – Summary of Significant Accounting and Related Policies.

## Fair Value Results

IDA reflects all financial instruments at fair value in Section VI: Fair Value Analysis of the MD&A. The fair value of these instruments is affected by changes in market variables such as interest rates, exchange rates, and credit risk. Management uses fair value to assess the performance of the investment-trading portfolio, and to manage various market risks, including interest rate risk and commercial counterparty credit risk.

## Section III: IDA's Financial Resources

### Allocation of IDA18 Resources

Concessional financing is provided in the form of loans, grants and guarantees. Eligibility and percentage of allocation for grants for IDA-only countries is based on an assessment of the country's risk of debt distress, where the higher the risk assessment, the greater the proportion of grant financing.

Cumulative commitments under IDA18 as of September 30, 2019 were:

- \$44.9 billion of concessional financing of which \$31.2 billion was in the form of loans and guarantees, and \$13.7 billion in the form of grants. Included in these commitments were \$13.9 billion to countries identified as being in situations of fragility, conflict and violence.
- \$4.1 billion of non-concessional financing that comprises loans and guarantees whose terms are aligned with those of IBRD's flexible loans and guarantees.

Core Financing is allocated based on IDA's Performance Based Allocation (PBA) system and the allocation framework agreed during each

replenishment. Non-core financing allows IDA to respond to specific needs of its members through the following windows:

- Regional Program Window
- Crisis Response Window
- Arrears Clearance Set-Aside

In IDA18, a \$2.5 billion IFC-MIGA Private Sector Window (PSW) was created with the goal of mobilizing private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected States.

During FY20 YTD, \$25 million of PSW commitments were approved, bringing the cumulative approved PSW commitments to \$603 million as of September 30, 2019. Of these, \$143 million has been utilized. See Table G4 in Note G –Transactions with Affiliated Organizations in the Notes to the Financial Statements for the period ended September 30, 2019. The utilized amount is comprised of:

- \$112 million for guarantees
- \$26 million for derivatives
- \$4 million in exposure through the funding of IFC's PSW-related equity investments
- \$1 million for loans.

## Section IV: Financial Results

### Summary of Financial Results

IDA had a net income of \$220 million in FY20 YTD compared with a net loss of \$1,247 million in FY19 YTD. The variance in net income of the two periods was primarily driven by the decrease in development grant activity, due to the timing of recognition of the

grant expenses as a result of the implementation of the new ASU 2018-08 which provided additional guidance on conditional contributions. Starting from July 1, 2019, the grant expenses are recognized in the income statement only when all conditions have been met, which generally occurs at the time of disbursement.

**Table 1: Condensed Statement of Income**

*In millions of U.S. dollars*

For the three months ended September 30,	2019	2018	Variance
<b>Interest Revenue</b>			
Loans, net	\$ 387	\$ 356	\$ 31
Investments, net	116	115	1
Other, net	(3)	-	(3)
<b>Borrowings, net</b>	<u>(57)</u>	<u>(53)</u>	<u>(4)</u>
<b>Interest Revenue, net of borrowing expenses</b>	<b>443</b>	<b>418</b>	<b>25</b>
Provision for losses on loans and other exposures	(35)	(25)	(10)
Other revenue / (expenses), net (Table 11)	4	12	(8)
Net non-interest expenses (Table 10)	(388)	(361)	(27)
Non-functional currency translation adjustment gains (losses), net	144	(12)	156
Unrealized mark-to-market gains (losses) on investments-trading portfolio, net <sup>a</sup>	43	(57)	100
Unrealized mark-to-market gains on non-trading portfolios, net	51	28	23
Development grants (Table 7)	(42)	(1,250)	1,208
<b>Net Income (Loss)</b>	<b>\$ 220</b>	<b>\$ (1,247)</b>	<b>\$ 1,467</b>

a. Includes IDA's share of income from post-employment benefit plan (PEBP) and post-retirement contribution reserve (PCRF) assets – \$1 million (FY19 YTD - \$9 million)

**Table 2: Condensed Balance Sheet**

*In millions of U.S. dollars*

As of	September 30, 2019	June 30, 2019	Variance
<b>Assets</b>			
Due from banks	\$ 738	\$ 138	\$ 600
Investments	32,534	32,770	(236)
Net loans outstanding	150,106	151,921	(1,815)
Derivative assets, net	592	487	105
Other assets	2,123	3,237	(1,114)
<b>Total assets</b>	<b>\$ 186,093</b>	<b>\$ 188,553</b>	<b>\$ (2,460)</b>
<b>Liabilities</b>			
Borrowings	\$ 11,391	\$ 10,202	\$ 1,189
Derivative liabilities, net	3	22	(19)
Other liabilities	14,069	15,347	(1,278)
<b>Equity</b>	<b>160,630</b>	<b>162,982</b>	<b>(2,352)</b>
<b>Total liabilities and equity</b>	<b>\$ 186,093</b>	<b>\$ 188,553</b>	<b>\$ (2,460)</b>

## Equity

IDA's equity was \$160.6 billion as of September 30, 2019, a \$2.4 billion decrease compared with June 30, 2019. The change was primarily due to:

- \$3 billion of negative currency translation adjustments from the depreciation of the SDR against the U.S. dollar, partially offset by
- \$0.4 billion of cash received from members for subscriptions and contributions (including encashment of demand obligations), and
- \$0.2 billion of net income earned during the period.

**Table 3: Changes in Equity**

*In millions of U.S. dollars*

Equity as of June 30, 2019	\$	162,982
Activity during the year:		
Subscriptions and contributions paid-in		(262)
Nonnegotiable, noninterest-bearing demand obligations		648
Change in Accumulated deficit		220
Change in Accumulated other comprehensive income		(2,957)
Deferred amounts to maintain value of currency holdings		(1)
Total activity		(2,352)
<b>Equity as of September 30, 2019</b>	<b>\$</b>	<b>160,630</b>

**Table 4: Loans Outstanding by Region**

*In millions of U.S. dollars*

As of	September 30, 2019	% of total	June 30, 2019	% of total	Variance
Africa	\$ 65,297	42 %	\$ 65,359	42 %	\$ (62)
East Asia and Pacific	19,035	12	19,442	12	(407)
Europe and Central Asia	7,514	5	7,700	5	(186)
Latin America and the Caribbean	2,696	2	2,701	2	(5)
Middle East and North Africa	2,595	2	2,689	2	(94)
South Asia	57,570	37	58,662	37	(1,092)
Others <sup>a</sup>	1	*	-	-	1
<b>Total</b>	<b>\$ 154,708</b>	<b>100 %</b>	<b>\$ 156,553</b>	<b>100 %</b>	<b>\$ (1,845)</b>

*a. Represents loans under the PSW.*

*\* Indicates percentage less than 0.5%.*

## Total Assets

As of September 30, 2019, total assets were \$186.1 billion, a decrease of \$2.5 billion from June 30, 2019 (\$188.6 billion). The decrease was primarily driven by the decrease in net loans outstanding due to currency translation losses, as discussed below.

## Loan Portfolio and Grant Activity

As of September 30, 2019, IDA's net loans outstanding (after accumulated provision for losses on loans) were \$150.1 billion, lower by \$1.8 billion compared with June 30, 2019. The decrease was mainly due to currency translation losses of \$3 billion, consistent with the 1.9% depreciation of the SDR against the U.S. dollar during the period, partially offset by \$1.1 billion in net positive loan disbursements. As of September 30, 2019, 94% of IDA's total loans outstanding were denominated in SDR.

## Loans Outstanding

Loans outstanding as of September 30, 2019, were \$154.7 billion. Of this amount, the Africa and South Asia regions accounted for 79%. See **Table 4** for details.

*Commitments*

Commitments of loans in FY20 YTD were \$2.2 billion, an increase of \$0.8 billion (54%) over FY19 YTD (\$1.4 billion).

There are no new commitments of guarantees in FY20 YTD as compared to \$180 million in FY19 YTD.

Commitments of grants in FY20 YTD were \$0.8 billion, a decrease of \$0.4 billion (35%) over FY19 YTD (See **Table 6**).

**Table 5: Commitments of Loans and Guarantees by Region***In millions of U.S. dollars*

For the three months ended September 30,	2019	% of total	2018	% of total	Variance
Africa	\$ 1,680	76%	\$ 1,088	68%	\$ 592
East Asia and Pacific	192	9	16	1	176
Europe and Central Asia	50	2	92	6	(42)
Latin America and the Caribbean	36	2	59	3	(23)
Middle East and North Africa	10	*	15	1	(5)
South Asia	235	11	337	21	(102)
<b>Total</b>	<b>\$ 2,203</b>	<b>100%</b>	<b>\$ 1,607</b>	<b>100%</b>	<b>\$ 596</b>

\* indicates percentage less than 0.5%

**Table 6: Commitments of Grants by Region***In millions of U.S. dollars*

For the three months ended September 30,	2019	% of total	2018	% of total	Variance
Africa	\$ 762	90%	\$ 1,031	80%	\$ (269)
East Asia and Pacific	20	2	84	6	(64)
Europe and Central Asia	32	4	9	1	23
Latin America and the Caribbean	9	1	20	2	(11)
Middle East and North Africa	5	1	-	-	5
South Asia	15	2	146	11	(131)
<b>Total</b>	<b>\$ 843</b>	<b>100%</b>	<b>\$ 1,290</b>	<b>100%</b>	<b>\$ (447)</b>

In FY20 YTD, grant approvals amounted to \$843 million. In line with the adoption of the new accounting standard on *Contributions Made*, only \$42 million of net grant expenses were recognized during the period. In contrast, during the same period in FY19 YTD, IDA had \$1,290 million of grant approvals, and net grant expenses of \$1,250 million. During FY19 YTD, under the accounting policies in effect at that time, grant expenses were recognized upon approval of IDA's grants. See **Table 7**.

**Table 7: Grant expenses recognized***In millions of U.S. dollars*

For the three months ended September 30,	2019	2018
Grant commitments approved (Table 6)	\$ 843	\$ 1,290
Grants for which conditions have not been met	(793) <sup>a</sup>	n.a
Grants for which conditions for expensing have been met	50	1,290
Cancellations and translation adjustments	(17)	(49)
Pandemic Emergency Financing Facility (PEF) disbursements <sup>b</sup>	9	9
<b>Grant expenses recognized in the Income Statement (Table 1)</b>	<b>\$ 42</b>	<b>\$ 1,250</b>

a. Of these, \$30 million were disbursed as advances to recipients and recorded as other receivables in IDA's Condensed Balance Sheet as of September 30, 2019.

b. IDA's contributions to PEF are expensed when the amounts are disbursed from the PEF Financial Intermediary Funds.

IDA's loans generally disburse within five to ten years for investment project financing and one to three years for development policy financing, therefore, each year's disbursements also include amounts relating to commitments made in earlier years (See **Table 8**)

**Table 8: Gross Disbursements of Loans and Grants by Region**

In millions of U.S. dollars

For the three months ended September 30,	2019			2018		
	Loans	Grants <sup>a</sup>	Total	Loans	Grants <sup>a</sup>	Total
Africa	\$ 1,417	457	1,874	\$ 913	244	1,157
East Asia and Pacific	208	19	227	191	23	214
Europe and Central Asia	69	33	102	99	30	129
Latin America and the Caribbean	69	31	100	75	46	121
Middle East and North Africa	7	8	15	11	41	52
South Asia	685	167	852	471	137	608
Others <sup>b</sup>	1	-	1	-	-	-
<b>Total</b>	<b>\$ 2,456</b>	<b>715</b>	<b>3,171</b>	<b>\$ 1,760</b>	<b>521</b>	<b>2,281</b>

a. Excludes Project Preparation Advances (PPA).

b. Represents loans under the PSW.

As of September 30, 2019, 62% of IDA's loans were on regular terms (75bps SDR equivalent service charge), see **Table 9**. For a summary of financial terms for IDA's lending products, effective July 1, 2019, refer to Section V: Development Activities, Products and Programs of IDA's MD&A for the fiscal year ended June 30, 2019.

During the first three months of FY20, the increase in IDA's interest revenue and service charges were driven by the increased volume of loans.

**Table 9: Revenue by Category**

In millions of U.S. dollars

Category	Balance as of September 30,		Interest revenue		Service charge revenue	
	2019	2018	For the three months ended September 30,			
			2019	2018	2019	2018
Loans						
Concessional						
Regular	\$ 96,444	\$ 93,263	\$ 4	\$ 4	\$ 177	\$ 170
Blend	54,937	53,812	73	60	105	102
Hard	1,340	1,296	9	9	3	2
Non-concessional <sup>a</sup>	1,986	1,023	16	9	-	-
Others <sup>b</sup>	1	-	*	-	-	-
<b>Total</b>	<b>\$ 154,708</b>	<b>\$ 149,394</b>	<b>\$ 102</b>	<b>\$ 82</b>	<b>\$ 285</b>	<b>\$ 274</b>

a. \$4 million of commitment charges were earned in FY20 YTD for non-concessional loans (\$3 million in FY19 YTD)

b. Represents loans under the PSW.

\* Indicates percentage less than 0.5%.

### Investment Portfolio

IDA's net investment portfolio was \$32 billion as of September 30, 2019, compared with \$32.4 billion as of June 30, 2019. The key drivers were:

- The outflow of \$3.2 billion in loan and grant disbursements,

Offset by inflows of:

- \$1.3 billion in the form of loan repayments and prepayments,

- \$1.3 billion of issuances of short-term debt instruments, net of maturities, and
- \$0.4 billion relating to member contributions.

### Borrowing Portfolio

As part of IDA18, five members have agreed to provide IDA with concessional loans totaling \$5.2 billion. As of September 30, 2019, IDA has signed concessional loan agreements totaling \$5.1 billion, of which \$3 billion was received as loan proceeds. As of September 30, 2019, total borrowings from members

were \$6.7 billion. See Notes to the Condensed Quarterly Financial Statements, Note D - Borrowings.

As of September 30, 2019, the total amount outstanding for market borrowings was \$4.7 billion, an increase of \$1.3 billion compared to June 30, 2019 primarily due to net issuance of short-term debt instruments during the period. See Notes to the Condensed Quarterly Financial Statements, Note K – Fair Value Disclosures.

### Transfers from Affiliated Organizations

On October 18, 2019, IBRD's Board of Governors approved a transfer of \$259 million to IDA, bringing the cumulative transfers to \$15,756 million. This transfer was received on October 29, 2019.

### Net Non-Interest Expenses

As shown in **Table 10**, IDA's net non-interest expenses primarily comprise 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 IBRD and IDA. The allocation of 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 activities relating to lending, knowledge services, and other services between the two institutions. The administrative expenses shown in the table below include costs related to IDA-executed trust funds and other externally funded activities.

IDA's net non-interest expenses were \$388 million for FY20 YTD, as compared to \$361 million in FY19 YTD.

The key drivers during the period were i) increase in costs allocated to IDA under the cost sharing methodology, due to the increase in client engagement activities associated with IDA18, ii) higher pension costs as a result of higher service cost and higher amortization of unrecognized actuarial losses, partially offset by iii) increase in revenue from externally funded activities. See **Table 10** for a comparison of the main sources of Administrative expenses and revenue from externally funded activities between FY20 YTD and FY19 YTD.

**Table 10: Net Non-Interest Expenses**

*In millions of U.S. dollars*

For the three months ended September 30,	2019	2018	Variance
Administrative expenses:			
Staff costs	\$ 268	\$ 251	\$ 17
Travel	31	28	3
Consultant and contractual services	69	61	8
Pension and other post-retirement benefits	91	74	17
Communications and technology	14	13	1
Equipment and buildings	38	39	(1)
Other expenses	21	21	-
<b>Total administrative expenses</b>	<b>\$ 532</b>	<b>\$ 487</b>	<b>\$ 45</b>
Revenue from externally funded activities:			
Reimbursable revenue - IDA executed trust funds	(78)	(75)	(3)
Other revenue	(66)	(51)	(15)
<b>Total revenue from externally funded activities</b>	<b>\$ (144)</b>	<b>\$ (126)</b>	<b>\$ (18)</b>
<b>Total Net Non-Interest Expenses (Table 1)</b>	<b>\$ 388</b>	<b>\$ 361</b>	<b>\$ 27</b>

During FY20 YTD, IDA's net other revenue decreased by \$8 million. The main driver was the Project Preparation Advances (PPA) grant activity, including cancellations and refinancing of PPA grants previously approved.

**Table 11: Other revenue / (expenses), net**

*In millions of U.S. dollars*

For the three months ended September 30,	2019	2018	Variance
Other (primarily PPA grants)	\$ (4)	\$ 6 <sup>a</sup>	\$ (10)
Guarantee fees	4	3	1
Commitment charges	4	3	1
<b>Other revenue / (expenses), net (Table 1)</b>	<b>\$ 4</b>	<b>\$ 12</b>	<b>\$ (8)</b>

*a. PPA grant cancellations exceeded new PPA grants approved in FY19 YTD.*

## Adjusted Net Income

Starting from June 30, 2019, a business-driven net-income measure, Adjusted Net Income (ANI), was introduced. This non-GAAP measure reflects the economic results of IDA's operations and is used internally by IDA's Management and the Board as a financial sustainability measure. ANI is defined as IDA's net income on a reported basis, adjusted to exclude certain items (For a detailed discussion of the

adjustments, see Section IV of IDA's MD&A for June 30, 2019). After the effects of these adjustments, the resulting ANI generally reflect amounts which are realized, not restricted for specific uses, and not directly funded by members.

As illustrated in **Table 12**, the key differences between ANI and reported net income relate to activities directly funded by members and non-functional currency translation adjustments.

**Table 12: Adjusted Net Income**

*In millions of U.S. dollars*

For the three months ended September 30,	2019	2018	Variance
Net Income (Loss)	\$ 220	\$ (1,247)	\$ 1,467
<b>Adjustments to Reconcile Net Income / (Loss) to Adjusted Net Income:</b>			
Expenses relating to development financing activities directly funded by contributions from members			
Development grants	\$ 42	\$ 1,250	\$ (1,208)
PPA grants	4	(6)	10
Amortization of CPL discounts	20	18	2
Non-functional currency translation adjustment gains	(144)	12	(156)
Unrealized market-to-market gains on non-trading portfolios	(51)	(28)	(23)
Pension, PEBP and PCRf adjustments			
Pension adjustment	26	10	16
PEBP/PCRf income	(1)	(9)	8
EFO income	(2)	(4)	2
	<u>\$ (106)</u>	<u>\$ 1,243</u>	<u>\$ (1,349)</u>
<b>Adjusted Net Income (Loss)</b>	<u><b>\$ 114</b></u>	<u><b>\$ (4)</b></u>	<u><b>\$ 118</b></u>



## Section V: Risk Management

### Risk Governance

IDA's risk management processes and practices continually evolve to reflect changes in activities in response to market, credit, product, operational, and other developments. The Board, particularly Audit Committee members, periodically reviews trends in IDA's risk profiles and performance, and any major developments in risk management policies and controls.

Management believes that effective risk management is critical for IDA's overall operations. Accordingly, the risk management governance structure is designed to manage the principal risks IDA assumes in its activities, and supports Management in its oversight function, particularly in coordinating different aspects of risk management and in connection with risks that are common across functional areas.

IDA's financial and operational risk governance structure is built on the "three lines of defense" principle where:

- i. Business units are responsible for directly managing risks in their respective functional areas,
- ii. The Vice President and WBG Chief Risk Officer (CRO) provides direction, challenge, and oversight over financial and operational risk activities, and
- iii. Internal Audit provides independent oversight.

IDA's risk management process comprises: risk identification, assessment, response, and risk monitoring and reporting. IDA has policies and procedures under which risk owners and corporate functions are responsible for identifying, assessing, responding to, monitoring and reporting risks.

### Risk Oversight and Coverage

The CRO has an overview of 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. In addition, the CRO works closely with IBRD, IFC, and MIGA's Management to review, measure, aggregate, and report on risks and share best practices across the WBG. The CRO also helps enhance cooperation between the entities and facilitates knowledge sharing in the risk management function.

The risk of IDA's operations not meeting the development outcomes (development outcome risks)

in IDA's lending activities is monitored at the corporate level by Operations Policy and Country Services (OPCS). Where fraud and corruption risks may impact IDA-financed projects, OPCS, the Regions and Practice Groups, and the Integrity Vice Presidency jointly address such issues.

### Management of IDA's Risks

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

### Capital Adequacy

IDA uses a solvency-based capital adequacy model, which mandates that IDA holds capital for credit risk, market risk and operational risk covering all activities and assets on its books. The main measure of capital adequacy is the Deployable Strategic Capital (DSC), which is the capital available to support future commitments, over and above the current portfolio. IDA is required, by the Board, to keep the DSC at levels greater than or equal to zero percent. The DSC is calculated as the amount by which Total Resources Available (TRA) exceed Total Resources Required (TRR), plus a Conservation Buffer (CB). The TRA consists of IDA's existing equity plus its outstanding loan loss reserve. The TRR is the minimum capital required to cover expected and unexpected losses, (under a stressed but still plausible downside scenario), in connection with all of IDA's currently existing operations and assets. It also includes a capital allowance to reflect losses that result from valuing IDA's concessional loan portfolio in present value terms using market interest rates. This allowance is calculated using a stressed interest rate to account for a potential future rise in market interest rates. The CB is an extra buffer in the amount of 10 percent of TRA.

**Table 13: Deployable Strategic Capital Ratio**

in billions of U.S. dollars except ratios in percentage

As of	September 30, 2019	June 30, 2019
Total Resources Available (TRA)	\$ 165.2	\$ 167.6
Total Resources Required (TRR)	90.0	91.6
Conservation Buffer (CB)	16.5	16.8
Deployable Strategic Capital (DSC = TRA-TRR-CB)	\$ 58.7	\$ 59.2
<b>Deployable Strategic Capital as a percentage of TRA</b>	<b>35.5%</b>	<b>35.3%</b>

As of September 30, 2019, the DSC was 35.5%, marginally higher by 0.2% compared with June 30, 2019 (35.3%). See **Table 13**.

In addition to the DSC framework, IDA has policies in place to ensure alignment of its lending and borrowing activities. Included in these policies are asset coverage requirements, where Management will monitor asset and liquidity levels to ensure IDA's ability to satisfy all its borrowing and commitment obligations. See Section IX: Risk Management of IDA's June 30, 2019 MD&A.

### Capital Value Protection Program

On September 24, 2019, IDA's Board approved a Capital Value Protection Program. The objective of the program is to reduce the sensitivity of the present value of IDA's equity to long-term interest rates and allow for more resources to be available for lending under the capital adequacy framework.

The program entails entering into a limited amount of pay fixed, receive floating forward-starting interest rate swaps. Changes in the values of these forward-starting swaps partially offset changes in the present value of loans, thereby reducing the sensitivity of the present value of IDA's equity to long-term interest rate movements and providing greater stability in IDA's long-term financing to clients.

### Management of Credit and Market Risks

#### Credit Risk

IDA 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. IDA is exposed to commercial as well as noncommercial counterparty credit risk.

#### Country Credit Risk

IDA's lending management framework encompasses the long-standing Performance Based Allocation (PBA) mechanism and allocation framework agreed at each replenishment, complemented by additional

considerations required when accessing debt markets to ensure adherence to risk management (capital adequacy) requirements.

IDA regularly assesses the country credit risk of all its borrowers. Based on these risk ratings, to manage IDA's overall portfolio risk, the allocation outcomes of the PBA and other mechanisms are reviewed to ensure that they are compatible with the Deployable Strategic Capital Framework and Single Borrower Limit (SBL).

For FY20, the SBL has been set at \$41 billion (25% of \$163 billion of equity as of June 30, 2019). Currently, the maximum country exposure levels compatible with IDA's overall capital adequacy target are lower than the SBL for all IDA-borrowing countries. As a consequence, the SBL is not currently a constraining factor.

#### Probable Losses, Overdue Payments and Non-Performing Loans

When a borrower fails to make payments on any principal, interest or other charges due to IDA, IDA may suspend disbursements immediately on all loans and grants to that borrower. IDA's current practice is to exercise this option using a graduated approach. These practices also apply to member countries eligible to borrow from both IDA and IBRD, and whose payments on IBRD loans may become overdue. It is IDA's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of September 30, 2019, none of the borrowing countries in IDA's accrual portfolio had overdue payments beyond 90 days.

As an exception to the practices set forth for treatment of overdue payments, IDA has provided financing to countries with overdue payments, in very specific situations (Section IX: Risk Management of IDA's June 30, 2019 MD&A).

In response to the significant human loss and destabilization caused by Cyclone Idai in Malawi, Mozambique and Zimbabwe, as part of a multi-country regional response package, in July 2019,

IDA's Board approved an exceptional grant of \$72 million to support the people of Zimbabwe, a country that is overdue on its payments to IDA and IBRD. The grant amount will be provided through third-party UN agencies towards a harmonized multi-sector livelihood support and recovery operation focused on social welfare and community interventions. Of this amount, \$31 million was expensed during FY20 YTD.

In FY19, Somalia received an allocation of \$140 million of Pre-Arrears Clearance Grants (PAC) to support national priorities related to resilience and recovery and the country's reform momentum towards HIPC decision point. Of this amount, \$98 million of grants were approved in FY19 and \$42 million were approved in FY20 YTD. In FY20 YTD, an additional

allocation was made under the PAC window for Somalia, of which \$65 million of grants were approved. None of the grants approved in FY20 YTD have been expensed as the conditions for expensing have not been met.

As of September 30, 2019, approximately 1.6% of IDA's loans were in nonaccrual status, unchanged from June 30, 2019. See Notes to the Condensed Quarterly Financial Statements, Note F: Loans and Other Exposures.

**Table 14** provides details of the top five borrowers with the largest loan outstanding balances as of September 30, 2019. These borrowers represented 47% of loans outstanding as of that date.

**Table 14: Top Five Borrowers with the Largest Outstanding Balance**

*In millions of U.S. dollars, or as otherwise indicated*

Country	Total	India	Bangladesh	Pakistan	Vietnam	Nigeria	Others
Eligibility		IBRD	IDA-only	Blend	IBRD	Blend	
Loans outstanding	\$ 154,708	\$ 22,093	\$ 15,378	\$ 13,699	\$ 12,791	\$ 9,261	\$ 81,486
% of Total Loans outstanding	100	14	10	9	8	6	53
Weighted Average Maturity (Years)	12.1	5.4	13.7	11.0	12.5	14.1	13.4
Loans outstanding by terms							
Concessional							
Regular	96,444	4,186	15,060	806	7,316	5,212	63,864
Blend	54,937	16,575	305	12,208	5,205	3,960	16,684
Hard	1,340	433	-	443	259	61	144
Non-concessional	1,986	899	13	242	11	28	793
Others <sup>a</sup>	1	-	-	-	-	-	1
Undisbursed balance	\$ 56,471	\$ 2,918	\$ 6,625	\$ 4,037	\$ 4,333	\$ 4,670	\$ 33,888

*a. Represents loans under the PSW.*

#### *Commercial Counterparty Credit Risk Exposure*

This is the normal 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 IDA'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 IDA's use of mark-to-market collateral arrangements for swap transactions, its residual commercial counterparty credit risk exposure is concentrated in the investment portfolio, in instruments issued by sovereign governments and non-sovereign holdings (including Agencies, Asset-backed securities, Corporates, and Time Deposits) (See **Table 15**).

The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 60% of the portfolio rated AA or above as of September 30, 2019, reflecting IDA's continued preference for highly-rated securities and counterparties across all categories of financial instruments.

Total commercial counterparty credit exposure, net of collateral held, was \$33 billion as of September 30, 2019.

For the contractual value, notional amounts and related credit risk exposure amounts by instrument. See Notes to the Condensed Quarterly Financial Statements, Note E: Derivative Instruments.

**Table 15: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating**

In millions of U.S. dollars

As of Counterparty Rating <sup>a</sup>	September 30, 2019				June 30, 2019			
	Sovereigns	Non- Sovereigns	Total Exposure	% of Total	Sovereigns	Non- Sovereigns	Total Exposure	% of Total
AAA	\$ 2,542	\$ 8,857	\$ 11,399	35	\$ 2,744	\$ 7,294	\$ 10,038	31
AA	1,461	6,910	8,371	25	1,613	7,579	9,192	29
A	10,820	2,361	13,181	40	9,435	3,626	13,061	40
BBB or below	-	1	1	*	-	1	1	*
Total	\$ 14,823	\$ 18,129	\$ 32,952	100	\$ 13,792	\$ 18,500	\$ 32,292	100

a. Average rating is calculated using available ratings for the three major rating agencies; however, if ratings are not available from each of the three rating agencies, IDA 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%.

### Credit and Debit Valuation Adjustments

Most outstanding derivative positions are transacted over-the-counter, and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a Credit Value Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a Debit Value Adjustment (DVA) to reflect its own credit risk. As of September 30, 2019, IDA's Condensed Balance Sheet included a CVA of \$5 million and a DVA of less than one million U.S. dollars on outstanding derivatives.

### Market Risk

IDA is exposed to changes in interest and exchange rates. The introduction of market debt financing into IDA's business model from IDA18 presents additional exposures. Accordingly, IDA's Asset Liability Management (ALM) Framework minimizes its exposure to market risk associated with this new debt issuance.

IDA uses derivatives to manage its exposure to various market risks. These are used to align the interest and currency composition of its assets (loan and investment trading portfolios) with that of its liabilities (borrowing portfolio) and equity. Loan and investment portfolios are largely maintained in SDR and its component currencies.

### Interest Rate Risk

IDA is exposed to interest rate risk due to mismatches between its assets (loan and investment portfolios) and its liabilities (borrowing portfolio) both in terms of maturity and instrument type. Given IDA's lengthy disbursement profile, the duration of IDA's assets is relatively long. This long duration, combined with volatility in market interest rates, would result in significant year-on-year variability in the fair value of

equity. However, since the loan portfolio is not reported at fair value under U.S. GAAP, the impact of this variability on IDA's Balance Sheet is not fully evident. **Table 16** provides a fair value estimate of IDA's financial assets and liabilities.

Under the new integrated financing model, IDA employs the following strategies to continue to enhance its management of interest rate risk:

- The capital adequacy policies factor in the sensitivity to interest rates.
- Matching interest rates between assets and related funding to minimize open interest rate positions.
- The funding risk related to the mismatch between the maturity profile of the debt funding and the related assets is monitored through duration measurements and adjustments to capital requirements to cover this risk.

As of September 30, 2019, IDA's Investments-Trading portfolio (liquid asset portfolio) had a duration of seventeen months. During FY20 YTD, this portfolio experienced unrealized mark-to-market gains of \$43 million as compared with unrealized mark-to-market losses of \$57 million in FY19 YTD, as a result of the decrease in the yield curves of the major currencies in FY20 YTD.

The planned replacement of LIBOR presents risks to the financial instruments IDA holds or originates. Given the uncertainty about availability of alternative reference rates, IDA is actively participating in industry working groups and has an ongoing program to identify, evaluate and mitigate risks involved with the transition to alternate reference rate.

### Exchange Rate Risk

Changes in exchange rates affect the capital adequacy of IDA when the currency of the equity funding the loan portfolio is different from that of the loan exposure. Accordingly, the aim of IDA's exchange

rate risk management is the protection of IDA’s financial capacity, as measured by the capital adequacy framework.

IDA uses currency forward contracts to convert future inflows from members’ receivables provided in national currencies into the five currencies of the SDR basket, thereby aligning the currency composition of member contributions with the net cash outflows relating to loans and grants, which are primarily denominated in SDR.

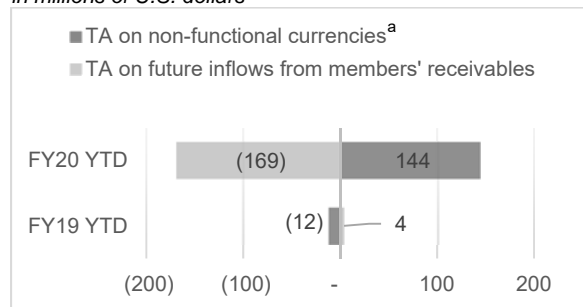
The payable leg of the currency forward contracts economically hedging member equity contribution pledges is denominated in non-functional currencies. Accordingly, appreciation (depreciation) of these currencies against the U.S. dollar results in exchange rate losses (gains), which are reported in the Statement of Income. The translation adjustment on future inflows from members is the economic offset to the translation adjustment on non-functional currencies of currency forward contracts.

In FY20 YTD, the translation adjustment gains on nonfunctional currencies were due to the depreciation of the majority of the non-functional currencies against the U.S. dollar.

The difference between the reported translation adjustments and the effect of foreign exchange movements on the economic offsets (future inflows), primarily represent the effect of foreign exchange movements on the member equity contributions in non-functional currencies that are not economically hedged through forward contracts due to their relatively small contribution amount or the unpredictability of the expected payment date. These residual equity contributions are hedged using a currency correlation methodology under the overall currency management framework.

**Figure 2: Translation Adjustment on non-functional currencies**

*in millions of U.S. dollars*



*a. Reported in IDA’s Statement of Income*

**Liquidity Risk**

Liquidity risk arises in the general funding of IDA’s activities and in managing its financial position. It includes the risk of IDA 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.

IDA’s aggregate liquid asset holdings are kept above a specified prudential minimum to safeguard against cash flow interruptions. The prudential minimum is equal to 80% of 24 months of projected net outflows. For FY20, the prudential minimum has been set at \$18.8 billion. As of September 30, 2019, IDA’s eligible liquidity assets were 140% of the Prudential Minimum.

IDA will hold liquidity above the prudential minimum to ensure sufficient liquidity under a wide range of shock scenarios as well as to give it flexibility in timing its borrowing transactions and to meet working capital needs.

**Operational Risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

IDA recognizes the importance of operational risk management activities, which are embedded in its financial operations. As part of its business activities, IDA is exposed to a range of operational risks including physical security and staff health and safety, data and cyber security, business continuity, and external vendor risks. IDA’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 VI: Fair Value Analysis

### Fair Value Analysis and Results

Fair value reflects the most current and complete expectation and estimation of the value of assets and liabilities. It aids comparability and can be useful in decision-making. On a reported basis, IDA's loans and borrowings, in the form of concessional loans from members, are carried at amortized cost, while all instruments in its investment portfolio (trading and non-trading) and existing market debt are carried at fair value. Whilst IDA intends to hold its loans and borrowings to maturity, a fair value estimate of IDA's financial assets and liabilities along with their respective carrying values is presented in **Table 16**.

The fair value of these instruments is affected by changes in market variables such as interest rates, exchange rates, and credit risk. Management uses fair value to assess the performance of the investment-trading portfolio, and to manage various market risks, including interest rate risk and commercial counterparty credit risk. **Table 16** shows that IDA's equity on a fair value basis (\$145.2 billion) is less than on a carrying value basis (\$160.6 billion) primarily due to the \$13.5 billion negative fair value adjustment on IDA's net loans outstanding. This negative fair value adjustment arises due to the concessional nature of IDA's loans; IDA's interest rates are below market

rates for the given maturity of its loans and risk profile of the borrowers.

The fair value of loans is calculated using market-based methodologies, which incorporate the respective borrowers' Credit Default Swap (CDS) spreads and, where applicable, proxy CDS spreads. Basis adjustments are applied to market recovery levels to reflect IDA's recovery experience. The fair value of borrowings from members is calculated using a discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

#### Loan Portfolio

As of September 30, 2019, for the fair value basis, there was a \$13.5 billion negative adjustment on IDA's net loans outstanding bringing the fair value to \$136.6 billion. This compares with a \$18.2 billion adjustment as of June 30, 2019, bringing the fair value to \$133.8 billion. The \$4.7 billion variance in the adjustment was driven primarily by the decrease in derived SDR interest rates.

#### Borrowings

The fair value of borrowings from members marginally increased from \$8.5 billion as of June 30, 2019 to \$8.6 billion as of September 30, 2019.

**Table 16: Fair Value Estimates and Reported Basis Value***In millions of U.S. dollars*

As of	September 30, 2019		June 30, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Due from Banks	\$ 738	\$ 738	\$ 138	\$ 138
Investments (including securities purchased under resale agreements)	32,534	32,534	32,770	32,770
Net Loans Outstanding	150,106	136,571	151,921	133,764
Derivative Assets	592	592	487	487
Receivable from affiliated organization	867	867	878	878
Other assets	1,256	1,256	2,359	2,359
<b>Total Assets</b>	<b>\$ 186,093</b>	<b>\$ 172,558</b>	<b>\$ 188,553</b>	<b>\$ 170,396</b>
<b>Liabilities</b>				
Borrowings				
Concessional partner loans	\$ 6,696	\$ 8,603	\$ 6,770	\$ 8,507
Market borrowings	4,695	4,695	3,432	3,432
Securities sold/lent under repurchase agreements/securities lending agreements, and payable for cash collateral received	561	561	698	698
Derivate Liabilities	3	3	22	22
Payable for grants	11,461	11,461	12,345	12,345
Payable to affiliated organization	448	448	522	522
Other liabilities	1,599	1,599	1,782	1,782
<b>Total Liabilities</b>	<b>\$ 25,463</b>	<b>\$ 27,370</b>	<b>\$ 25,571</b>	<b>\$ 27,308</b>
<b>Equity</b>	<b>\$ 160,630</b>	<b>\$ 145,188</b>	<b>\$ 162,982</b>	<b>\$ 143,088</b>
<b>Total Liabilities and Equity</b>	<b>\$ 186,093</b>	<b>\$ 172,558</b>	<b>\$ 188,553</b>	<b>\$ 170,396</b>

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## Section VII: Governance

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### Senior Management Changes

On July 12, 2019, Anshula Kant was appointed as the new Managing Director and WBG Chief Financial Officer (MDCFO). Effective October 7, 2019, Ms. Kant assumed her position as the MDCFO.

Kristalina Georgieva retired as WBG Chief Executive Officer (MDCEO). Effective October 1, 2019, Axel Van Trotsenburg was appointed as World Bank Managing Director, Operations.



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# INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

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*September 30, 2019*

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## CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	<i>September 30, 2019</i> <i>(Unaudited)</i>	<i>June 30, 2019</i> <i>(Unaudited)</i>
<b>Assets</b>		
Due from banks—Notes C and K		
Unrestricted cash	\$ 714	\$ 112
Restricted cash	24	26
	<u>738</u>	<u>138</u>
Investments (including securities transferred under repurchase or securities lending agreements of \$565 million—September 30, 2019; \$702 million—June 30, 2019) —Notes C, G and K	32,534	32,770
Securities purchased under resale agreements—Notes C and K	-	-
Derivative assets, net—Notes C, E and K	592	487
Receivable from affiliated organization—Note G	867	878
Loans outstanding—Notes F, G and K		
Total loans	211,179	215,604
Less: undisbursed balance	(56,471)	(59,051)
Loans outstanding	<u>154,708</u>	<u>156,553</u>
Less: Accumulated provision for losses on loans	(4,607)	(4,638)
Add: Deferred loans origination costs	<u>5</u>	<u>6</u>
Net loans outstanding	<u>150,106</u>	<u>151,921</u>
Other assets—Notes C, F and G	1,256	2,359
<b>Total assets</b>	<u><u>\$ 186,093</u></u>	<u><u>\$ 188,553</u></u>

	<i>September 30, 2019</i> <i>(Unaudited)</i>	<i>June 30, 2019</i> <i>(Unaudited)</i>
<b>Liabilities</b>		
Borrowings—Notes D and K		
Concessional partner loans (at amortized cost)	\$ 6,696	\$ 6,770
Market borrowings (at fair value)	4,695	3,432
	<u>11,391</u>	<u>10,202</u>
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and K	561	698
Derivative liabilities, net—Notes C, E and K	3	22
Payable for development grants—Note H	11,461	12,345
Payable to affiliated organization—Note G	448	522
Other liabilities—Notes C and F	1,599	1,782
<b>Total liabilities</b>	<u>25,463</u>	<u>25,571</u>
<b>Equity</b>		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	266,868	267,886
Less:		
Subscriptions and contributions receivable	(29,382)	(30,138)
Cumulative discounts/ acceleration credits on subscriptions and contributions	(3,670)	(3,670)
Subscriptions and contributions paid-in	<u>233,816</u>	<u>234,078</u>
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(10,589)	(11,237)
Deferred amounts to maintain value of currency holdings	(245)	(244)
Accumulated deficit (Statement of Changes in Accumulated Deficit)	(56,987)	(57,207)
Accumulated other comprehensive income—Note J	<u>(5,365)</u>	<u>(2,408)</u>
<b>Total equity</b>	<u>160,630</u>	<u>162,982</u>
<b>Total liabilities and equity</b>	<u>\$ 186,093</u>	<u>\$ 188,553</u>

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

## CONDENSED STATEMENT OF INCOME

Expressed in millions of U.S. dollars

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<u>2019</u>	<u>2018</u>
<b>Interest revenue</b>		
Loans, net—Note F	\$ 387	\$ 356
Investments, net—Notes C and G	116	115
Other, net	(3)	-
<b>Borrowing expenses, net—Notes D</b>	(57)	(53)
<b>Interest revenue, net of borrowing expenses</b>	<u>443</u>	<u>418</u>
<b>Provision for losses on loans and other exposures—Note F</b>	(35)	(25)
<b>Non-interest revenue</b>		
Revenue from externally funded activities—Note G	144	126
Commitment charges—Note F	4	3
Other	4	3
Total	<u>152</u>	<u>132</u>
<b>Non-interest expenses</b>		
Administrative—Notes G and I	(532)	(487)
Contributions to special programs—Note G	-	-
Other	(4)	6
Total	<u>(536)</u>	<u>(481)</u>
<b>Transfers from affiliated organizations and others—Notes G and H</b>	-	-
<b>Development grants—Note H</b>	(42)	(1,250)
<b>Non-functional currency translation adjustment gains (losses), net</b>	144	(12)
<b>Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net—Notes E and K</b>	43	(57)
<b>Unrealized mark-to-market gains on non-trading portfolios, net—Note K</b>	<u>51</u>	<u>28</u>
<b>Net income (loss)</b>	<u>\$ 220</u>	<u>\$ (1,247)</u>

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2019	2018
<b>Net income (loss)</b>	\$ 220	\$ (1,247)
<b>Other comprehensive (loss) income —Note J</b>		
Currency translation adjustments on functional currencies	(2,958)	(1,257)
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	1	-
<b>Comprehensive loss</b>	<u>\$ (2,737)</u>	<u>\$ (2,504)</u>

## CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2019	2018
<b>Accumulated deficit at beginning of the fiscal year</b>	\$ (57,207)	\$ (50,557)
Net income (loss) for the period	220	(1,247)
<b>Accumulated deficit at end of the period</b>	<u>\$ (56,987)</u>	<u>\$ (51,804)</u>

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

## CONDENSED STATEMENT OF CASH FLOWS

Expressed in millions of U.S. dollars

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from investing activities</b>		
Loans		
Disbursements	\$ (2,456)	\$ (1,760)
Principal repayments	1,329	1,225
Non-trading securities—Investments		
Principal payments received	61	61
Net cash used in investing activities	<u>(1,066)</u>	<u>(474)</u>
<b>Cash flows from financing activities</b>		
Members' subscriptions and contributions	386	387
Medium and long-term borrowings (new issues)	-	-
Short-term borrowings (original maturities greater than 90 days)		
New issues	2,069	-
Retirements	(1,283)	-
Net short-term borrowings (original maturities less than 90 days)	464	-
Net derivatives-borrowings	(1)	(1)
Net cash provided by financing activities	<u>1,635</u>	<u>386</u>
<b>Cash flows from operating activities</b>		
Net income (loss)	220	(1,247)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for losses on loans and other exposures	35	25
Non-functional currency translation adjustment (gains) losses, net	(144)	12
Unrealized mark-to-market gains on non-trading portfolios, net	(51)	(28)
Other non-interest expenses	4	(6)
Amortization of borrowing costs	33	19
Changes in:		
Investments—Trading, net	497	357
Other assets and liabilities	(560)	734
Net cash provided by operating activities	<u>34</u>	<u>(134)</u>
<b>Effect of exchange rate changes on unrestricted and restricted cash</b>	<u>(3)</u>	<u>-</u>
<b>Net increase in unrestricted and restricted cash</b>	600	(222)
<b>Unrestricted and restricted cash at beginning of the fiscal year</b>	138	523
<b>Unrestricted and restricted cash at end of the period</b>	<u>\$ 738</u>	<u>\$ 301</u>
<b>Supplemental disclosure</b>		
(Decrease) increase in ending balances resulting from exchange rate fluctuations:		
Loans outstanding	\$ (2,969)	\$ (1,167)
Investment portfolio	(537)	(314)
Derivatives—Asset-liability management	300	43
Borrowings	94	(71)
Principal repayments written off under Heavily Indebted Poor Countries (HIPC)		
Debt Initiative	2	2
Interest paid on borrowings	24	24

***The Notes to 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, 2019 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2019 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 IDA'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 revenue 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 and valuation of certain financial instruments carried at fair value. The results of operations for the first three months of the current fiscal year are not necessarily indicative of the results that may be expected for the full year.

Certain reclassifications of the prior year's information have been made to conform with the current year's presentation.

Beginning from the quarter ended September 30, 2019, all fair value disclosures relating to financial instruments are included in Note K.

These financial statements were issued on November [ ], 2019 which was also the date through which IDA's management evaluated subsequent events.

### Accounting and Reporting Developments

#### *Evaluated Accounting Standards:*

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which applies to all entities that receive or make contributions, clarifies and improves current guidance about whether a transfer of assets should be accounted for as a contribution or an exchange transaction, and provides additional guidance about how to determine whether a contribution is conditional. For contributions received, the ASU became effective from the quarter ended September 30, 2018 and did not have an impact on IDA's financial statements. IDA also evaluated the impact of the portion of the ASU applicable to contributions made, which became effective from the quarter ended September 30, 2019. Under the policy effective prior to July 1, 2019, IDA expensed development grants upon approval by the Board. As a result of the implementation of the ASU, most development grant agreements approved after July 1, 2019 will be expensed when all conditions have been met, which generally occurs at the time of disbursement. In cases where advances are paid to recipients, they will be recorded as other receivables. The related grant expense will subsequently be recognized when the recipient demonstrates that the funds were used according to the stipulations of the grant agreement. Development grants that are deemed to be unconditional, will continue to be expensed upon Board approval.

#### *Accounting Standards Under Evaluation:*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU and its subsequent amendments introduce a new model for the accounting for credit losses of loans and other financial assets measured at amortized cost. Current U.S. GAAP requires an "incurred loss" methodology for recognizing credit losses. The new model, referred to as the current expected credit loss (CECL) model, requires an entity to estimate the credit losses expected over the life of an exposure, considering historical information, current information, and reasonable and supportable forecasts. Additionally, the ASUs require enhanced disclosures about credit quality and significant estimates and judgments used in estimating credit losses. For IDA, the ASUs will be effective beginning from the quarter ending September 30, 2020. IDA is currently evaluating the impact of the ASUs on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which amends the disclosure requirements of ASC 820. The guidance will be effective for IDA from the quarter ending September 30, 2020, with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

## NOTE B—MEMBERS’ SUBSCRIPTIONS AND CONTRIBUTIONS, AND MEMBERSHIP

*Subscriptions and Contributions:* The movement in Subscriptions and Contributions paid-in is summarized below:

**Table B1: Subscriptions and contributions paid-in**

*In millions of U.S dollars*

	<i>September 30, 2019</i>	<i>June 30, 2019</i>
<b>Beginning of the fiscal year</b>	\$ 234,078	\$ 225,461
Cash contributions received	6	3,431
Demand obligations received	102	5,404
Translation adjustment	(370)	(218)
<b>End of the period/fiscal year</b>	<u>\$ 233,816</u>	<u>\$ 234,078</u>

During the three months ended September 30, 2019, IDA encashed demand obligations totaling \$380 million.

## NOTE C—INVESTMENTS

The investment securities held by IDA are designated as either trading or non-trading. All securities are carried and reported at fair value, or at face value, which approximates fair value.

The majority of IDA’s Investments comprised government and agency obligations (72%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of September 30, 2019, Japanese government instruments represented the largest holding of a single counterparty and amounted to 25% of Investments-Trading.

A summary of IDA’s Investments is as follows:

**Table C1: Investments-composition**

*In millions of U.S.dollars*

	<i>September 30, 2019</i>	<i>June 30, 2019</i>
<b>Trading</b>		
Government and agency obligations	\$ 23,502	\$ 22,820
Time deposits	5,501	7,499
Asset-backed securities (ABS)	2,869	1,730
	<u>\$ 31,872</u>	<u>\$ 32,049</u>
<b>Non-trading (at fair value)</b>		
Debt securities	662	721
<b>Total</b>	<u>\$ 32,534</u>	<u>\$ 32,770</u>

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

**Table C2: Net investment portfolio position**

*In millions of U.S. dollars*

	September 30, 2019	June 30, 2019
<b>Investments</b>		
Trading	\$ 31,872	\$ 32,049
Non-trading (at fair value)	662	721
Total	<u>32,534</u>	<u>32,770</u>
<b>Securities purchased under resale agreements</b>	-	-
<b>Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received <sup>a</sup></b>	(644)	(709)
<b>Derivative Assets</b>		
Currency swaps and currency forward contracts	43	7
Interest rate swaps	1	*
Other <sup>b</sup>	2	4
Total	<u>46</u>	<u>11</u>
<b>Derivative Liabilities</b>		
Currency swaps and currency forward contracts	(89)	(75)
Interest rate swaps	(1)	(2)
Other <sup>b</sup>	(3)	(*)
Total	<u>(93)</u>	<u>(77)</u>
<b>Cash held in investment portfolio <sup>c</sup></b>	711	105
<b>Receivable from investment securities traded</b>	13	1,230
<b>Payable for investment securities purchased</b>	(610)	(887)
<b>Net Investment Portfolio</b>	<u>\$ 31,957</u>	<u>\$ 32,443</u>

a. Includes \$83 million of cash collateral received from counterparties under derivative agreements (\$11 million - June 30, 2019).

b. These relate to TBA Securities, swaptions, exchange traded options and futures contracts.

c. This amount is included in Unrestricted cash under Due from Banks on the Condensed Balance Sheet.

\* Indicates amount less than \$0.5 million.

The following table summarizes the currency composition of IDA's Net Investment Portfolio.

**Table C3: Net investment portfolio – Currency composition**

*In millions of U.S. dollars*

	September 30, 2019		June 30, 2019	
	Carrying Value	Weighted Average Repricing (years) <sup>a</sup>	Carrying Value	Weighted Average Repricing (years) <sup>a</sup>
Chinese Renminbi	\$ 2,435	2.01	\$ 2,762	1.89
Euro	8,433	1.29	9,149	1.33
Japanese yen	4,944	0.52	4,668	0.64
Pound sterling	2,203	1.45	2,877	1.25
U.S. dollar	13,907	7.02	12,930	5.59
Other	35	(1.83)	57	0.17
Total	<u>\$ 31,957</u>	<u>3.69</u>	<u>\$ 32,443</u>	<u>2.90</u>

a. The weighted average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier, weighted by the carrying value of instruments. This indicates the average length of time for which interest rates are fixed.

IDA uses derivative instruments to manage currency and interest rate risk in the investment portfolio. For details regarding these instruments, see Note E—Derivative Instruments.

As of September 30, 2019, there were no short sales included in Other liabilities on the Condensed Balance Sheet (\$42 million—June 30, 2019).

The maturity structure of IDA's non-trading investment portfolio was as follows:

**Table C4: Maturity structure of investment portfolio**

*In millions of U.S. dollars*

<i>Period</i>	<i>September 30, 2019</i>	<i>June 30, 2019</i>
Less than 1 year	\$ 127	\$ 124
Between		
1 - 2 years	122	125
2 - 3 years	105	113
3 - 4 years	86	96
4 - 5 years	68	77
Thereafter	152	186
	<u>\$ 660</u>	<u>\$ 721</u>

### Commercial Credit Risk

For the purpose of risk management, IDA is 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 nonperformance by obligors and counterparties under the terms of the contracts. For all securities, IDA limits trading to a list of authorized dealers and counterparties. In addition, credit limits have been established for counterparties by type of instrument and maturity category.

**Swap Agreements:** Credit risk is mitigated through a credit approval process, volume limits, monitoring procedures and the use of mark-to-market collateral arrangements. IDA may require collateral in the form of cash or other approved liquid securities from individual counterparties to mitigate its credit exposure.

IDA has entered into master derivative agreements, which 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 E—Derivative Instruments.

The following is a summary of the collateral received by IDA in relation to the swap transactions.

**Table C5: Collateral received**

*In millions of U.S. dollars*

	<i>September 30, 2019</i>	<i>June 30, 2019</i>
Collateral received		
Cash	\$ 83	\$ 10
Securities	-	-
Total collateral received	<u>\$ 83</u>	<u>\$ 10</u>
Collateral permitted to be repledged	\$ 83	\$ 10
Amount of collateral repledged	-	-
Amount of cash collateral invested	61	-

**Securities Lending:** IDA may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resales) of government and agency obligations, and ABS.

These transactions have been conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions. As of September 30, 2019, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements (Nil—June 30, 2019).

Transfers of securities by IDA 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.

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

The following is a summary of the carrying amount of the securities transferred under repurchase or securities lending agreements, and the related liabilities:

**Table C6: Amounts related to securities transferred under repurchase or securities lending agreements**

*In millions of U.S. dollars*

	<u>September 30, 2019</u>	<u>June 30, 2019</u>	<u>Financial Statement Presentation</u>
Securities transferred under repurchase or securities lending agreements	\$ 565	\$ 702	Included under Investments - Trading on the Condensed Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	\$ 561	\$ 698	Included under Securities Sold under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received on the Condensed Balance Sheet.

As of September 30, 2019, none of the liabilities relating to securities transferred under repurchase or securities lending agreements remained unsettled at that date (Nil—June 30, 2019). There were no replacement trades entered into in anticipation of maturing trades of a similar amount (Nil—June 30, 2019).

The following table presents the disaggregation of the gross obligation by class of collateral pledged and the remaining contractual maturities for repurchase agreements or securities lending transactions that are accounted for as secured borrowings:

**Table C7: Composition of liabilities related to securities transferred under repurchase or securities lending agreements**

*In millions of U.S. dollars*

	<u>As of September 30, 2019</u>		
	<u>Remaining contractual maturity of the agreements</u>		
	<u>Overnight and continuous</u>	<u>Up to 30 days</u>	<u>Total</u>
<b>Repurchase or Securities Lending agreements</b>			
Government and agency obligations	\$ 561	\$ -	\$ 561
<b>Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements</b>	\$ 561	\$ -	\$ 561

*In millions of U.S. dollars*

	<u>As of June 30, 2019</u>		
	<u>Remaining contractual maturity of the agreements</u>		
	<u>Overnight and continuous</u>	<u>Up to 30 days</u>	<u>Total</u>
<b>Repurchase or Securities Lending agreements</b>			
Government and agency obligations	\$ 698	\$ -	\$ 698
<b>Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements</b>	\$ 698	\$ -	\$ 698

In the case of resale agreements, IDA received 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 IDA's balance sheet as the accounting criteria for treatment as a sale have not been

met. As of September 30, 2019, and June 30, 2019, there were no securities purchased under resale agreements that remained unsettled on that date.

## NOTE D—BORROWINGS

IDA's borrowings comprise concessional partner loans made by IDA members as well as short-term and medium to long-term market borrowings. As of September 30, 2019, concessional partner loans amounted to \$6,696 million and market borrowings amounted to \$4,695 million, of which \$3,121 million related to short-term market borrowings and \$1,574 million related to medium to long term market borrowings.

IDA uses derivatives to manage interest rate risk in the borrowing portfolio.

As of September 30, 2019, all of the instruments in IDA's borrowing portfolio were classified as Level 2, within the fair value hierarchy.

For details regarding the derivatives used in the borrowing portfolio, see Note E—Derivative Instruments.

**Table D1: Borrowings-concessional partner loans outstanding**

*In millions of U.S dollars*

	Concessional Partner Loans outstanding		
	Principal at face value	Net unamortized discount	Total
September 30, 2019	\$ 8,326	\$ (1,630)	\$ 6,696
June 30, 2019	\$ 8,462	\$ (1,692)	\$ 6,770

## NOTE E—DERIVATIVE INSTRUMENTS

IDA uses derivative instruments in its investment, loan and borrowing portfolios to manage currency and interest rate risks, for asset-liability management purposes, and to assist clients in managing risks.

The following table summarizes IDA's use of derivatives in its various financial portfolios.

Portfolio	Derivative instruments used	Purpose/Risk being managed
Risk management purposes:		
Investments—Trading	Interest rate swaps, currency forward contracts, currency swaps, options, swaptions, futures contracts, and TBA securities	Manage currency and interest rate risk in the portfolio.
Other assets/liabilities	Currency forward contracts, currency swaps and interest rate swaps	Manage foreign exchange and interest rate risks.
Loans	Interest rate swaps	Manage interest rate risk in the portfolio.
Borrowings	Interest rate swaps	Manage interest rate risk in the portfolio.
Other purposes:		
Client operations	Structured swaps	Assist clients in managing risks.

The derivatives in the related tables of Note E are presented on a net basis by instrument. A reconciliation to the Condensed Balance Sheet presentation is shown in table E1.

### Offsetting assets and liabilities

IDA 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 IDA 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 information on derivative assets and liabilities (before and after netting adjustments) that are reflected on IDA's condensed balance sheet. Gross amounts in the tables represent the amounts receivable (payable) for instruments which are in a net asset (net liability) position. The effects of legally enforceable master netting agreements are applied on an aggregate basis to the total derivative asset and liability positions. The net derivative asset positions have been further reduced by the cash and securities collateral received.

**Table E1: Derivatives assets and liabilities before and after netting adjustments***In millions of U.S. dollars*

	September 30, 2019					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	\$ 225	\$ (154)	\$ 71	\$ 216	\$ (195)	\$ 21
Currency swaps <sup>a</sup>	13,568	(12,754)	814	5,283	(5,096)	187
Other <sup>b</sup>	2	*	2	3	-	3
<b>Total</b>	<b>\$ 13,795</b>	<b>\$ (12,908)</b>	<b>\$ 887 <sup>d</sup></b>	<b>\$ 5,502</b>	<b>\$ (5,291)</b>	<b>\$ 211 <sup>d</sup></b>
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 212 <sup>e</sup>			\$ 208 <sup>f</sup>
Cash collateral received <sup>c</sup>			83			
<b>Net derivative positions on the Balance Sheet</b>			<b>\$ 592</b>			<b>\$ 3</b>
Less:						
Securities collateral received <sup>c</sup>			-			
<b>Net derivative exposure after collateral</b>			<b>\$ 592</b>			

*In millions of U.S. dollars*

	June 30, 2019					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	\$ 297	\$ (244)	\$ 53	\$ 89	\$ (80)	\$ 9
Currency swaps <sup>a</sup>	12,539	(11,948)	591	6,143	(5,982)	161
Other <sup>b</sup>	4	-	4	*	-	*
<b>Total</b>	<b>\$ 12,840</b>	<b>\$ (12,192)</b>	<b>\$ 648 <sup>d</sup></b>	<b>\$ 6,232</b>	<b>\$ (6,062)</b>	<b>\$ 170 <sup>d</sup></b>
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 150 <sup>e</sup>			\$ 148 <sup>f</sup>
Cash collateral received <sup>c</sup>			11			
<b>Net derivative positions on the Balance Sheet</b>			<b>487</b>			<b>22</b>
Less:						
Securities collateral received <sup>c</sup>			-			
<b>Net derivative exposure after collateral</b>			<b>\$ 487</b>			

a. Includes currency forward contracts.

b. These include swaptions, exchange traded options, futures contracts and TBA securities.

c. Does not include excess collateral received.

d. Based on the net value per derivative instrument.

e. Includes \$5 million CVA adjustment (\$2 million-June 30, 2019).

f. Includes \$\* million DVA adjustment (\$\* million-June 30, 2019).

\* Indicates amount less than \$0.5 million.

The following table provides information about the notional amounts and credit risk exposures, at the instrument level, of IDA's derivative instruments

**Table E2: Notional amounts and credit risk exposure of the derivative instruments:**

<i>In millions of U.S. dollars</i>			
<i>Type of contract</i>	<i>September 30, 2019</i>		<i>June 30, 2019</i>
<b>Investments - Trading</b>			
Interest rate swaps			
Notional principal	\$	547	\$ 338
Credit exposure		1	*
Currency swaps (including currency forward contracts)			
Credit exposure		43	7
Other <sup>a</sup>			
Notional long position		8,711	10,466
Notional short position		4,778	3,598
Credit exposure		2	2
<b>Asset-liability management</b>			
Currency forward contracts (including currency swaps)			
Credit exposure		771	584
<b>Other <sup>b</sup></b>			
Interest rate swaps			
Notional principal		3,058	3,080
Credit exposure		70	53
Currency swaps			
Credit exposure		-	*
<b>Total credit exposure at the instrument level</b>			
Interest rate swaps		71	53
Currency swaps (including currency forward contracts)		814	591
Other derivatives		2	2
<b>Total exposure</b>	<b>\$</b>	<b>887</b>	<b>\$ 646</b>

*a. Includes swaptions, exchange traded options, future contracts and TBA securities. Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All options and futures contracts are interest rate contracts.*

*b. Includes derivatives related to loan.*

*\* Indicates amount less than \$0.5 million.*

Under almost all of its ISDA Master Agreements, IDA is not required to post collateral as long as it maintains liquidity holdings at predetermined levels that are a proxy for a triple-A credit rating. After becoming a rated entity, IDA has started to enter into derivative agreements with commercial counterparties in which IDA is not required to post collateral as long as it maintains a triple-A rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position as of September 30, 2019 is \$4 million (\$10 million—June 30, 2019). As of September 30, 2019, IDA was not required to post any collateral in accordance with the relevant agreements.

If the credit-risk related contingent features underlying these agreements were triggered to the extent that IDA would be required to post collateral as of September 30, 2019, the amount of collateral that would need to be posted would be \$2 million (\$9 million—June 30, 2019). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of \$4 million as of September 30, 2019 (\$10 million—June 30, 2019).



Amounts of gains and losses on the non-trading derivatives, by instrument type and their location on the Condensed Statement of Income are as follows:

**Table E3: Unrealized mark-to-market gains or losses on non-trading derivatives**

*In millions of U.S. dollars*

	<i>Reported as</i>	<i>Gains (Losses)</i>	
		<i>Three Months Ended</i>	
		<i>September 30,</i>	
		<i>2019</i>	<i>2018</i>
Interest rate swaps	<b>Unrealized mark-to-market</b>	3	(9)
Currency forward contracts and currency swaps	<b>gains (losses) on non-trading</b>	49	29
<b>Total</b>	<b>portfolios, net</b>	<u>\$ 52</u>	<u>\$ 20</u>

The majority of the instruments in IDA's investment portfolio are held for trading purposes. Within the trading portfolio, IDA holds highly rated fixed income instruments as well as 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 gains and losses on the IDA's investment trading portfolio (derivative and non-derivative instruments), and their location on the Condensed Statement of Income:

**Table E4: Unrealized mark-to-market gains or losses on investment trading portfolio**

*In millions of U.S. dollars*

	<i>Reported as</i>	<i>Unrealized Gains (Losses)</i>	
		<i>Three Months Ended September 30,</i>	
		<i>2019</i>	<i>2018</i>
<b>Type of instrument</b>	<b>Unrealized mark-to-market</b>		
Fixed income (including related derivatives)	<b>gains (losses) on Investment-Trading portfolios, net</b>	<u>\$ 43</u>	<u>\$ (57)</u>

## NOTE F—LOANS AND OTHER EXPOSURES

IDA's loans and other exposures are generally made to, or guaranteed by, member countries of IDA. Loans are carried at amortized cost. Based on IDA's internal credit quality indicators, the majority of the loans outstanding are in the Medium and High-risk classes.

As of September 30, 2019 loans outstanding totaling \$2,489 million (representing about 1.6% of the portfolio) from five borrowers, were in nonaccrual status.

### Credit Quality of Sovereign Loans

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

IDA's country risk ratings are an assessment of its borrowers' ability and willingness to repay IDA 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 analyses. 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. For the purpose of analyzing the risk characteristics of IDA'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. IDA considers all exposures in nonaccrual status to be impaired.

IDA's borrower country risk ratings are key determinants in the provision for loan losses. 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.

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

The following tables provide an aging analysis of loans outstanding:

**Table F1: Loans-Aging structure**

*In millions of U.S. dollars*

<i>September 30, 2019</i>								
<i>Days past due</i>	<i>Up to 45</i>	<i>46-60</i>	<i>61-90</i>	<i>91-180</i>	<i>Over 180</i>	<i>Total Past Due</i>	<i>Current</i>	<i>Total</i>
Risk Class								
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,306	\$ 1,306
Medium	-	-	-	-	-	-	23,608	23,608
High	4	*	-	-	-	4	127,301 <sup>a</sup>	127,305
Loans in accrual status	4	-	-	-	-	4	152,215	152,219
Loans in nonaccrual status	10	3	7	20	1,323	1,363	1,126	2,489
Total	\$ 14	\$ 3	\$ 7	\$ 20	\$ 1,323	\$ 1,367	\$ 153,341	\$ 154,708

*In millions of U.S. dollars*

<i>June 30, 2019</i>								
<i>Days past due</i>	<i>Up to 45</i>	<i>46-60</i>	<i>61-90</i>	<i>91-180</i>	<i>Over 180</i>	<i>Total Past Due</i>	<i>Current</i>	<i>Total</i>
Risk Class								
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,469	\$ 1,469
Medium	-	-	-	-	-	-	24,176	24,176
High	2	-	*	-	-	2	128,379	128,381
Loans in accrual status	2	-	*	-	-	2	154,024	154,026
Loans in nonaccrual status	12	1	5	22	1,319	1,359	1,168	2,527
Total	\$ 14	\$ 1	\$ 5	\$ 22	\$ 1,319	\$ 1,361	\$ 155,192	\$ 156,553

a. Includes PSW related loans of \$1 million.

\* Indicates amount less than \$0.5 million

### Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA's exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses. Management reassesses the adequacy of the accumulated provision and the reasonableness of the inputs used, on a periodic basis, at least annually, and adjustments are recorded as a charge against or addition to revenue.

Provision for the HIPC Debt Initiative and Multilateral Debt Relief Initiative (MDRI) includes provisions that are based on quantitative and qualitative analyses of various factors, including estimates of Decision Point and Completion Point dates. These factors are reviewed periodically as part of the reassessment of the adequacy of the accumulated provision for loss. Provisions are released as qualifying debt service becomes due and is forgiven under the HIPC Debt Initiative and are reduced by the amount of eligible loans written off when the country reaches Completion Point and becomes eligible for MDRI debt relief.

During the three months ended September 30, 2019 and the fiscal year ended June 30, 2019, there were no loans written off under the MDRI.

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

**Table F2: Accumulated provisions**

In millions of U.S. dollars

	September 30, 2019				June 30, 2019			
	Debt relief under				Debt relief under			
	Loans	HIPC/MDRI	Other	Total	Loans	HIPC/MDRI	Other	Total
<b>Accumulated provision, beginning of the fiscal year</b>	\$ 2,826	\$ 1,812	\$ 70	\$ 4,708	\$ 2,439	\$ 1,944	\$ 56	\$ 4,439
Provision, net - charge (release) <sup>a</sup>	33	-	2	35	417	(115)	14	316
Loans written off under:								
Prepayments	-	-	-	-	(3)	-	-	(3)
HIPC/MDRI	-	(2)	-	(2)	-	(10)	-	(10)
Translation adjustment	(52)	(10)	(2)	(64)	(27)	(7)	*	(34)
<b>Accumulated provision, end of the period</b>	<u>\$ 2,807</u>	<u>\$ 1,800</u>	<u>\$ 70</u>	<u>\$ 4,677</u>	<u>\$ 2,826</u>	<u>\$ 1,812</u>	<u>\$ 70</u>	<u>\$ 4,708</u>
Composed of accumulated provision for losses on:								
Loans in accrual status	\$ 2,513	\$ 104		\$ 2,617	\$ 2,524	\$ 105		\$ 2,629
Loans in nonaccrual status	294	1,696		1,990	302	1,707		2,009
<b>Total</b>	<u>\$ 2,807</u>	<u>\$ 1,800</u>		<u>\$ 4,607</u>	<u>\$ 2,826</u>	<u>\$ 1,812</u>		<u>\$ 4,638</u>
Loans:								
Loans in accrual status				\$ 152,219				\$ 154,026
Loans in nonaccrual status				2,489				2,527
<b>Total</b>				<u>\$ 154,708</u>				<u>\$ 156,553</u>

a. For the three months ended September 30, 2019, the provision does not include any discount on prepayment of loans (\$3 million-June 30, 2019).

\* Indicates amount less than \$0.5 million.

Accumulated Provision for Losses on:	Reported as Follows	
	Condensed Balance Sheet	Condensed Statement of Income
Loans	Accumulated provision for losses on loans	Provision for losses on loans and other exposures, net
Debt Relief under HIPC/MDRI	Accumulated provision for losses on loans	Provision for losses on loans and other exposures, net
Other Exposures	Other liabilities	Provision for losses on loans and other exposures, net

## Overdue Amounts

As of September 30, 2019, there were no principal or charges under loans in accrual status which were overdue by more than three months.

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

**Table F3: Loans in nonaccrual status**

*In millions of U.S. dollars*

<i>Borrower</i>	<i>Nonaccrual since</i>	<i>Recorded investment<sup>a</sup></i>	<i>Average recorded investment<sup>b</sup></i>	<i>Principal Outstanding</i>	<i>Provision for debt relief</i>	<i>Provision for loan losses<sup>c</sup></i>	<i>Overdue amounts</i>	
							<i>Principal</i>	<i>Charges</i>
Eritrea	March 2012	\$ 426	\$ 428	\$ 426	\$ 291	\$ 27	\$ 76	\$ 26
Somalia	July 1991	407	408	407	385	5	258	88
Sudan	January 1994	1,190	1,193	1,190	1,020	34	767	225
Syrian Arab Republic	June 2012	14	14	14	-	2	10	1
Zimbabwe	October 2000	452	454	452	-	226	252	58
Total - September 30, 2019		<u>\$ 2,489</u>	<u>\$ 2,497</u>	<u>\$ 2,489</u>	<u>\$ 1,696</u>	<u>\$ 294</u>	<u>\$ 1,363</u>	<u>\$ 398</u>
Total - June 30, 2019		<u>\$ 2,527</u>	<u>\$ 2,532</u>	<u>\$ 2,527</u>	<u>\$ 1,707</u>	<u>\$ 302</u>	<u>\$ 1,359</u>	<u>\$ 399</u>

a. A loan loss provision has been recorded against each of the loans in nonaccrual status.

b. For September 30, 2019, represents the average for the three months ended that date (June 30, 2019 - represents the average for the fiscal year then ended).

c. Loan loss provisions are determined after taking into account accumulated provision for debt relief.

*In millions of U.S. dollars*

	<i>Three months ended September 30,</i>	
	<i>2019</i>	<i>2018</i>
Service charge revenue not recognized as a result of loans being in nonaccrual status	<u>\$ 5</u>	<u>\$ 5</u>

During the three months ended September 30, 2019 and September 30, 2018, no loans were placed into nonaccrual status.

During the three months ended September 30, 2019, service charge revenue of less than \$1 million was recognized on loans in nonaccrual status (Nil – September 30, 2018).

## Guarantees

Guarantees of \$2,187 million were outstanding as of September 30, 2019 (\$2,200 million—June 30, 2019). This amount includes \$112 million relating to the PSW (\$106 million—June 30, 2019). The outstanding amount of guarantees represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees and is not included on the Condensed Balance Sheet. The guarantees issued by IDA have original maturities ranging between 4 and 22 years, and expire in decreasing amounts through 2039.

As of September 30, 2019, liabilities related to IDA's obligations under guarantees of \$143 million (\$147 million—June 30, 2019), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of \$58 million (\$58 million—June 30, 2019).

During the three months ended September 30, 2019 and September 30, 2018, no guarantees provided by IDA were called.

## Segment Reporting

Based on an evaluation of its operations, Management has determined that IDA has only one reportable segment.

## Concentration Risk

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the three months ended September 30, 2019, loan revenue from three countries of \$62 million, \$47 million and \$37 million respectively were in excess of 10% of total loan revenue.

The following table presents IDA's loans outstanding and associated loan revenue by geographic region:

**Table F4: Loans outstanding and revenue by geographic region**

*In millions of U.S. dollars*

<i>Region</i>	<i>September 30, 2019</i>		<i>September 30, 2018</i>	
	<i>Loans Outstanding</i>	<i>Service and Interest Charges</i>	<i>Loans Outstanding</i>	<i>Service and Interest Charges</i>
Africa	\$ 65,297	\$ 138	\$ 59,531	\$ 117
East Asia and Pacific	19,035	51	19,418	50
Europe and Central Asia	7,514	31	7,325	27
Latin America and the Caribbean	2,696	8	2,634	7
Middle East and North Africa	2,595	5	2,830	6
South Asia	57,570	154	57,656	149
Others <sup>a</sup>	1	*	-	-
Total	<u>\$ 154,708</u>	<u>\$ 387</u>	<u>\$ 149,394</u>	<u>\$ 356</u>

*a. Represents loans under the PSW.*

*\* Indicates amounts less than \$0.5 million*

## NOTE G—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

IDA transacts with affiliated organizations as a recipient of transfers and grants, administrative and derivative intermediation services as well as through cost sharing of IBRD's sponsored pension and other postretirement plans.

### Transfers and Grants

Cumulative transfers and grants made to IDA as of September 30, 2019 were \$ 19,406 million (\$19,406 million—June 30, 2019). Details by transferor are as follows:

**Table G1: Cumulative transfers and grants**

*In millions of U.S. dollars*

<i>Transfers from</i>	<i>Beginning of the fiscal year</i>	<i>Transfers during the period</i>	<i>End of period</i>
Total	\$ 19,406	\$ -	\$ 19,406
Of which from:			
IBRD	15,497	-	15,497
IFC	3,672	-	3,672

### Subsequent Event

On October 18, 2019, IBRD's Board of Governors approved a transfer of \$259 million. This transfer was received on October 29, 2019.

## Receivables and Payables

As of September 30, 2019, and June 30, 2019, the total amounts receivable from or (payable to) affiliated organizations comprised:

**Table G2: IDA's receivables and Payables with affiliated organizations**

*In millions of U.S. dollars*

	September 30, 2019			June 30, 2019		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services <sup>a</sup>	\$ (242)	\$ -	\$ (242)	\$ (327)	\$ -	\$ (327)
Derivative Transactions						
Derivative assets, net	280	-	280	365	-	365
Derivative liabilities, net	(77)	(2)	(79)	(71)	(1)	(72)
PSW- Blended Finance Facility	-	4	4	-	1	1
Pension and Other Postretirement Benefits	661	-	661	683	-	683
Investments	-	662	662	-	721	721
	<u>\$ 622</u>	<u>\$ 664</u>	<u>\$ 1,286</u>	<u>\$ 650</u>	<u>\$ 721</u>	<u>\$ 1,371</u>

a. Includes \$206 million as of September 30, 2019 (\$195 million-June 30, 2019) receivable from IBRD for IDA's share of investments associated with Post-Retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.

\* Indicates amounts less than \$0.5 million.

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

Receivables / Payables related to:	Reported as:
Receivable for pension and other postretirement benefits	Receivable from affiliated organization
Receivables (payables) for derivative transactions	Derivative assets/liabilities, net
Payable for administrative services <sup>a</sup>	Payable to affiliated organization

a. Includes amounts receivable from IBRD for IDA's share of investments associated with PCRF. This receivable is included in Receivable from affiliated organization on the Condensed Balance Sheet.

**Administrative Services:** The payable to IBRD represents IDA's share of joint administrative expenses, net of other revenue jointly earned. The allocation of expenses is based upon an agreed cost sharing formula, and amounts are settled quarterly.

For the three months ended September 30, 2019, IDA's share of joint administrative expenses totaled \$454 million (\$412 million—three months ended September 30, 2018).

**Other revenue:** Includes IDA's share of other revenue jointly earned with IBRD during the three months ended September 30, 2019 totaling \$66 million (\$51 million—three months ended September 30, 2018). The allocation of revenue is based upon an agreed revenue sharing formula, and amounts are settled quarterly.

For the three months ended September 30, 2019 and September 30, 2018, the amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue on the Condensed Statement of Income, as follows:

**Table G3: Fee revenue from affiliated organizations**

*In millions of U.S. dollars*

	Three Months Ended September 30,	
	2019	2018
Fees charged to IFC	\$ 17	\$ 16
Fees charged to MIGA	1	1

**Pension and Other Post-Retirement Benefits:** The receivable from IBRD represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and Post-Employment Benefits Plan (PEBP) assets. These will be realized over the lives of the plan participants.

*Derivative transactions:* These relate to currency forward contracts entered into by IDA with IBRD acting as the intermediary with the market and primarily convert donors' expected contributions in national currencies under the Sixteenth and Seventeenth replenishments of IDA's resources into the five currencies of the SDR basket.

### Investments – non-trading

During the fiscal year ended June 30, 2015, IDA purchased a debt security issued by IFC for a principal amount of \$1,179 million, amortizing over a period of 25 years. The investment carries a fixed interest rate of 1.84% and has a weighted average maturity of four years. As of September 30, 2019, the principal amount due on the debt security was \$660 million, and it had a fair value of \$662 million. The investment is reported under Investments in the Condensed Balance Sheet. During the three months ended September 30, 2019, IDA recognized interest income of \$3 million on this debt security (\$4 million—three months ended September 30, 2018 respectively).

### PSW

As part of the IDA18 replenishment, IDA's Executive Directors approved the creation of a \$2.5 billion IDA18 IFC-MIGA PSW to mobilize private sector investments in IDA-only countries and IDA-eligible Fragile and Conflict Affected States (FCS). Under the fee arrangement for the PSW, IDA will receive fee income for transactions executed under this window and will reimburse IFC and MIGA for the related costs incurred in administering these transactions. The following tables provide a summary of all PSW related transactions under which IDA has an exposure as of September 30, 2019:

**Table G4: Summary of PSW-related transactions**

*In millions of U.S. dollars*

Facility	Notional	Net Asset/ (Liability) position	Description	Balance Sheet Location
Local Currency Facility	26	(2)	Currency swaps with IFC to support local currency denominated loans	Derivative assets/ liabilities, net

*In millions of U.S. dollars*

Facility	Exposure	Accumulated Provision	Description	Balance Sheet Location
MIGA Guarantee Facility	86	4	Expanding the coverage of MIGA Political Risk Insurance (PRI) products through shared first-loss or risk participation similar to reinsurance	Off Balance Sheet item
Blended Finance Facility	26	3	Sharing the first loss to support IFC's Small Loan Guarantee Program in PSW eligible countries	Off Balance Sheet item
	4	-	Funding for IFC's PSW equity investment	Other assets
	1	-	Concessional senior and subordinated loans to support medium term projects	Loans outstanding

## NOTE H—DEVELOPMENT GRANTS

A summary of changes to the amounts payable for development grants is presented below:

**Table H1: Grants payable**

*In millions of U.S dollars*

	<u>September 30, 2019</u>	<u>June 30, 2019</u>
Balance, beginning of the fiscal year	\$ 12,345	\$ 8,743
Unconditional grants approved	-	7,744 <sup>a</sup>
Disbursement (including PPA grant activity) <sup>b</sup>	(634)	(3,984)
Cancellations	(17)	(64)
Translation adjustment	(233)	(94)
Balance, end of the period/ fiscal year	<u>\$ 11,461</u>	<u>\$ 12,345</u>

a. Excludes \$9 million Pandemic Emergency Financing Facility (PEF) disbursements made from PEF Financial Intermediary Funds. In addition, this includes conditional and unconditional grants for June 30, 2019.

b. Project Preparation Advances (PPA)

During the three months ended September 30, 2019, IDA approved \$843 million of grants, all of which were conditional. IDA disbursed \$80 million of these conditional grants during the period. After adjusting for amounts related to advances for which conditions had not met, cancellations and PEF, IDA had grant expenses of \$42 million during the period.

For the fiscal years ending June 30, 2020 and the fiscal years ended June 30, 2019, the commitment charge rate on the undisbursed balances of IDA grants has been set at nil percent.

## NOTE I—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, along with IFC and MIGA, sponsors a defined benefit Staff Retirement Plan and Trust, a Retired Staff Benefits Plan and Trust and a PEBP that cover substantially all of their staff members.

While IDA is not a participating entity to these benefit plans, IDA shares in the costs and reimburses IBRD for its proportionate share of any contributions made to these plans by IBRD based on an agreed cost sharing ratio.

During the three months ended September 30, 2019, IDA's share of IBRD's benefit costs relating to all three plans totaled \$91 million (\$74 million—three months ended September 30, 2018, respectively).

The cost of any potential future liability arising from these plans would be shared by IBRD and IDA using the applicable share ratio.

## NOTE J—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income consists of net income (loss) and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income (loss). For IDA, comprehensive income (loss) is comprised of net income (loss), currency translation adjustments on functional currencies, and the cumulative effect of changes relating to instrument specific credit risk (own credit). These items are presented in the Condensed Statement of comprehensive Income.

The following table presents the changes in Accumulated other comprehensive income balances.

**Table J1: Changes in AOCI**

*In millions of U.S dollars*

	<u>Three Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Balance, beginning of the fiscal year	\$ (2,408)	\$ (675)
Currency translation adjustments on functional currencies	(2,958)	(1,257)
DVA on Fair Value option elected liabilities	1	-
Balance, end of the period	<u>\$ (5,365)</u>	<u>\$ (1,932)</u>



## NOTE K— FAIR VALUE DISCLOSURES

### Valuation Methods and Assumptions

As of September 30, 2019, and June 30, 2019, IDA had no financial 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*

There were no loans carried at fair value as of September 30, 2019 and June 30, 2019. For disclosure purposes, IDA's loans would be classified as Level 3 within the fair value hierarchy.

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

#### *Investment securities*

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities and futures contracts.

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 market observable inputs such as yield curves, credit spreads, and constant prepayment spreads. Where applicable, unobservable inputs such as constant 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 are reported at face value, which approximates fair value.

#### *Borrowings*

The fair value of IDA's borrowings is calculated using a discounted cash flow method which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

#### *Derivative instruments*

Derivative contracts include currency forward contracts, TBA, swaptions, exchange traded options and future contracts, currency swaps and interest rate swaps.

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include exchange traded options and futures contracts.

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 market observable inputs such as yield curves, foreign exchange rates, credit spreads, basis spreads, funding spreads and constant prepayment spreads. Where applicable, unobservable inputs such as constant prepayment rates, probability of default, and loss severity are used.

#### *Valuation adjustments on fair value option elected liabilities*

The DVA on fair value option elected liabilities (IDA's market borrowings) is being measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IDA's cost of funding relative to LIBOR.

The table below presents IDA's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts.

**Table K1: Fair value and carrying amounts of financial assets and liabilities**

*In millions of U.S dollars*

	<i>September 30, 2019</i>		<i>June 30, 2019</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
<b>Assets</b>				
Due from Banks	\$ 738	\$ 738	\$ 138	\$ 138
Investments (including securities purchased under resale agreements)	32,534	32,534	32,770	32,770
Net Loans Outstanding	150,106	136,571	151,921	133,764
Derivative Assets, net	592	592	487	487
<b>Liabilities</b>				
<b>Borrowings</b>				
Concessional partner loans	6,696	8,603	6,770	8,507
Market borrowings	4,695	4,695	3,432	3,432
Securities sold/ lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	561	561	698	698
Derivative Liabilities, net	3	3	22	22

The following tables present IDA's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis. Note that the fair value of alternative investments and certain equities is calculated using NAV. As a result, these amounts are included in the respective asset class totals and not in the fair value hierarchy, in accordance with the permitted practical expedient under U.S. GAAP.

**Table K2: Fair value hierarchy of IDA's assets and liabilities***In millions of U.S. dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of September 30, 2019</i>			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments—Trading				
Government and agency obligations	\$ 9,325	\$ 14,177	\$ -	\$ 23,502
Time deposits	1,021	4,480	-	5,501
ABS	-	2,869	-	2,869
Total Investments—Trading	10,346	21,526	-	31,872
Investments—Non-trading (at fair value)	-	662	-	662
Securities purchased under resale agreements	-	-	-	-
Total Investments	\$ 10,346	\$ 22,188	\$ -	\$ 32,534
Securities purchased under resale agreements	-	-	-	-
Derivative assets:				
Currency swaps and currency forward contracts <sup>a</sup>	\$ -	\$ 814	\$ -	\$ 814
Interest rate swaps	-	71	-	71
Other <sup>b</sup>	-	2	-	2
	\$ -	\$ 887	\$ -	\$ 887
Less:				
Amounts subject to legally enforceable master netting agreements <sup>c</sup>				212
Cash collateral received				83
Derivative assets, net				\$ 592
<b>Liabilities:</b>				
Market Borrowings	\$ -	\$ 4,695	\$ -	\$ 4,695
Securities sold under repurchase agreements and securities lent under security lending agreements <sup>e</sup>	\$ -	\$ 561	\$ -	\$ 561
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ -	\$ 187	\$ -	\$ 187
Interest rate swaps	-	21	-	21
Other <sup>b</sup>	3	-	-	3
	\$ 3	\$ 208	\$ -	\$ 211
Less:				
Amounts subject to legally enforceable master netting agreements <sup>d</sup>				208
Derivative liabilities, net				\$ 3

*a. Includes structured swaps.**b. These include swaptions, exchange traded options, futures contracts and TBA securities.**c. Includes \$5 million CVA adjustment.**d. Includes \$\* million DVA adjustment.**e. Excludes amount payable for cash collateral received \$83 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis			
	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments—Trading				
Government and agency obligations	\$ 8,708	\$ 14,112	\$ -	\$ 22,820
Time deposits	269	7,230	-	7,499
ABS	-	1,730	-	1,730
Total Investments—Trading	8,977	23,072	-	32,049
Investments—Non-trading (at fair value)	-	721	-	721
Securities purchased under resale agreements	-	-	-	-
Total Investments	\$ 8,977	\$ 23,793	\$ -	\$ 32,770
Securities purchased under resale agreements	-	-	-	-
Derivative assets:				
Currency swaps and currency forward contracts <sup>a</sup>	\$ -	\$ 591	\$ -	\$ 591
Interest rate swaps	-	53	-	53
Other <sup>b</sup>	2	2	-	4
	\$ 2	\$ 646	\$ -	\$ 648
Less:				
Amounts subject to legally enforceable master netting agreements <sup>c</sup>				150
Cash collateral received				11
Derivative assets, net				\$ 487
<b>Liabilities:</b>				
Market Borrowings	\$ -	\$ 3,432	\$ -	\$ 3,432
Securities sold under repurchase agreements and securities lent under security lending agreements <sup>e</sup>	\$ -	\$ 698	\$ -	\$ 698
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ -	\$ 161	\$ -	\$ 161
Interest rate swaps	-	9	-	9
Other <sup>b</sup>	-	*	-	*
	\$ -	\$ 170	\$ -	\$ 170
Less:				
Amounts subject to legally enforceable master netting agreements <sup>d</sup>				148
Derivative liabilities, net				\$ 22

a. Includes structured swaps.

b. These include swaptions, exchange traded options, futures contracts and TBA securities.

c. Includes \$2 million CVA adjustment

d. Includes \$\* million DVA adjustment.

e. Excludes amount payable for cash collateral received (\$11 million).

\* Indicates amounts less than \$0.5 million

During the three months ended September 30, 2019 and for the fiscal year ended June 30, 2019, there were no securities transferred between Level 1 and Level 2, within the fair value hierarchy.

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of non-trading securities in the investment portfolio:

**Table K3: Investment portfolio-Non-trading securities**

*In millions of U.S. dollars*

	<u>Fair value</u>	<u>Principal amount due</u>	<u>Difference</u>
September 30, 2019	\$ 662	\$ 660	\$ 2
June 30, 2019	\$ 721	\$ 721	\$ -

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of borrowings:

**Table K4: Market Borrowings Fair value and contractual principal balance**

*In millions of U.S. dollars*

	<u>Fair Value</u>	<u>Principal Due Upon Maturity</u>	<u>Difference</u>
September 30, 2019	\$ 4,695	\$ 4,631	\$ 64
June 30, 2019	\$ 3,432	\$ 3,384	\$ 48

*Valuation adjustments on fair value option elected liabilities*

As of September 30, 2019, IDA's Condensed Balance Sheet included a DVA of \$2 million in Accumulated other comprehensive income, associated with the changes in IDA's own credit for its market borrowings.

The following table reflects the components of the unrealized mark-to-market gains or losses on IDA's trading and non-trading portfolios, net.

**Table K5: Unrealized Mark-to-Market Gains (Losses) on Trading and Non-Trading Portfolios, Net**

*In millions of U.S. dollars*

	<i>Three Months Ended September 30, 2019</i>		
	<i>Realized gains (losses)</i>	<i>Unrealized gains (losses) excluding realized amounts<sup>a</sup></i>	<i>Unrealized gains (losses)</i>
Investments, Trading—Note E	\$ 21	\$ 22	\$ 43
Non-trading portfolios, net			
Asset-liability management—Note E	-	49	49
Investment portfolio—Note C	-	6	6
Other <sup>b</sup>	-	(4)	(4)
Total	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ 51</u>

*In millions of U.S. dollars*

	<i>Three Months Ended September 30, 2018</i>		
	<i>Realized gains (losses)</i>	<i>Unrealized gains (losses) excluding realized amounts<sup>a</sup></i>	<i>Unrealized gains (losses)</i>
Investments, Trading—Note E	\$ (*)	\$ (57)	\$ (57)
Non-trading portfolios, net			
Asset-liability management—Note E	-	30	30
Investment portfolio—Note C	-	(2)	(2)
Other <sup>b</sup>	-	*	*
Total	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 28</u>

*a. Adjusted to exclude amounts reclassified to realized gains/losses.*

*b. Other comprise mark to market gains or losses on the borrowing and loan portfolios.*

## **NOTE L—CONTINGENCIES**

From time to time, IDA 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 IDA has been named as a defendant or co-defendant, as of and for the three months ended September 30, 2019, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.

# INDEPENDENT AUDITORS' REVIEW REPORT



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## INDEPENDENT AUDITORS' REVIEW REPORT

President and Board of Executive Directors  
International Development Association:

We have reviewed the accompanying condensed balance sheet of the International Development Association ("IDA") as of September 30, 2019, and the related condensed statements of income, comprehensive income, changes in accumulated deficit and cash flows for the three-month periods ended September 30, 2019 and 2018 (the "interim financial information").

### Management's Responsibility for the Interim Financial Information

IDA's 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; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

### Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America 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. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

### Conclusion

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

### Report on Condensed Balance Sheet as of June 30, 2019

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of IDA as of June 30, 2019, and the related statements of income, comprehensive income, changes in accumulated deficit, 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 8, 2019. In our opinion, the accompanying condensed balance sheet of IDA as of June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "DELOITTE &amp; TOUCHE LLP". The signature is written in a cursive, slightly slanted style.

November 13, 2019