

International Development Association



Management's Discussion & Analysis
and
Condensed Quarterly Financial Statements
September 30, 2021
(Unaudited)

International Development Association (IDA) Management's Discussion and Analysis September 30, 2021

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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, 2021 (FY22 YTD). This document should be read in conjunction with IDA's financial statements and MD&A issued for the fiscal year ended June 30, 2021 (FY21). IDA undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform with the current year's presentation. For information relating to IDA's development operations' results and corporate performance, refer to the World Bank Corporate Scorecard and Sustainability Review.

Box 1: Selected Financial Data

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

	As of and for the three months ended September 30,		As of and for the fiscal year ended June 30,	
	2021	2020	2021	
Lending Highlights (Section IV)				
Loans, Grants and Guarantees				
Net commitments ^a	\$ 2,630	\$ 7,495	\$	36,028
Gross disbursements ^a	3,423	4,374		22,921
Net disbursements ^a	1,893	3,130		16,465
Balance Sheet (Section IV)				
Total assets	\$ 221,070	\$ 203,601	\$	219,324
Net investment portfolio ^b	40,405	33,410		37,921
Net loans outstanding	176,547	166,586		177,779
Borrowing portfolio ^c	32,204	19,828		28,335
Total equity	179,395	171,110		180,876
Income Statement (Section IV)				
Interest revenue, net of borrowing expenses	\$ 468	\$ 420	\$	1,996
Transfers from affiliated organizations and others	-	-		544
Development grants	(343)	(509)		(2,830)
Net loss	(80)	(448)		(433)
Non-GAAP Measures:				
Adjusted Net Income (Loss) (Section IV)	\$ 33	\$ (30)	\$	394
Capital Adequacy (Section V)				
Deployable Strategic Capital Ratio	31.0%	35.4%		30.4%

a. Commitments that have been approved by the Executive Directors (referred to as "the Board" in this document) and net of full cancellations / terminations approved in the same fiscal year. Commitments and disbursements exclude IFC-MIGA Private Sector Window (PSW) activities.

b. For composition of net investment portfolio, see Notes to Condensed Quarterly Financial Statements, Note C – Investments – Table C2.

c. Includes associated derivatives.

Section I: Executive Summary

Owned by its 174¹ members, IDA, an entity rated triple-A by the major rating agencies, and one of the five institutions of the World Bank Group (WBG²), has been providing financing and knowledge services to many of the world's developing countries for 61 years. Each organization is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their obligations.

With its many years of experience and its depth of knowledge in the international development arena, IDA plays a key role in achieving the WBG goal of helping countries achieve better development outcomes. IDA contributes to 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 has been increasing its focus on country programs in order to improve growth and development outcomes. Further, in response to the global outbreak of the coronavirus disease (COVID-19) and to support global public goods, IDA continues to work in solidarity with partners at global and country levels to support its borrowing countries.

¹ On November 3, 2021, Bulgaria became the 174th member country of IDA.

² 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). The World Bank consists of IBRD and IDA.

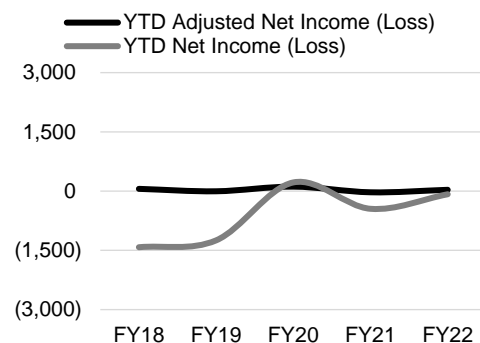
Summary of Financial Results

Net Loss and Adjusted Net Income

Net Loss: For FY22 YTD, IDA reported a net loss of \$80 million, compared to a net loss of \$448 million in FY21 YTD. The decrease in net loss was primarily driven by non-functional currency translation adjustment gains in FY22 YTD and lower development grant expenses. See Section IV: Financial Results.

Adjusted Net Income: For FY22 YTD, IDA's adjusted net income was \$33 million compared with adjusted net loss of \$30 million in FY21 YTD. The increase was primarily due to higher net interest revenue on loans. See Section IV: Financial Results.

In millions of U.S. dollars

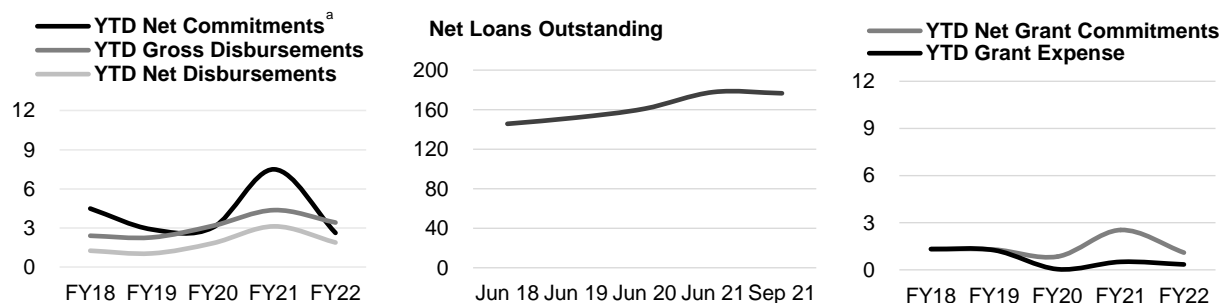


Lending Operations

IDA made \$2.6 billion of net commitments in FY22 YTD, of which \$1.5 billion was loan commitments. FY22 YTD commitments reflected support for COVID-19 related efforts, including \$0.5 billion of financing for COVID-19 vaccines. The remainder were grant commitments, which are recorded as an expense in IDA's Statement of Income once all conditions are met, which generally occurs at the time of disbursement.

IDA's net loans outstanding decreased by \$1.2 billion, from \$177.8 billion as of June 30, 2021 to \$176.5 billion as of September 30, 2021. See Section IV: Financial Results.

In billions of U.S. dollars

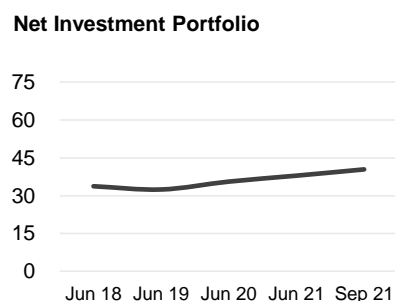


a. Includes loans, grants, and guarantees.

Net Investment Portfolio

As of September 30, 2021, the net investment portfolio was \$40.4 billion, compared with \$37.9 billion as of June 30, 2021. See Section IV: Financial Results. The primary objective of IDA's investment strategy is principal protection. As of September 30, 2021, 67% of IDA's investment portfolio was held in instruments rated AA or above (See Table 15).

In billions of U.S. dollars



Borrowing Portfolio

Market borrowings at fair value: As of September 30, 2021, the market borrowings portfolio outstanding carried at fair value was \$22.3 billion, an increase of \$1.7 billion from June 30, 2021. Section IV: Financial Results.

Market borrowings at amortized cost: As of September 30, 2021, the market borrowings outstanding carried at amortized cost were \$2.3 billion. See Section IV: Financial Results and Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note E - Borrowings, Table E2.

Concessional Partner Loans at amortized cost: As of September 30, 2021, total borrowings from members - Concessional Partner Loans (CPLs) - were \$7.6 billion, a decrease of \$0.1 billion, compared with June 30, 2021 (\$7.7 billion). See Section IV: Financial Results.

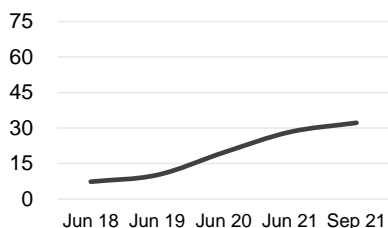
Equity and Capital Adequacy

As of September 30, 2021, IDA's equity was \$179.4 billion, a decrease of \$1.5 billion from June 30, 2021. See Section IV: Financial Results.

The Deployable Strategic Capital (DSC) ratio, IDA's main capital adequacy measure, was 31.0% as of September 30, 2021, above the zero percent policy minimum, and an increase of 0.6 percentage points from 30.4% as of June 30, 2021. IDA's capital continues to be adequate to support its operations. See Table 14.

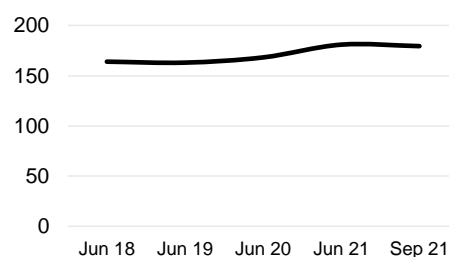
In billions of U.S. dollars

Borrowing portfolio



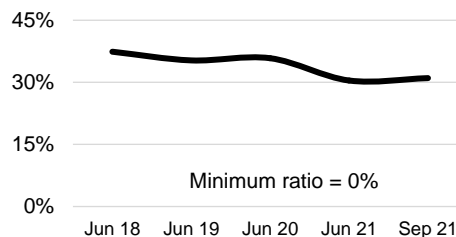
In billions of U.S. dollars

Equity



Ratio in percentages

Deployable Strategic Capital Ratio



Section II: Overview

Generally every three years, representatives of IDA's members³ meet to assess IDA's financial capacity and the medium-term demand for new IDA financing. Members decide on 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 replenishment period.

Nineteenth Replenishment of Resources (IDA19)

The IDA19 financing framework is an integrated package that continues to leverage IDA's strong equity base. The first year of the implementation of IDA19 commenced in FY21 which coincided with the onset of the COVID-19 crisis. Since the onset of the COVID-19 crisis, IDA has significantly scaled up its financial support, serving clients and targeting resources to those most in need. In recognition of the heightened financing needs of IDA countries and to make additional resources available to them to respond to, and recover from the COVID-19 crisis, IDA members agreed in April 2021 to launch the twentieth IDA replenishment (IDA20) one year early, to commence in FY23. The IDA19 implementation period will be shortened to two years (FY21-FY22), and \$12.5 billion of IDA19 resources originally projected for use in FY23 will be available for financing in FY22. The IDA19 financing framework has been adjusted to make \$71 billion of resources available, of a total original IDA19 commitment authority of \$82 billion⁴, all on standard IDA terms. The remaining \$11 billion will be carried forward to be utilized in the replenishment period of IDA20.

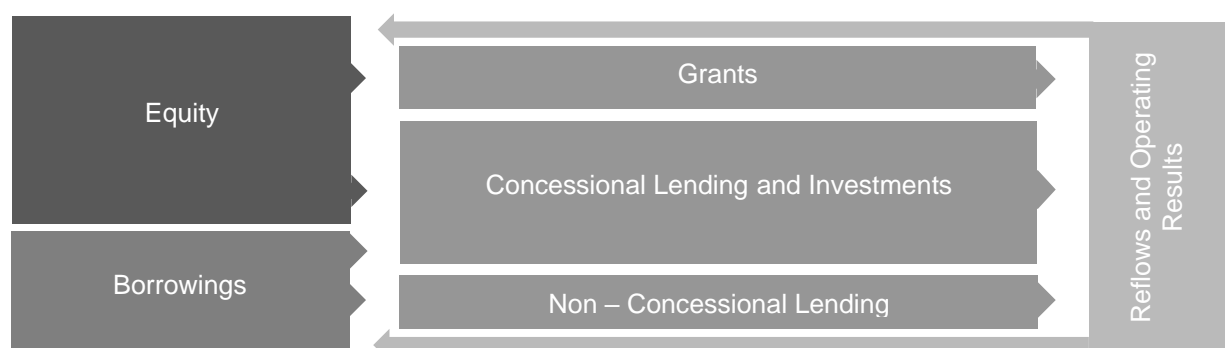
Financial Business Model

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. As a result of the strong support of member countries, IDA has built up a substantial equity base, amounting to \$179.4 billion as of September 30, 2021. In FY15, IDA introduced debt to its financial model with concessional partner loans received from certain members. In FY18, IDA introduced a hybrid financing model by including market debt into its business model. By prudently leveraging its equity and blending market debt with 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:

- 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 (equity). Funds not deployed for lending are maintained in IDA's investment portfolio to supply liquidity for its operations. See Figure 1.

Figure 1: IDA's Financial Business Model



³ 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 that issue shares.

⁴ U.S. dollar amounts are based on IDA19 reference rate of USD/SDR 1.38318. The U.S. dollar amounts are provided for reporting purposes only, as IDA's balance sheet is predominantly managed in Special Drawing Rights (SDR).

Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 net income as the basis for deriving adjusted net income, as discussed in Section IV: Financial Results.

Adjusted Net Income

Adjusted Net Income (ANI), a non-GAAP measure, reflects the economic results of IDA's operations and is used by IDA's management and the Board as a financial sustainability measure. ANI is defined as IDA's net income, adjusted to exclude certain items. After the effects of these adjustments, the resulting ANI generally reflects amounts which are realized, not restricted for specific uses, and not directly funded by members. For a detailed discussion of the adjustments, see IDA's MD&A for the fiscal year ended June 30, 2021, Section IV: Financial Results.

Section III: IDA's Financial Resources

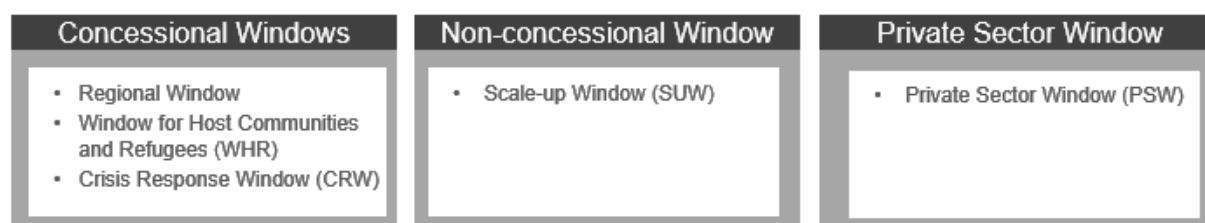
IDA19 Funding

IDA's financing resource envelope available for lending and grant commitments is based on the long-term outlook of IDA's financial sustainability. This takes into account the amount of member contributions and the concessionality of the proposed financing to borrowers, market conditions, and capital adequacy requirements.

Allocation of IDA19 Resources

IDA financing is provided in the form of loans, grants, and guarantees. Most of IDA resources are allocated to eligible members through IDA Country Allocations that provide unearmarked support. IDA Country Allocations are determined using the Performance Based Allocation (PBA) system, which takes into account the country's performance rating (CPR), population size and per capita income, and complemented by the Fragile, Conflict and Violent (FCV) envelope. The rest of IDA support is provided through five IDA Windows dedicated to addressing specific development priorities, and an Arrears Clearance Set-Aside that provides exceptional support for countries to fully reengage with the World Bank. The allocation framework is agreed for each replenishment cycle.

IDA responds to specific needs of its members through the following five IDA Windows:



Eligibility and the percentage of allocation for grants for IDA-only countries is based on the country's classification and an assessment of the country's risk of debt distress, where the higher the risk assessment, the greater the proportion of grant financing. Gap and Blend countries are only eligible for grant financing through the Window for Host Communities and Refugees, if applicable.

Table 1: Cumulative Net Commitments under IDA19

In millions of U.S. dollars

As of September 30, 2021	Loans and Guarantees	Grants	Total
Concessional financing			
IDA Country Allocations	\$ 21,696	\$ 10,066	\$ 31,762
IDA Concessional Windows			
Regional Window	1,335	1,166	2,501
Window for Host Communities and Refugees	-	628	628
Crisis Response Window	445	357	802
Arrears Clearance	-	1,000	1,000
Non-concessional financing	1,965	-	1,965
Total Net Commitments ^a	\$ 25,441	\$ 13,217	\$ 38,658

a. Commitments are net of full cancellations/terminations approved in the same fiscal year. Commitments exclude IFC-MIGA Private Sector Window (PSW) activities.

Private Sector Window

The IFC-MIGA Private Sector Window was created under IDA18 to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations. In IDA19, PSW was allocated an initial envelope of \$2.5 billion which was revised to \$1.7 billion under the adjusted IDA19 resource envelope. During FY22 YTD, \$76 million of the IDA19 resources, net of full terminations and cancellations, were committed.

As of September 30, 2021, \$660 million has been utilized out of a total of \$2.0 billion commitments in IDA18 and IDA19. See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note G – Transactions with Affiliated Organizations – Table G4.

Table 2: Utilization of PSW Commitments

In millions of U.S. dollars

As of September 30, 2021	IDA 18	IDA 19	Total	Utilization measure
Allocation	\$ 1,370	\$ 1,700	\$ 3,070	
Net Commitments	\$ 1,325 ^a	\$ 671	\$ 1,996	
Of which utilized				
Guarantees			\$ 509	Face value of outstanding guarantees
Derivatives			94	Notional amount
Funding of IFC's PSW- related equity investments			47	Amortized cost
Loans			10	Amortized cost
Total utilization of IDA PSW			\$ 660	

a. \$45 million of cancellation is available for recommitment under IDA19 PSW.

Section IV: Financial Results

Summary of Financial Results

IDA had a net loss of \$80 million in FY22 YTD compared with net loss of \$448 million in FY21 YTD (See Table 3). The decrease in net loss was primarily driven by:

- \$168 million of non-functional currency translation adjustment gains in FY22 YTD as compared to \$5 million of non-functional currency translation adjustment losses in FY21 YTD. The gains in FY22 YTD were primarily due to the depreciation of the majority of the non-functional currencies against the U.S. dollar;
- \$166 million decrease in development grant expenses due to lower disbursements of conditional grants and higher grant advances that are not yet expensed.

Adjusted Net Income

IDA's adjusted net income was \$33 million in FY22 YTD compared with \$30 million of loss in FY21 YTD (See Table 3). The increase in ANI was primarily driven by:

- \$44 million increase in net interest revenue on loans, mainly driven by the higher volume of loans outstanding;
- \$21 million decrease in provision for losses on loans and other exposures, excluding \$1 million release for debt relief under Heavily Indebted Poor Countries (HIPC)/ Multilateral Debt Relief Initiative (MDRI).

Table 3: Condensed Statement of Income

In millions of U.S. dollars

For the three months ended September 30,	2021	2020	Negative Impact	Positive Impact
Interest revenue				
Loans, net	\$ 481	\$ 437		44
Investments, net	33	37	(4)	
Asset-liability management derivatives, net	-	(5)		5
Borrowing expenses, net	(46)	(49)		3
Interest revenue, net of borrowing expenses	\$ 468	\$ 420		48
Provision for losses on loans and other exposures, charge	(100)	(122)		22
Other (expenses) revenue, net (Table 12)	(5)	17	(22)	
Net non-interest expenses (Table 11)	(345)	(397)		52
Non-functional currency translation adjustment gains (losses), net	168	(5)		173
Unrealized mark-to-market gains on investments-trading portfolio, net ^a	15	19	(4)	
Unrealized mark-to-market gains on non-trading portfolios, net	62	129	(67)	
Development grants	(343)	(509)		166
Net Loss	\$ (80)	\$ (448)		368
Adjustments to reconcile net (loss) income to adjusted net income:				
Expenses relating to development financing activities directly funded by contributions from members	379	520	(141)	
Non-functional currency translation adjustment (gains) losses, net	(168)	5	(173)	
Unrealized market-to-market (gains) on non-trading portfolios, net ^b	(64)	(130)		66
Pension, PEBP and PCRF adjustments	(37)	22	(59)	
Externally Funded Outputs (EFO) revenue	3	1		2
Adjusted Net Income (Loss)	\$ 33	(30)		63

a. Includes IDA's share of returns from Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF) assets – \$17 million (FY21 YTD – \$39 million).

b. For FY22 YTD, excludes \$2 million of loss from revenue-hedging forward currency contracts (FY21 YTD - \$1 million of loss).

Table 4: Condensed Balance Sheet

In millions of U.S. dollars

As of	September 30, 2021	June 30, 2021	Decrease	Increase
Assets				
Due from banks	\$ 610	\$ 496		114
Investments	39,866	37,376		2,490
Net loans outstanding ^a	176,547	177,779	(1,232)	
Derivative assets, net	364	249		115
Other assets	3,683	3,424		259
Total assets	\$ 221,070	\$ 219,324		1,746
Liabilities				
Borrowings	\$ 31,978	\$ 28,314		3,664
Derivative liabilities, net	173	408	(235)	
Other liabilities	9,524	9,726	(202)	
Equity	179,395	180,876	(1,481)	
Total liabilities and equity	\$ 221,070	\$ 219,324		1,746

a. The fair value of IDA loans was \$162,681 million as of September 30, 2021 (\$164,606 million – June 30, 2021).

Equity

See **Table 5** below for the change in IDA's equity during FY22 YTD.

Table 5: Changes in Equity

In millions of U.S. dollars

Equity as of June 30, 2021	\$ 180,876
Activity during the year:	
Subscriptions and contributions paid-in ^a	(227)
Nonnegotiable, noninterest-bearing demand obligations	700
Change in Accumulated deficit	(80)
Change in Accumulated other comprehensive income (loss)	(1,873)
Change in Deferred amounts to maintain value of currency holdings	(1)
Total activity	\$ (1,481)
Equity as of September 30, 2021	\$ 179,395

a. Includes \$293 million of translation adjustment losses (See Notes to the Condensed Quarterly Financial Statements, Note B – Members' Subscriptions and Contributions).

Total Assets

As of September 30, 2021, total assets were \$221.1 billion, an increase of \$1.8 billion from June 30, 2021 (\$219.3 billion). The increase was primarily driven by the increase in investments partially offset by decrease in net loans outstanding, as discussed below.

Results from Lending Activities

Loan Portfolio and Grant Activity

As of September 30, 2021, the net loans outstanding (after accumulated provision for losses on loans) was \$176.5 billion, lower by \$1.2 billion compared with June 30, 2021. The decrease was mainly due to currency translation losses of \$2.2 billion, consistent with the 1.2% depreciation of the SDR against the U.S. dollar during the year, partially offset by \$1.0 billion in net loan disbursements.

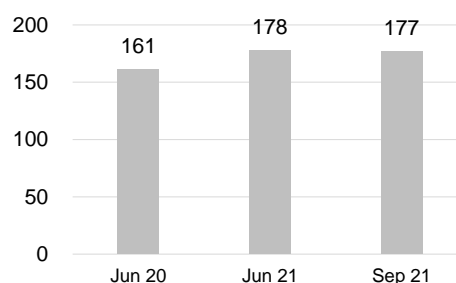
As of September 30, 2021, 90% of IDA's total loans outstanding were denominated in SDR. For the regional presentation of total loans outstanding, see Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note D – Loans and Other Exposures – Table D6.

Table 6: Net Loans Outstanding activity*In millions of U.S. dollars*

Net Loans outstanding as of June 30, 2021	\$ 177,779
Activity during the period:	
Gross loan disbursements	2,493
Loan repayments	(1,531)
Change in Accumulated provision for loan losses ^a	39
Translation adjustments	(2,222)
Other ^b	(11)
Total activity	\$ (1,232)
Net Loans outstanding as of September 30, 2021	\$ 176,547

a. See Notes to the Condensed Quarterly Financial Statements, Note D – Loans and Other Exposures.

b. Includes deferred loan origination costs of \$2 million, and HIPC Debt relief provided of \$9 million.

Figure 2: Net Loans Outstanding*In billions of U.S. dollars*

During FY22 YTD, net loan commitments were \$3.4 billion lower, compared with the same period in FY21, mainly due to high levels of financing in FY21 YTD committed to IDA's response to the COVID-19 crisis.

Table 7: Net Commitments of Loans and Guarantees by Region*In millions of U.S. dollars*

For the three months ended September 30,	2021	% of total	2020	% of total	Variance
Eastern and Southern Africa	\$ 30	2 %	\$ 1,631	33 %	\$ (1,601)
Western and Central Africa	1,219	79	1,727	35	(508)
East Asia and Pacific	25	2	114	2	(89)
Europe and Central Asia	56	4	84	2	(28)
Latin America and the Caribbean	4	*	-	-	4
South Asia	200	13	1,402	28	(1,202)
Total	\$ 1,534	100 %	\$ 4,958	100 %	\$ (3,424)
of which Guarantees	\$ -		\$ -		\$ -

* Indicates percentage less than 0.5%.

Table 8: Net Commitments of Grants by Region*In millions of U.S. dollars*

For the three months ended September 30,	2021	% of total	2020	% of total	Variance
Eastern and Southern Africa	\$ 318	29 %	\$ 1,041	41 %	\$ (723)
Western and Central Africa	667	61	882	35	(215)
East Asia and Pacific	36	3	-	-	36
Europe and Central Asia	-	-	200	8	(200)
Latin America and the Caribbean	75	7	4	*	71
South Asia	-	-	410	16	(410)
Total	\$ 1,096	100 %	\$ 2,537	100 %	\$ (1,441)

* Indicates percentage less than 0.5%.

IDA's loans generally disburse within five to ten years for Investment Project Financing (IPF) and one to three years for Development Policy Financing (DPF). Therefore, each year's disbursements also include amounts relating to commitments made in earlier years (See Table 9).

During FY22 YTD, gross disbursements were lower by 22% compared with the same period in FY21. The higher gross disbursements in FY21 YTD were mainly driven by the increase in emergency funding in response to the COVID-19 pandemic.

Table 9: Gross Disbursements of Loans and Grants by Region

In millions of U.S. dollars

For the three months ended September 30,	2021			2020			Variance
	Loans	Grants ^a	Total	Loans	Grants ^a	Total	
Eastern and Southern Africa	\$ 685	344	1,029	\$ 1,088	326	1,414	(385)
Western and Central Africa	546	192	738	728	597	1,325	(587)
East Asia and Pacific	287	13	300	304	19	323	(23)
Europe and Central Asia	55	33	88	68	53	121	(33)
Latin America and the Caribbean	113	49	162	68	15	83	79
Middle East and North Africa	6	130	136	9	12	21	115
South Asia	800	170	970	887	200	1,087	(117)
Others ^b	1	-	1	1	-	1	-
Total	\$ 2,493	931	3,424	\$ 3,153	1,222	4,375	(951)

a. Excludes Project Preparation Advances (PPA).

b. Represents loans under PSW.

As of September 30, 2021, 60% of IDA's loans were on regular terms (75 basis points SDR equivalent service charge), see Table 10. For a summary of financial terms for IDA's lending products, effective July 1, 2021, refer to IDA's MD&A for the fiscal year ended June 30, 2021, Section V: Development Activities, Products and Programs.

For the three months ended September 30, 2021, the increase in IDA's revenue from loans was primarily due to the higher volume of loans outstanding.

Table 10: Revenue and Balance by Product Category

In millions of U.S. dollars

Category	Balance as of September 30,		Interest revenue on loans ^a	
	2021	2020	For the three months ended September 30,	2020
Loans				
Concessional				
Regular	\$ 108,692	\$ 105,851	\$ 208	\$ 197
Blend	64,634	60,161	236	208
Hard ^b	1,383	1,395	12	12
Non-concessional ^c	5,516	3,632	26	20
Others ^d	10	6	*	*
Total	\$ 180,235	\$ 171,045	\$ 482	\$ 437

a. Excludes interest rate swap expenses related to loan hedges - \$1 million in FY22 YTD (less than \$0.5 million - FY21 YTD).

b. Prior to July 1, 2017, IDA offered Hard-Term loans to Blend Countries (excluding Small Island Economies). Hard-term loans are no longer offered.

c. Excludes \$6 million of commitment charges earned in FY22 YTD on undisbursed balances of non-concessional loans (\$4 million in FY21 YTD). See Table 12.

d. Represents loans under the PSW.

* Indicates amount less than \$0.5 million.

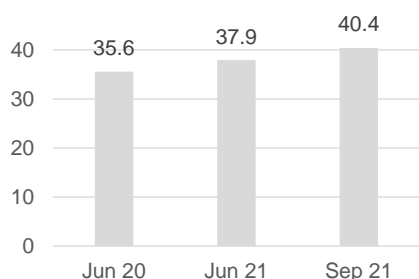
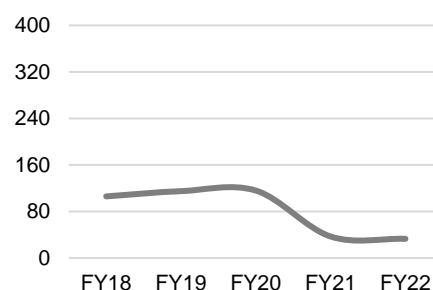
Results from Investing Activities

Investment Portfolio

IDA's net investment portfolio increased to \$40.4 billion as of September 30, 2021, from \$37.9 billion as of June 30, 2021. The increase was primarily due to proceeds from net new debt issuances, offset by net loan and grant disbursements and translation adjustment losses.

Net Investment Revenue

During FY22 YTD, IDA's net investment revenue was \$33 million, a decrease of \$4 million compared with the same period in FY21. The decrease in interest revenue was mainly driven by the lower interest rate environment in the current period.

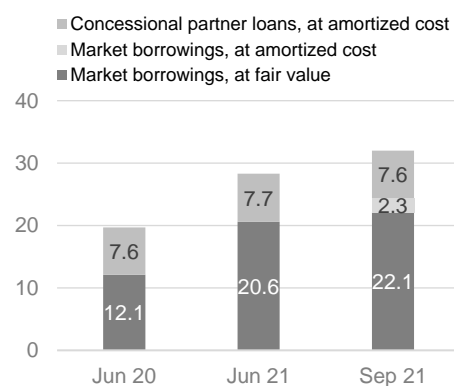
Figure 3: Net Investment Portfolio*In billions of U.S. dollars***Figure 4: YTD Net Investment Revenue***In millions of U.S. dollars*

Results from Borrowing Activities (excluding associated derivatives)

As of September 30, 2021, market borrowings recorded at fair value were \$22.1 billion, an increase of \$1.5 billion compared to June 30, 2021 (\$20.6 billion). The increase was mainly driven by net new issuances of Medium and Long-term instruments during the period. See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note E – Borrowings.

In July 2021, a 10-year fixed rate bond was issued and recorded at amortized cost to fund fixed rate loans. As of September 30, 2021, the market borrowings at amortized cost were \$2.3 billion. See Section V – Risk Management and Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note A – Summary of Significant Accounting and Related Policies and Note E – Borrowings.

Concessional partner loans from members, recorded at amortized cost were \$7.6 billion as of September 30, 2021 (\$7.7 billion - June 30, 2021). As part of IDA19, two members have agreed to provide IDA with concessional partner loans totaling \$1.1 billion. As of September 30, 2021, one of the two members had signed a concessional partner loan agreement with IDA for \$0.6 billion.

Figure 5: Borrowings*In billions of U.S. dollars*

Transfers from Affiliated Organizations

Since 1964, IBRD has made transfers to IDA out of its net income, upon approval by the Board of Governors. Under a formula-based approach for IBRD's income support to IDA, the amount of income transfer recommended for IDA is a function of IBRD's financial results. On October 14, 2021, IBRD's Board of Governors approved a transfer of \$274 million to IDA which was received by IDA on October 25, 2021.

Net Non-Interest Expenses

As shown in Table 11, IDA's net non-interest expenses primarily comprised of administrative expenses, net of revenue from externally-funded activities. IBRD and IDA's administrative budget is a single resource envelope that funds the combined work programs of 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.

See Table 11 for a comparison of the main sources of administrative expenses and revenue from externally funded activities in FY22 YTD and FY21 YTD.

IDA's net non-interest expenses were \$345 million in FY22 YTD, compared to \$397 million in FY21 YTD. The key driver was the decrease in pension costs, primarily driven by the higher actual asset returns in FY21, which resulted in lower amortization of unrecognized actuarial losses in FY22.

Table 11: Net Non-Interest Expenses

In millions of U.S. dollars

For the three months ended September 30,	2021	2020	Variance
Administrative expenses:			
Staff costs	\$ 286	\$ 277	\$ 9
Travel	7	2	5
Consultant and contractual services	82	74	8
Pension and other post-retirement benefits	48	126	(78)
Communications and technology	19	15	4
Premises and equipment	36	34	2
Other expenses	16	22	(6)
Total administrative expenses	\$ 494	\$ 550	\$ (56)
Revenue from externally funded activities:			
Reimbursable revenue - IDA executed trust funds	(102)	(96)	(6)
Other revenue	(47)	(57)	10
Total revenue from externally funded activities	\$ (149)	\$ (153)	\$ 4
Total Net Non-Interest Expenses (Table 3)	\$ 345	\$ 397	\$ (52)

During FY22 YTD, IDA's net other expenses were \$5 million, primarily due to PPA grant activity during the period compared to \$17 million of net other revenue in FY21 YTD due to PPA cancellations and refinancing of PPA grants previously approved. The refinancing of PPA grants results in inclusion of the amounts in the loan to the borrower, and the reversal of the grant expense.

Table 12: Other (Expenses) Revenue, net

In millions of U.S. dollars

For the three months ended September 30,	2021	2020	Variance
PPA grants and others	\$ (15)	\$ 10	\$ (25)
Guarantee fees	4	3	1
Commitment charges	6	4	2
Other (Expenses) Revenue, net (Table 3)	\$ (5)	\$ 17	\$ (22)

Provision for losses on loans and other exposures

In FY22 YTD, IDA recorded a provision for losses on loans and other exposures of \$100 million as compared to \$122 million in FY21 YTD. The provisions in FY22 YTD and FY21 YTD were primarily due to the increase in exposures in both periods, with a greater increase in FY21 YTD. See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note D – Loans and Other Exposures – Table D3.

Unrealized mark-to-market gains (losses) on non-trading portfolios, net

During FY22 YTD, the non-trading portfolios had \$62 million of net unrealized mark-to-market gains (\$129 million net unrealized mark-to-market gains in FY21 YTD). The FY22 YTD and FY21 YTD mark-to-market gains were primarily from the derivatives held for the Capital Value Protection Program (CVP), and due to the increase in USD and EUR interest rates during the periods.

Table 13: Unrealized Mark-to-Market gains (losses) on non-trading portfolios, net*In millions of U.S. dollars*

For the three months ended September 30,	2021	2020	Variance
Asset-liability management	\$ 58	\$ 125	\$ (67)
Investment portfolio	(2)	(1)	(1)
Other ^a	6	5	1
Total	\$ 62	\$ 129	\$ (67)

a. Other comprises mark-to-market gains (losses) on the borrowing and loan portfolios, and PSW.

Non-functional currency translation adjustment gains (losses), net

These represent unrealized exchange rate gains or losses resulting from the translation of loans, borrowings, and all other assets and liabilities held on IDA's Balance Sheet, that are denominated in currencies other than the SDR and its component currencies. During FY22 YTD, translation adjustment gains on non-functional currencies were \$168 million, primarily driven by the depreciation of the majority of the non-functional currencies against the U.S. dollar, IDA's reporting currency. In comparison, in FY21 YTD, the translation adjustment losses were \$5 million due to the appreciation of the majority of the non-functional currencies against the U.S. dollar. Non-functional currency translation adjustment gains or losses are primarily associated with the hedging of exchange rate risk related to future donor contributions as discussed in Section V: Risk Management.

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 model" 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 oversees both financial and operational risks. These risks include (i) country credit risks in the core sovereign lending business, (ii) market and counterparty risks including liquidity risk, and (iii) operational risks relating to people, processes, and systems. 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 expected 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.

Coronavirus Disease 2019 (COVID-19) Outbreak

The outbreak of COVID-19 resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Those measures included travel bans, quarantine periods and social distancing, which caused material disruption to businesses globally, resulting in an initial economic slowdown. Governments and central banks reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

In light of COVID-19, IDA continues to monitor the developments and to manage the risks associated with all its portfolios.

As of September 30, 2021, IDA had sufficient resources to meet its liquidity requirements and continues to have access to capital market resources. IDA continues to maintain a robust liquidity position and flexibility to access the necessary

liquidity resources. Management remains vigilant in assessing funding needs in the medium and longer-term to manage the effect of possible severe market movements.

IDA's capital remains adequate and above the zero percent policy minimum as indicated by the DSC ratio (Table 14).

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

IDA continues to respond to client needs and operate its core business functions effectively by utilizing technology for remote work. Home-based work remains in many World Bank offices throughout the world, in line with IDA's Business Continuity Procedures. In addition, other prudent measures are in place to ensure the health and safety of its employees. IDA continues to monitor risks associated with the COVID-19 and prepare plans to respond as the situation evolves.

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 Deployable Strategic Capital, a non-GAAP measure, 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 accumulated provision for loan losses and other exposures. 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. Within the TRR there is also 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. Beginning in June 2021, as part of the DSC framework refinement, TRR now includes capital requirements to account for development grants which are approved but not yet expensed to address the delay in expense recognition for grants made as a result of the implementation of a related accounting standard update. It also takes into consideration the capital adequacy protection provided by long-term fixed rate borrowings against changes in market interest rates. The CB is an extra buffer in the amount of 10 percent of TRA.

As of September 30, 2021, the DSC was 31.0%, higher by 0.6 percentage points compared with June 30, 2021 (30.4%). The increase in the ratio was mainly due to a larger percentage decrease in TRR compared to the percentage decrease in TRA. The decrease in TRR was primarily due to the decrease in total exposure at default. See Table 14.

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 monitors asset and liquidity levels to ensure IDA's ability to satisfy all its borrowing and commitment obligations. See IDA's MD&A for the fiscal year ended June 30, 2021, Section IX: Risk Management.

Table 14: Deployable Strategic Capital Ratio

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

As of	September 30, 2021	June 30, 2021
Total Resources Available (TRA)	\$ 184.3	\$ 185.7
Total Resources Required (TRR)	108.7	110.6
Conservation Buffer (CB)	18.4	18.6
Deployable Strategic Capital (DSC = TRA-TRR-CB)	\$ 57.2	\$ 56.5
Deployable Strategic Capital as a percentage of TRA	31.0%	30.4%

Asset/Liability Management (ALM)

On July 1, 2021, IDA implemented an interim ALM policy which, under specific criteria, allows funding fixed rate loans with long-term fixed rate market debt and CPLs (both reported at amortized cost), as part of IDA's interest rate risk management to match debt characteristics with that of the loan portfolio. For more details, see Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, E: Borrowings.

Capital Value Protection Program

In FY20, as part of IDA's ALM policies, IDA executed pay fixed, receive floating forward-starting swaps with a notional of \$15.0 billion under a Board-approved Capital Value Protection Program. The objective of the program is to partially reduce the sensitivity of IDA's capital adequacy model to changes in long-term interest rates and allow for more resources to be available for lending under the capital adequacy framework. For more details, see Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note F: Derivative Instruments.

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

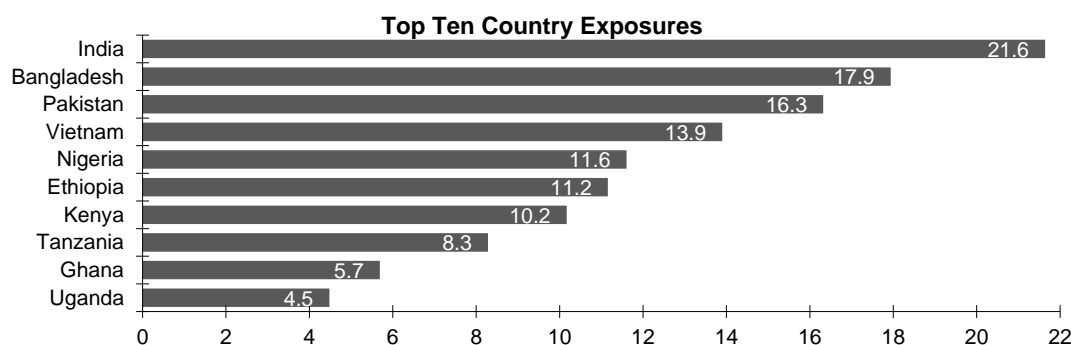
IDA's lending management framework encompasses the long-standing Performance Based Allocation (PBA) mechanism and allocation framework agreed at each replenishment, complemented by additional considerations required when accessing debt markets to ensure adherence to risk management (capital adequacy) requirements.

IDA regularly assesses the country credit risk of all its borrowers. IDA produces credit risk ratings for all its borrowing countries, which reflect country economic, financial, and political circumstances, and also considers environmental, social and governance (ESG) risk factors. 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 FY22, the SBL has been set at \$45.2 billion (25% of \$180.9 billion of equity as of June 30, 2021). 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.

As of September 30, 2021, the ten countries with the highest exposures accounted for 66% of IDA's total exposure (Figure 6). IDA's largest exposure to a single borrowing country, India, was \$21.6 billion as of September 30, 2021. Monitoring these exposures relative to the SBL, requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

Figure 6: Country Exposures as of September 30, 2021



Expected 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 service charges, interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of September 30, 2021, none of the IDA borrowing countries in the 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. For further details, refer IDA's MD&A for the fiscal year ended June 30, 2021, Section IX: Risk Management.

Accumulated Provision for Losses on Loans and Other Exposures

As of September 30, 2021, IDA had \$180.2 billion of loans outstanding, of which loans in nonaccrual status represent 0.5%. IDA's total provision for losses on loans and other exposures was \$4.9 billion, which represents a provisioning rate of 2.0% of the underlying exposures, as of September 30, 2021 and June 30, 2021. See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note D – Loans and Other Exposures.

Commercial Counterparty Credit Risk Exposure

Commercial counterparty credit risk is the risk that counterparties fail to meet their payment obligations under the terms of the contract or other financial instruments. Effective management of counterparty credit risk is vital to the success of 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 in the upper end of the credit spectrum with 67% of the portfolio rated AA or above as of September 30, 2021, 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 \$40.3 billion as of September 30, 2021. For the contractual value, notional amounts, and related credit risk exposure amounts by instrument, see Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2021, Note F: Derivative Instruments.

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

In millions of U.S. dollars, except rates in percentages

Counterparty Rating ^a	As of September 30, 2021				
	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	\$ 8,550	\$ 5,088	\$ -	\$ 13,638	34
AA	2,440	10,849	199	13,488	33
A	8,694	4,304	170	13,168	33
BBB or below	-	-	-	-	-
Total	\$ 19,684	\$ 20,241	\$ 369	\$ 40,294	100

Counterparty Rating ^a	As of June 30, 2021				
	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	\$ 9,345	\$ 6,023	\$ -	\$ 15,368	41
AA	2,519	7,438	179	10,136	27
A	7,571	4,378	68	12,017	32
BBB or below	-	-	-	-	-
Total	\$ 19,435	\$ 17,839	\$ 247	\$ 37,521	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.

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 Valuation 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

Valuation Adjustment (DVA) to reflect its own credit risk. As of September 30, 2021, IDA's Condensed Balance Sheet included a CVA of \$4 million and a DVA of \$6 million 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 FY18 presents additional exposures. The impending discontinuance of London Interbank Offered Rate (LIBOR) and the transition to alternative reference rates also presents a risk to IDA's business activities.

IDA uses derivatives to manage its exposure to certain 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 loans 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.

As of September 30, 2021, IDA's investment-trading portfolio (liquid asset portfolio) had a duration of four months. Low and negative fixed interest rates present a challenge for the investment of the liquid asset portfolio. During FY22 YTD, this portfolio experienced unrealized mark-to-market losses of \$2 million, excluding positive returns from IDA's share of PEBP earnings, as a result of the increase in yield curves (\$20 million of unrealized mark-to-market losses in FY21 YTD).

Under its 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.

Alternative Reference Rates

In July 2017, the Financial Conduct Authority (FCA), the regulator of LIBOR, announced that it will no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021. Therefore, market participants, including IDA and its borrowers, need to move to alternative reference rates.

In March 2021, the FCA confirmed that all LIBOR settings will either cease to be provided by any administrator or will no longer be representative, as follows:

Type of LIBOR	Setting	Date of cessation
GBP LIBOR		December 31, 2021
EUR LIBOR		
CHF LIBOR	All settings	
JPY LIBOR		
USD LIBOR	1-week, 2-month	June 30, 2023
USD LIBOR	Remaining settings, including 6-month	

Despite the extension of the publication of certain U.S. dollar LIBOR rates to June 30, 2023, the regulators' guidance remains that LIBOR should not be used for new contracts after 2021. In July 2021, the Commodity Futures Trading Commission's Market Risk Advisory Committee (MRAC) adopted a market best practice known as SOFR First, a four phased plan to switch derivative trading conventions from LIBOR to SOFR for USD derivative instruments. Also, in July 2021, the Alternative Reference Rates Committee (ARRC) formally recommended CME Group's forward-looking term rate for SOFR in markets where transitioning from LIBOR to an overnight rate has been difficult. The forward-looking term rate for SOFR is based on transactions in the SOFR derivatives markets. The

ARRC recommended these rates for legacy loans and bond instruments but not for derivative instruments. For its derivative portfolios, IDA has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol).

In consideration of the regulatory guidance and in preparation for the global markets' transition away from LIBOR, IDA has taken important steps to facilitate a smooth and orderly transition of its financial instruments effected by alternative reference rates. The value of IDA's investments, borrowings, and derivative instruments tied to LIBOR and the trading market for LIBOR-based securities could be impacted upon its discontinuance or if it is limited. IDA previously completed an impact assessment of its exposure, both quantitatively and qualitatively, to LIBOR and developed an implementation roadmap for the LIBOR transition. IDA is actively working through this transition from multiple perspectives: lending, funding, accounting, operations, information technology, liquidity investing, risk and legal, considering the portfolio of existing loans and other instruments that use LIBOR as a benchmark.

Most of IDA's loans are on fixed rate concessional terms. Accordingly, the impact of the LIBOR transition changes will be limited as IDA's non-concessional loans portfolio represents only 3% of the total loans outstanding as of September 30, 2021. For IDA's LIBOR based non-concessional and hard-term loans, in FY20, IDA's Executive Directors endorsed an omnibus amendment process with borrowers for certain existing loan agreements to address inadequate fallback provisions for LIBOR replacement, allowing IDA to maintain the principles of fairness and equivalence for any replacement reference rate. The contract amendments will enable similar treatment to all loans by bringing the fallback provisions related to changes in the reference rate in the General Conditions into conformity with the revised General Conditions of December 2018. The new language permits IDA to transition the interest rate to alternative reference rates when it is appropriate to do so. IDA has decided to adopt the following alternative reference rates: Secured Overnight Financing Rate (SOFR) for USD denominated loans, Euro Interbank Offered Rate (EURIBOR) for EUR denominated loans, Sterling Overnight Index Average (SONIA) for GBP denominated loans and Tokyo Overnight Average Rate (TONA) for JPY denominated loans. To date, IDA has made significant progress to secure counter-signature of the omnibus amendments from the majority of its affected borrowers.

While IDA's primary product is a fixed rate loan that is not dependent on a reference rate, IDA does offer certain borrowers non-concessional terms based on the lending rate of IBRD loan products. Effective April 2021, IDA suspended the offering of non-concessional loans on fixed spread terms as well as the suspension of a related conversion feature from the variable spread terms to fixed spread terms. In July 2021, the Board approved offering new loans with new alternative reference rates and ceasing to offer LIBOR based loans effective January 1, 2022. In addition, the Board approved the switch-over from LIBOR to new alternative reference rates for existing variable loans beginning in January 2022. This transition plan was based on careful consideration of the regulatory guidance, relevant provisions in IDA's General Conditions and loan agreements, ALM needs, as well as borrower implications, and took into account the different characteristics of the new market reference rates and LIBOR and the implications of a staggered LIBOR cessation timetable.

IDA has notified the minority of its borrowers who did not yet sign the omnibus amendments of the reference rate replacement timeline for their existing loans on an absence of objection basis and is also in the process of notifying other borrowers of the reference rate replacement in their existing loans. IDA will continue to work with key stakeholders, including internal subject matter experts, senior management, borrowers, industry groups and other market participants, to mitigate potential financial and operational risks to which IDA is exposed and to ensure an orderly transition to alternative reference rates. IDA is managing the transition prudently and in a cost-effective manner.

Exchange Rate Risk

Changes in exchange rates affect the capital adequacy of IDA when the currency of the equity supporting the loan portfolio and other assets is different from that of the risk exposure. Accordingly, the primary objective of IDA's currency risk management is to protect IDA's financial capacity, as measured by the capital adequacy framework, from exchange rate movements. To achieve this, IDA's balance sheet is managed in multiple currencies: SDR and the currencies comprising the SDR basket. The exchange rate risk management methodology encompasses the hedging of currency risk arising from the various inflows and outflows inherent in IDA's business model.

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. IDA pays the market counterparty in a non-SDR currency. Accordingly,

appreciation (depreciation) of the non-SDR 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, even though they are not recorded in the balance sheet, is the economic offset to the translation adjustment on non-functional currencies of currency forward contracts.

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 FY22, the Prudential Minimum has been set at \$19.3 billion. As of September 30, 2021, IDA had liquid assets of \$40.0 billion, which represented 207% 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 financial loss, or damage to IDA's reputation 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 identifying, 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: Governance

Senior Management Changes

The following changes will be effective January 1, 2022:

- Jingdong Hua, Vice President and Treasurer of the World Bank, will retire.
- Jorge Familiar Calderon has been appointed to the role of Vice President and Treasurer of the World Bank.
- Pam O'Connell has been appointed as the Vice President and World Bank Group Controller, succeeding Jorge Familiar Calderon in that role.

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INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

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CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	<i>September 30, 2021</i> <i>(Unaudited)</i>	<i>June 30, 2021</i> <i>(Unaudited)</i>
Assets		
Due from banks—Notes C and J		
Unrestricted cash	\$ 584	\$ 470
Restricted cash	26	26
	<u>610</u>	<u>496</u>
Investments (including securities transferred under repurchase or securities lending agreements of Nil—September 30, 2021; Nil—June 30, 2021) —Notes C, G and J	39,866	37,376
Derivative assets, net—Notes C, F, G and J	364	249
Receivable from affiliated organization—Note G	924	865
Loans outstanding—Notes D, G and J		
Total loans approved	248,275	251,676
Less: Undisbursed balance (including signed loan commitments of \$63,158 million—September 30, 2021; \$60,775 million—June 30, 2021)	<u>(68,040)</u>	<u>(70,172)</u>
Loans outstanding	180,235	181,504
Less: Accumulated provision for loan losses	(3,679)	(3,718)
Deferred loan income	<u>(9)</u>	<u>(7)</u>
Net loans outstanding	<u>176,547</u>	<u>177,779</u>
Other assets—Notes C, D and G	2,759	2,559
Total assets	<u><u>\$ 221,070</u></u>	<u><u>\$ 219,324</u></u>

	<i>September 30, 2021</i> <i>(Unaudited)</i>	<i>June 30, 2021</i> <i>(Unaudited)</i>
Liabilities		
Borrowings—Notes E and J		
Market borrowings, at fair value	\$ 22,050	\$ 20,555
Market borrowings, at amortized cost	2,305	-
Concessional partner loans, at amortized cost	7,623	7,759
	<u>31,978</u>	<u>28,314</u>
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and J	3	-
Derivative liabilities, net—Notes C, F, G and J	173	408
Payable for development grants—Note H	6,345	6,820
Payable to affiliated organization—Note G	508	561
Other liabilities—Notes C, D and G	2,668	2,345
Total liabilities	<u>41,675</u>	<u>38,448</u>
Equity		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	291,545	292,534
Less:		
Subscriptions and contributions receivable	(37,478)	(38,240)
Cumulative discounts/ acceleration credits on subscriptions and contributions	(3,842)	(3,842)
Subscriptions and contributions paid-in	250,225	250,452
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(10,732)	(11,432)
Deferred amounts to maintain value of currency holdings	(245)	(244)
Accumulated deficit (Statement of Changes in Accumulated Deficit)	(59,636)	(59,556)
Accumulated other comprehensive income (loss)—Note I	(217)	1,656
Total equity	<u>179,395</u>	<u>180,876</u>
Total liabilities and equity	<u>\$ 221,070</u>	<u>\$ 219,324</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

	Three Months Ended September 30, (Unaudited)	
	2021	2020
Interest revenue		
Loans, net—Note D	\$ 481	\$ 437
Investments, net—Notes C and G	33	37
Asset-liability management derivatives, net	-	(5)
Borrowing expenses, net—Note E	(46)	(49)
Interest revenue, net of borrowing expenses	<u>468</u>	<u>420</u>
Provision for losses on loans and other exposures, charge—Note D	(100)	(122)
Non-interest revenue		
Revenue from externally funded activities—Note G	149	153
Commitment charges—Note D	6	4
Other	4	3
Total	<u>159</u>	<u>160</u>
Non-interest expenses		
Administrative—Note G	(494)	(550)
Other	(15)	10
Total	<u>(509)</u>	<u>(540)</u>
Development grants—Note H	(343)	(509)
Non-functional currency translation adjustment gains (losses), net	168	(5)
Unrealized mark-to-market gains on Investments-Trading portfolio, net—Notes F and J	15	19
Unrealized mark-to-market gains on non-trading portfolios, net—Note J	62	129
Net loss	<u>\$ (80)</u>	<u>\$ (448)</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

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<u>2021</u>	<u>2020</u>
Net loss	\$ (80)	\$ (448)
Other comprehensive (loss) income —Note I		
Currency translation adjustments on functional currencies	(1,842)	3,820
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	<u>(31)</u>	<u>(16)</u>
Comprehensive (loss) income	<u>\$ (1,953)</u>	<u>\$ 3,356</u>

CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<u>2021</u>	<u>2020</u>
Accumulated Deficit at beginning of the fiscal year	\$ (59,556)	\$ (58,321)
Cumulative effect of a change in accounting principle—Notes A and D	<u>-</u>	<u>(802)</u>
Adjusted Accumulated Deficit at beginning of the fiscal year	\$ (59,556)	\$ (59,123)
Net loss	<u>(80)</u>	<u>(448)</u>
Accumulated deficit at end of the period	<u>\$ (59,636)</u>	<u>\$ (59,571)</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>2021</u>	<u>2020</u>
Cash flows from investing activities		
Loans		
Disbursements	\$ (2,493)	\$ (3,153)
Principal repayments	1,531	1,244
Non-trading securities—Investments		
Repayments	61	64
Net cash used in investing activities	<u>(901)</u>	<u>(1,845)</u>
Cash flows from financing activities		
Members' subscriptions and contributions	473	384
Medium and long-term borrowings		
New issues	4,432	1,990
Retirements	(25)	(25)
Short-term borrowings (original maturities greater than 90 days)		
New issues	1,732	2,016
Retirements	(1,619)	(4,333)
Net short-term borrowings (original maturities less than 90 days)	(293)	150
Net derivatives-borrowings	2	10
Net cash provided by financing activities	<u>4,702</u>	<u>192</u>
Cash flows from operating activities		
Net loss	(80)	(448)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for losses on loans and other exposures, net—charge	100	122
Non-functional currency translation adjustment (gains) losses, net	(168)	5
Unrealized mark-to-market gains on non-trading portfolios, net	(62)	(129)
Other non-interest expenses (income), net	15	(11)
Amortization of borrowing costs	25	24
Changes in:		
Net Investment portfolio	(2,861)	3,232
Other assets and liabilities	(654)	(796)
Net cash (used in) provided by operating activities	<u>(3,685)</u>	<u>1,999</u>
Effect of exchange rate changes on unrestricted and restricted cash	(2)	19
Net increase in unrestricted and restricted cash	114	365
Unrestricted and restricted cash at beginning of the fiscal year	496	674
Unrestricted and restricted cash at end of the period	<u>\$ 610</u>	<u>\$ 1,039</u>
Supplemental disclosure		
Increase (Decrease) in ending balances resulting from exchange rate fluctuations:		
Loans outstanding	\$ (2,222)	\$ 3,759
Investment portfolio	(340)	778
Derivatives—Asset-liability management	393	(45)
Borrowings	(495)	398
Principal repayments written off under Heavily Indebted Poor Countries (HIPC)		
Debt Initiative	9	3
Interest paid on borrowing portfolio	35	35

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, 2021 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2021 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 for the full year.

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

These financial statements were issued on November 12, 2021 which was also the date through which IDA's management evaluated subsequent events.

Accounting and Reporting Developments

There were no new Accounting Standard Updates (ASUs) implemented, nor new relevant ASUs issued but not yet implemented as of September 30, 2021.

Fair Value Election on Borrowings

Previously, under IDA's fair value elections, all market debt was carried at fair value. Starting July 1, 2021, IDA only elects fair value for market debt designated to fund the investment portfolio or variable rate loans. Market debt not meeting the fair value election criteria are reported at amortized cost. Market debt subject to the previous fair value election will continue to be carried at fair value.

NOTE B—MEMBERS' 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

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Beginning of the fiscal year	\$ 250,452	\$ 241,343
Cash contributions received	66	3,442
Demand obligations received	-	4,901
Translation adjustment	(293)	766
End of the period/fiscal year	<u>\$ 250,225</u>	<u>\$ 250,452</u>

During the three months ended September 30, 2021, IDA encashed demand obligations totaling \$407 million.

Subsequent Event

Membership: On November 3, 2021, Bulgaria became the 174th member of IDA.

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.

As of September 30, 2021, IDA's Investments were mainly comprised of government and agency obligations (62%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of September 30, 2021, the largest holding of Investments-Trading with a single counterparty was Japanese government instruments (17%).

A summary of IDA's Investments is as follows:

Table C1: Investments-composition

In millions of U.S. dollars

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Trading		
Government and agency obligations	\$ 24,808	\$ 25,277
Time deposits	14,360	11,460
Asset-backed securities (ABS)	277	152
	<u>\$ 39,445</u>	<u>\$ 36,889</u>
Non-trading		
Debt securities	421	487
Total	<u>\$ 39,866</u>	<u>\$ 37,376</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

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Investments		
Trading	\$ 39,445	\$ 36,889
Non-trading	421	487
Total	<u>39,866</u>	<u>37,376</u>
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received ^a	(15)	-
Derivative Assets		
Currency swaps and currency forward contracts	240	167
Total	<u>240</u>	<u>167</u>
Derivative Liabilities		
Currency swaps and currency forward contracts	(54)	(65)
Interest rate swaps	(12)	(17)
Total	<u>(66)</u>	<u>(82)</u>
Cash held in investment portfolio ^b	547	426
Receivable from investment securities traded and other assets ^c	9	107
Payable for investment securities purchased ^d	(176)	(73)
Net Investment Portfolio	<u>\$ 40,405</u>	<u>\$ 37,921</u>

a. Includes \$12 million of cash collateral received from counterparties under derivative agreements (Nil - June 30, 2021).

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

c. This amount is included in Other assets on the Condensed Balance Sheet.

d. This amount is included in Other liabilities on the Condensed Balance Sheet. As of September 30, 2021, there were no short sales (Nil - June 30, 2021).

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

The maturity structure of IDA’s non-trading investment portfolio (principal amount due) was as follows:

Table C3: Maturity structure of non-trading investment portfolio

In millions of U.S. dollars

<i>Maturity</i>	<i>September 30, 2021</i>	<i>June 30, 2021</i>
Less than 1 year	\$ 105	\$ 113
Between		
1 - 2 years	86	96
2 - 3 years	68	77
3 - 4 years	55	62
4 - 5 years	13	34
Thereafter	84	90
Total	\$ 411	\$ 472

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 F—Derivative Instruments.

As of September 30, 2021, IDA held cash collateral of \$12 million (Nil-June 30, 2021). Of this amount, \$5 million of the cash collateral was invested (Nil-June 30, 2021).

As of September 30, 2021, and June 30, 2021, there were no liabilities relating to securities transferred under repurchase or securities lending agreements and no securities purchased under resale agreements.

NOTE D—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. Other exposures include: Deferred Drawdown Options (DDO), Irrevocable Commitments and Guarantees. Based on IDA’s internal credit quality indicators, the majority of the loans outstanding are in the Medium and High-risk classes.

IDA excludes the interest and service charges receivable balance from the amortized cost basis and the related disclosures as permitted by U.S. GAAP. As of September 30, 2021, accrued interest income on loans of \$539 million (\$502 million—June 30, 2021), are presented in Other assets on the Condensed Balance Sheet.

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. The analysis also takes into account environmental, social and governance factors. 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's borrower country risk ratings are key determinants in the provision for loan losses. Country risk ratings are grouped into pools of borrowers with similar credit ratings for the purpose of the calculation of the expected credit 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.

An assessment was also performed to determine whether a qualitative adjustment was needed on the loan loss provision as of September 30, 2021, including consideration of the COVID-19 pandemic. Management concluded that a qualitative adjustment beyond the regular application of IDA's loan loss provision framework was not warranted.

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 D1: Loans-Aging Structure

In millions of U.S. dollars

<i>Days past due</i>	<i>September 30, 2021</i>					<i>Total Past Due</i>	<i>Current</i>	<i>Total</i>
	<i>Up to 45</i>	<i>46-60</i>	<i>61-90</i>	<i>91-180</i>	<i>Over 180</i>			
Risk Class								
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 569	\$ 569
Medium	-	-	-	-	-	-	22,685	22,685
High	8	-	-	-	-	8	156,053 ^a	156,061
Loans in accrual status	8	-	-	-	-	8	179,307	179,315
Loans in nonaccrual status	5	1	1	11	403	421	499	920
Total	\$ 13	\$ 1	\$ 1	\$ 11	\$ 403	\$ 429	\$ 179,806	\$ 180,235

Table D1.1:

In millions of U.S. dollars

<i>Days past due</i>	<i>June 30, 2021</i>					<i>Total Past Due</i>	<i>Current</i>	<i>Total</i>
	<i>Up to 45</i>	<i>46-60</i>	<i>61-90</i>	<i>91-180</i>	<i>Over 180</i>			
Risk Class								
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 659	\$ 659
Medium	-	-	-	-	-	-	23,092	23,092
High	7	-	-	-	-	7	156,814 ^a	156,821
Loans in accrual status	7	-	-	-	-	7	180,565	180,572
Loans in nonaccrual status	7	1	3	9	399	419	513	932
Total	\$ 14	\$ 1	\$ 3	\$ 9	\$ 399	\$ 426	\$ 181,078	\$ 181,504

a. Includes Private Sector Window (PSW) related loans of \$10 million (\$10 million-June 30, 2021).

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

Table D2: Loan portfolio vintage disclosure

In millions of U.S. dollars

Risk Class	September 30, 2021								
	Fiscal Year of origination						CAT DDOs disbursed and revolving	CAT DDOs Converted to Term Loans	Loans Outstanding as of September 30, 2021
	2022	2021	2020	2019	2018	Prior Years			
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 569	\$ -	\$ -	\$ 569
Medium	112	400	560	253	69	21,291	-	-	22,685
High	58	5,312	6,384	8,457	9,053	126,416	190	191	156,061
Loans in accrual status	170	5,712	6,944	8,710	9,122	148,276	190	191	179,315
Loans in nonaccrual status	-	-	-	-	-	920	-	-	920
Total	\$ 170	\$ 5,712	\$ 6,944	\$ 8,710	\$ 9,122	\$ 149,196	\$ 190	\$ 191	\$ 180,235

Table D2.1:

In millions of U.S. dollars

Risk Class	June 30, 2021								
	Fiscal Year of origination						CAT DDOs disbursed and revolving	CAT DDOs Converted to Term Loans	Loans Outstanding as of June 30, 2021
	2021	2020	2019	2018	2017	Prior Years			
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 659	\$ -	\$ -	\$ 659
Medium	401	564	255	64	488	21,320	-	-	23,092
High	4,803	6,260	8,266	8,861	8,927	119,316	388	-	156,821
Loans in accrual status	5,204	6,824	8,521	8,925	9,415	141,295	388	-	180,572
Loans in nonaccrual status	-	-	-	-	-	932	-	-	932
Total	\$ 5,204	\$ 6,824	\$ 8,521	\$ 8,925	\$ 9,415	\$ 142,227	\$ 388	\$ -	\$ 181,504

The amount of Catastrophe Deferred Drawdown Option (CAT DDO) outstanding and revolving converted to term loans during the three months ended September 30, 2021 is \$191 million.

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provisions for losses, which reflects the expected losses inherent in IDA's exposures. Management reassesses the adequacy of the accumulated provision on a quarterly basis and adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income. In addition, reasonableness of the inputs used is reassessed at least annually.

The provision for Heavily Indebted Poor Countries (HIPC) Debt Initiative and Multilateral Debt Relief Initiative (MDRI) is 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 loan losses. Provisions are released as qualifying debt service becomes due and is forgiven under the HIPC Debt Initiative and are reduced by the amount of the eligible loans written off when a country reaches Completion Point and becomes eligible for MDRI debt relief.

During the three months ended September 30, 2021 and the fiscal year ended June 30, 2021, there were no loans written off under the MDRI.

The balance of the accumulated provision as of July 1, 2020 was increased by an \$802 million transition adjustment recorded upon adoption of ASU No. 2016-13, ASC 326 - *Financial Instruments—Credit Losses* (CECL). The transition adjustment corresponds to the difference between the accumulated provision calculated under the previous “incurred loss” model and the CECL model. Changes to the accumulated provision for losses on loans and other exposures are summarized below.

Table D3: Accumulated provisions

In millions of U.S. dollars

	September 30, 2021				
	Loans outstanding	Loan commitments	Debt relief under HIPC/MDRI	Other	Total
Accumulated provision, beginning of the fiscal year	\$ 2,946	\$ 1,054	\$ 772	\$ 120	\$ 4,892
Provision, net - charge (release)	13	59	(1)	29	100
Loans written off under:					
HIPC/MDRI	-	-	(9) ^a	-	(9)
Translation adjustment	(37)	(15)	(5)	(1)	(58)
Accumulated provision, end of the period	<u>\$ 2,922</u>	<u>\$ 1,098</u>	<u>\$ 757</u>	<u>\$ 148</u>	<u>\$ 4,925</u>
Including accumulated provision for losses on:					
Loans in accrual status	\$ 2,672		\$ 471		\$ 3,143
Loans in nonaccrual status	250		286		536
Total	<u>\$ 2,922</u>		<u>\$ 757</u>		<u>\$ 3,679</u>
Loans:					
Loans in accrual status					\$ 179,315
Loans in nonaccrual status					920
Loans outstanding					<u>\$ 180,235</u>

Table D3.1:

In millions of U.S. dollars

	June 30, 2021				
	Loans outstanding	Loan commitments	Debt relief under HIPC/MDRI	Other	Total
Accumulated provision, beginning of the fiscal year	\$ 2,829	\$ -	\$ 1,591	\$ 72	\$ 4,492
CECL transition adjustment	(59)	859	-	2	802
Adjusted accumulated provision at the beginning of the fiscal year	<u>2,770</u>	<u>859</u>	<u>1,591</u>	<u>74</u>	<u>5,294</u>
Provision, net - charge (release)	77	166	(828)	46	(539)
Loans written off under:					
HIPC/MDRI	-	-	(9) ^a	-	(9)
Translation adjustment	99	29	18	-	146
Accumulated provision, end of the period	<u>\$ 2,946</u>	<u>\$ 1,054</u>	<u>\$ 772</u>	<u>\$ 120</u>	<u>\$ 4,892</u>
Including accumulated provision for losses on:					
Loans in accrual status	\$ 2,692		\$ 485		\$ 3,177
Loans in nonaccrual status	254		287		541
Total	<u>\$ 2,946</u>		<u>\$ 772</u>		<u>\$ 3,718</u>
Loans:					
Loans in accrual status					\$ 180,572
Loans in nonaccrual status					932
Loans outstanding					<u>\$ 181,504</u>

a. Represents debt service reduction under HIPC

	Reported as Follows	
	Condensed Balance Sheet	Condensed Statement of Income
Accumulated Provision for Losses on:		
Loans outstanding	Accumulated provision for loan losses	Provision for losses on loans and other exposures, release (charge)
Debt Relief under HIPC/MDRI	Accumulated provision for loan losses	Provision for losses on loans and other exposures, release (charge)
Loan commitments and Other Exposures	Other liabilities	Provision for losses on loans and other exposures, release (charge)

Overdue Amounts

As of September 30, 2021, there were no new principal or charges under sovereign loans in accrual status which were overdue by more than three months.

During the fiscal year ended June 30, 2021, Sudan paid all of their overdue principal and charges due to IDA. The outstanding loans remaining to Sudan were restored to accrual status having met the conditions in accordance with IDA's policy.

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

Table D4: Loans in nonaccrual status

In millions of U.S. dollars

Borrower	Nonaccrual since	Recorded investment ^a	Average recorded investment ^b	Principal Outstanding	Provision for debt relief	Provision for loan losses ^b	Overdue amounts	
							Principal	Charges
Eritrea	March 2012	\$ 440	\$ 444	\$ 440	\$ 286	\$ 16	\$ 105	\$ 34
Syrian Arab Republic	June 2012	14	14	14	-	1	12	1
Zimbabwe	October 2000	466	470	466	-	233	304	67
Total - September 30, 2021		\$ 920	\$ 928	\$ 920	\$ 286	\$ 250	\$ 421	\$ 102
Total - June 30, 2021		\$ 932	\$ 932	\$ 932	\$ 287	\$ 254	\$ 419	\$ 102

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

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

Table D5: Service charge revenue not recognized

In millions of U.S. dollars

	Three months ended September 30,	
	2021	2020
Service charge revenue not recognized as a result of loans being in nonaccrual status	\$ 2	\$ 4

During the three months ended September 30, 2021 and September 30, 2020, no new loans were placed into nonaccrual status.

During the three months ended September 30, 2021, and September 30, 2020, no service charge revenue was recognized on loans in nonaccrual status.

Guarantees

Guarantees of \$2,465 million were outstanding as of September 30, 2021 (\$2,513 million—June 30, 2021). This amount includes \$509 million relating to the PSW (\$484 million—June 30, 2021). The outstanding amount of guarantees represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees that is not included on the Condensed Balance Sheet. The guarantees issued by IDA have original maturities ranging between 2 and 22 years and expire in decreasing amounts through 2041.

As of September 30, 2021, liabilities related to IDA's obligations under guarantees included the obligation to stand ready of \$131 million (\$138 million—June 30, 2021), and the accumulated provision for guarantee losses of \$131 million (\$109 million—June 30, 2021). These have been included in Other liabilities on the Condensed Balance Sheet.

During the three months ended September 30, 2021 and September 30, 2020, no guarantees provided by IDA to sovereign or sub-sovereign borrowers were called. As of September 30, 2021, none of IDA-PSW Blended Finance Facility guarantees under the Small Loan Guarantee Program pursuant to the risk-sharing agreement between IDA and IFC were called (less than \$0.5 million—September 30, 2020).

Concentration Risk

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the three months ended September 30, 2021, loan revenue of \$60 million and \$59 million from two countries, were each in excess of ten percent of total loan revenue.

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

Table D6: Loan revenue and outstanding loan balances by geographic region

Region	As of and for the three months ended September 30,			
	2021		2020	
	Service and Interest Charges	Loans Outstanding	Service and Interest Charges	Loans Outstanding
South Asia	\$ 179	\$ 63,524	\$ 165	\$ 61,196
Eastern and Southern Africa	109	48,434	94	45,564
Western and Central Africa	91	34,654	76	31,099
East Asia and Pacific	59	20,201	56	20,129
Europe and Central Asia	28	7,659	31	7,486
Latin America and the Caribbean	11	3,314	10	3,015
Middle East and North Africa	5	2,439	5	2,550
Others ^a	-	10	-	6
Total	\$ 482	\$ 180,235	\$ 437	\$ 171,045

a. Represents loans under the PSW.

NOTE E—BORROWINGS

IDA's borrowings comprise concessional partner loans made by IDA members (carried at amortized cost) as well as market borrowings (carried at amortized cost or fair value as described in Note A).

Table E1: Borrowings – concessional partner loans outstanding

	Concessional Partner Loans outstanding		
	Principal at face value	Net unamortized premium (discount)	Total
September 30, 2021	\$ 9,295	\$ (1,672)	\$ 7,623
June 30, 2021	\$ 9,495	\$ (1,736)	\$ 7,759

As of September 30, 2021, all of the instruments in IDA's borrowing portfolio were classified as Level 2, within the fair value hierarchy.

Table E2: Market borrowings outstanding, at amortized cost

	Market borrowings, at amortized cost		
	Principal at face value	Net unamortized premium (discount)	Total
September 30, 2021	\$ 2,314	\$ (9)	\$ 2,305
June 30, 2021	\$ -	\$ -	\$ -

IDA uses derivative contracts to manage the currency risk as well as the interest rate risk in the market borrowings, carried at fair value. For details regarding the derivatives used, see Note F—Derivative Instruments.

Table E3: Market borrowings after derivatives, at fair value

In millions of U.S. dollars

	<i>September 30, 2021</i>	<i>June 30, 2021</i>
Market borrowings	\$ 22,050	\$ 20,555
Currency swaps, net	23	(97)
Interest rate swaps, net	203	118
Total	<u>\$ 22,276</u>	<u>\$ 20,576</u>

NOTE F—DERIVATIVE INSTRUMENTS

IDA uses derivative instruments in its investment, loan and borrowing portfolios, 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.

Table F1: Use of derivatives in 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 currency and interest rate risks.
Loans	Interest rate swaps	Manage interest rate risk in the portfolio.
Borrowings	Interest rate swaps and currency swaps	Manage currency and 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 F are presented on a net basis by instrument. A reconciliation to the Condensed Balance Sheet presentation is shown in table F2.

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 the gross and net derivative positions by instrument type. Instruments that are in a net asset position are included in the Derivative Assets columns and instruments that are in a net liability position are included in the Derivative Liabilities columns. The gross columns represent the fair value of the instrument leg that is in an asset or liability position that are then netted with the other leg of the instrument in the gross offset columns. The effects of the master netting agreements are applied on an aggregate basis to the total derivative asset and liability positions and are presented net of any cash collateral received on the Balance Sheet in accordance with ASC 815 – *Derivatives and Hedging*. The net derivative asset positions in the tables below have been further reduced by any securities received as collateral to disclose IDA’s net exposure on its derivative asset positions.

Table F2: Derivative assets and liabilities before and after netting adjustments*In millions of U.S. dollars*

	September 30, 2021					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	\$ 1,245	\$ (1,029)	\$ 216	\$ 1,920	\$ (1,562)	\$ 358
Currency swaps ^a	20,790	(20,178)	612	11,359	(11,090)	269
Other ^b	-	-	-	-	-	-
Total	<u>\$ 22,035</u>	<u>\$ (21,207)</u>	<u>\$ 828</u> ^c	<u>\$ 13,279</u>	<u>\$ (12,652)</u>	<u>\$ 627</u> ^c
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 452 ^d			\$ 454 ^e
Cash collateral received			12			
Net derivative positions on the Balance Sheet			<u>\$ 364</u>			<u>\$ 173</u>
Less:						
Securities collateral received			-			
Net derivative exposure after collateral			<u>\$ 364</u>			

Table F2.1:*In millions of U.S. dollars*

	June 30, 2021					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	\$ 1,105	\$ (912)	\$ 193	\$ 1,886	\$ (1,577)	\$ 309
Currency swaps ^a	15,691	(15,231)	460	14,956	(14,449)	507
Other ^b	-	-	-	-	-	-
Total	<u>\$ 16,796</u>	<u>\$ (16,143)</u>	<u>\$ 653</u> ^c	<u>\$ 16,842</u>	<u>\$ (16,026)</u>	<u>\$ 816</u> ^c
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 404 ^d			\$ 408 ^e
Cash collateral received			-			
Net derivative positions on the Balance Sheet			<u>\$ 249</u>			<u>\$ 408</u>
Less:						
Securities collateral received			-			
Net derivative exposure after collateral			<u>\$ 249</u>			

*a. Includes currency forward contracts.**b. These include swaptions, exchange traded options, futures contracts and TBA securities.**c. Total is based on amounts where derivatives have been netted by instrument.**d. Includes \$4 million Credit Value Adjustment (CVA) (\$2 million-June 30, 2021).**e. Includes \$6 million Debit Value Adjustment (DVA) (\$6 million-June 30, 2021).*

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

Table F3: Credit risk exposure of the derivative instruments

In millions of U.S. dollars

	<i>September 30, 2021</i>		
	<i>Interest rate swaps</i>	<i>Currency swaps (including currency forward contracts)</i>	<i>Total</i>
Investments - Trading	\$ -	\$ 240	\$ 240
Asset/liability management	109	317	426
Borrowings	93	54	147
Other ^a	14	1	15
Total Exposure	\$ 216	\$ 612	\$ 828

Table F3.1

In millions of U.S. dollars

	<i>June 30, 2021</i>		
	<i>Interest rate swaps</i>	<i>Currency swaps (including currency forward contracts)</i>	<i>Total</i>
Investments - Trading	\$ -	\$ 167	\$ 167
Asset/liability management	78	176	254
Borrowings	103	111	214
Other ^a	12	6	18
Total Exposure	\$ 193	\$ 460	\$ 653

a. Includes derivatives related to loans and Private Sector Window (PSW).

The volume of derivative contracts is measured using the U.S. dollar equivalent notional balance. The notional balance represents the face value or reference value on which the calculations of payments on the derivative instrument are determined. At September 30, 2021, the notional amounts of IDA's derivative contracts outstanding were as follows: interest rate swaps \$34,991 million (\$33,432 million as of June 30, 2021), currency swaps \$32,081 million (\$30,349 million as of June 30, 2021). There were no long or short positions of other derivatives (Nil—June 30, 2021).

Collateral: 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, 2021 is \$179 million (\$414 million—June 30, 2021). As of September 30, 2021, 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, 2021, the amount of collateral that would need to be posted would be \$35 million (\$25 million—June 30, 2021). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of \$179 million as of September 30, 2021 (\$414 million—June 30, 2021).

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

Table F4: Unrealized mark-to-market gains (losses) on non-trading derivatives

In millions of U.S. dollars

<i>Type of instrument</i>	<i>Reported as</i>	<i>Three Months Ended September 30,</i>	
		<i>2021</i>	<i>2020</i>
Interest rate swaps	Unrealized mark-to-market	\$ (57)	\$ 179
Currency swaps and currency forward contracts	(losses) gains on non-trading portfolios, net	(27)	(59)
Total		\$ (84)	\$ 120

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 gains or losses on IDA's investment trading portfolio (including derivative instruments), and their location in the Condensed Statement of Income:

Table F5: Unrealized mark-to-market gains (losses) on investment trading portfolio

In millions of U.S. dollars

<i>Type of instrument</i>	<i>Reported as</i>	<i>Three Months Ended September 30,</i>	
		<i>2021</i>	<i>2020</i>
Fixed income (including related derivatives)	Unrealized mark-to-market gains on Investment-Trading portfolios, net	\$ 15	\$ 19

NOTE G—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

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

Transfers and Grants

Cumulative transfers and grants made to IDA as of September 30, 2021 were \$ 20,202 million (\$20,202 million—June 30, 2021). 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	\$ 20,202	\$ -	\$ 20,202
Of which transfers from:			
IBRD	16,087	-	16,087
IFC	3,885	-	3,885

Subsequent Event

On October 14, 2021, IBRD's Board of Governors approved a transfer of \$274 million to IDA. This transfer was received on October 25, 2021.

Receivables and Payables

The total amounts receivable from (payable to) affiliated organizations is comprised of the following:

Table G2: IDA's receivables and payables with affiliated organizations

In millions of U.S. dollars

	September 30, 2021			June 30, 2021		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services, net ^a	\$ (185)	\$ -	\$ (185)	\$ (268)	\$ -	\$ (268)
Derivative Transactions						
Derivative assets, net	23	1	24	19	6	25
Derivative liabilities, net	(27)	(4)	(31)	(27)	(2)	(29)
PSW- Blended Finance Facility ^b	-	42	42	-	41	41
Pension and Other						
Postretirement Benefits	601	-	601	572	-	572
Investments	-	421	421	-	487	487
	<u>\$ 412</u>	<u>\$ 460</u>	<u>\$ 872</u>	<u>\$ 296</u>	<u>\$ 532</u>	<u>\$ 828</u>

a. Includes \$323 million as of September 30, 2021 (\$293 million-June 30, 2021) 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.

b. Refer to Table G4: Summary of PSW-related transactions.

The receivables from (payables to) these affiliated organizations are reported on 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 ^a	Payable to affiliated organization
Receivable for PSW	Other assets
Receivable for investments	Investments

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 and contributions to special programs, 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, 2021, IDA's share of joint administrative expenses and contributions to special programs totaled \$392 million (\$455 million - three months ended September 30, 2020).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the three months ended September 30, 2021 totaling \$47 million (\$57 million—three months ended September 30, 2020).

The amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue in 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,	
	2021	2020
Fees charged to IFC	\$ 17	\$ 19
Fees charged to MIGA	1	1

Pension and Other Post-Retirement 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 Post-Employment Benefits Plan (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, 2021, IDA's share of IBRD's benefit costs relating to all three plans totaled \$48 million (\$126 million—three months ended September 30, 2020).

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

The receivable from IBRD represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and PEBP assets. These will be realized over the lives of the plan participants.

Derivative transactions: IDA enters into currency forward contracts with IBRD acting as the intermediary with the market, primarily to convert donors' expected contributions in national currencies under the Sixteenth and Seventeenth replenishments of IDA's resources into the five currencies of the Special Drawing Rights (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 4 years. As of September 30, 2021, the principal amount due on the debt security was \$411 million, (\$472 million—June 30, 2021), and it had a fair value of \$421 million, (\$487 million—June 30, 2021). The investment is reported under Investments on the Condensed Balance Sheet. During the three months ended September 30, 2021, IDA recognized interest income of \$2 million from this investment (\$3 million - three months ended September 30, 2020).

Private Sector Window (PSW)

The PSW was created under Eighteenth Replenishment of IDA's Resources (IDA18), which became effective beginning fiscal year ended June 30, 2018, to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations. In IDA18, PSW allocation was \$1.4 billion which was fully committed. The PSW continued under IDA's Nineteenth Replenishment of Resources (IDA19), which became effective beginning fiscal year ending June 30, 2021, with an initial allocation set at \$2.5 billion which was revised to \$1.7 billion. Under the fee arrangement for the PSW, IDA receives fee income for transactions executed under this window and reimburses 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, 2021:

Table G4: Summary of PSW-related transactions

In millions of U.S. dollars

Facility	Notional	Net Asset/ (Liability) position	Description	Location on the Condensed Balance Sheet
Local Currency Facility	\$ 94	\$ (3)	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	Location on the Condensed Balance Sheet	
					Exposure	Accumulated Provision
MIGA Guarantee Facility	\$ 201	\$ 38		Expanding the coverage of MIGA Political Risk Insurance (PRI) products through shared first-loss or risk participation similar to reinsurance	Off Balance Sheet item	Other liabilities
Blended Finance Facility	\$ 308	\$ 57		Sharing the first loss to support IFC's Small Loan Guarantee Program, Global Trade Finance Program and Working Capital Solutions in PSW eligible countries	Off Balance Sheet item	Other liabilities
	42	Not applicable		Funding for IFC's PSW equity investment	Other assets	
	10	1		Concessional senior & sub-ordinated loans to support medium term projects	Loans outstanding	Accumulated Provision for Loan Losses

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, 2021</u>	<u>June 30, 2021</u>
Balance, beginning of the fiscal year	\$ 6,820	\$ 9,141
Disbursements (including PPA grant activity) ^a	(379)	(2,417)
Cancellations	(16)	(235)
Translation adjustment	(80)	331
Balance, end of the period/ fiscal year	<u>\$ 6,345</u>	<u>\$ 6,820</u>

a. Project Preparation Advances (PPA)

A summary of the development grant expenses is presented below:

Table H2: Grant activity

In millions of U.S dollars

	<u>Three Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Conditional Development grants disbursed ^a	\$ 552	\$ 723
Less:		
Cancellations	(16)	(112)
Disbursement of grant advances not yet expensed ^b	(302)	(120)
Add:		
Grant advances meeting expense condition ^c	109	18
Grant Expenses	<u>\$ 343</u>	<u>\$ 509</u>
Grants Approved	<u>\$ 1,088</u>	<u>\$ 2,580</u>

a. Disbursements of conditional grants approved on or after July 1, 2019.

b. Disbursements made over the period for which the expense recognition criteria has not yet been met.

c. Prior disbursement of grant advances meeting the criteria to be expensed over the period.

As of September 30, 2021, the cumulative amount of conditional grants approved but not yet expensed was \$14,780 million.

NOTE I—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income consists of net income (loss) and other gains or losses affecting equity that, under U.S. GAAP, are excluded from net income (loss). For IDA, other comprehensive income (loss) is comprised of net income (loss), DVA on fair value option elected liabilities and currency translation adjustments on functional currencies. These items are presented in the Condensed Statement of Comprehensive Income.

The following table presents the changes in Accumulated Other Comprehensive (Loss) Income (AOCI) balances.

Table I1: Changes in AOCI

In millions of U.S dollars

	<u>Three Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance, beginning of the fiscal year	\$ 1,656	\$ (3,927)
Currency translation adjustments on functional currencies	(1,842)	3,820
DVA on fair value option elected liabilities	(31)	(16)
Balance, end of the period	<u>\$ (217)</u>	<u>\$ (123)</u>

NOTE J— FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of September 30, 2021, and June 30, 2021, 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 and Loan commitments

There were no loans carried at fair value as of September 30, 2021 and June 30, 2021. IDA's loans and loan commitments would be classified as Level 3 within the fair value hierarchy.

Summarized below are the techniques applied in determining the fair values of 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 observable market inputs such as yield curves, credit spreads, and constant prepayment spreads. Where applicable, unobservable inputs such as conditional prepayment rates, probability of default, and loss severity are used.

Unless quoted prices are available, time deposits are reported at face value, which approximates fair value, as they are short term in nature.

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

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

Borrowings

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

Derivative instruments

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and futures 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 observable market 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 (market borrowings carried at fair value) 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 J1: Fair value and carrying amounts of financial assets and liabilities*In millions of U.S. dollars*

	September 30, 2021		June 30, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Due from banks	\$ 610	\$ 610	\$ 496	\$ 496
Investments (including securities transferred under repurchase or securities lending agreements)	39,866	39,866	37,376	37,376
Net loans outstanding	176,547	162,681	177,779	164,606
Derivative assets, net	364	364	249	249
Liabilities				
Borrowings				
Market borrowings, at fair value	22,050	22,050	20,555	20,555
Market borrowings, at amortized cost	2,305	2,271	-	-
Concessional partner loans	7,623	9,586	7,759	9,516
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	3	3	-	-
Derivative liabilities, net	173	173	408	408

As of September 30, 2021, IDA's signed loan commitments were \$63.2 billion (\$60.8 billion – June 30, 2021) and had a fair value of \$(5.9) billion (\$(5.4) billion – June 30, 2021).

The following tables present IDA's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis.

Table J2: Fair value hierarchy of IDA's assets and liabilities*In millions of U.S. dollars*

	Fair Value Measurements on a Recurring Basis As of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	\$ 9,428	\$ 15,380	\$ -	\$ 24,808
Time deposits	482	13,878	-	14,360
ABS	-	277	-	277
Total Investments—Trading	9,910	29,535	-	39,445
Investments—Non-trading (at fair value)	-	421	-	421
Total Investments	\$ 9,910	\$ 29,956	\$ -	\$ 39,866
Derivative assets:				
Currency swaps and currency forward contracts ^a	\$ -	\$ 612	\$ -	\$ 612
Interest rate swaps	-	216	-	216
	\$ -	\$ 828	\$ -	\$ 828
Less:				
Amounts subject to legally enforceable master netting agreements ^b				452
Cash collateral received				12
Derivative assets, net				\$ 364
Liabilities:				
Market Borrowings, at fair value	\$ -	\$ 22,050	\$ -	\$ 22,050
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ -	\$ 269	\$ -	\$ 269
Interest rate swaps	-	358	-	358
	\$ -	\$ 627	\$ -	\$ 627
Less:				
Amounts subject to legally enforceable master netting agreements ^c				454
Derivative liabilities, net				\$ 173

a. Includes structured swaps.

b. Includes \$4 million CVA.

c. Includes \$6 million DVA.

Table J2.1*In millions of U.S. dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of June 30, 2021</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments—Trading				
Government and agency obligations	\$ 7,852	\$ 17,425	\$ -	\$ 25,277
Time deposits	728	10,732	-	11,460
ABS	-	152	-	152
Total Investments—Trading	8,580	28,309	-	36,889
Investments—Non-trading (at fair value)	-	487	-	487
Total Investments	\$ 8,580	\$ 28,796	\$ -	\$ 37,376
Derivative assets:				
Currency swaps and currency forward contracts ^a	\$ -	\$ 460	\$ -	\$ 460
Interest rate swaps	-	193	-	193
	\$ -	\$ 653	\$ -	\$ 653
Less:				
Amounts subject to legally enforceable master netting agreements ^b				404
Cash collateral received				-
Derivative assets, net				\$ 249
Liabilities:				
Market Borrowings, at fair value	\$ -	\$ 20,555	\$ -	\$ 20,555
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ -	\$ 507	\$ -	\$ 507
Interest rate swaps	-	309	-	309
	\$ -	\$ 816	\$ -	\$ 816
Less:				
Amounts subject to legally enforceable master netting agreements ^c				408
Derivative liabilities, net				\$ 408

*a. Includes structured swaps.**b. Includes \$2 million CVA.**c. Includes \$6 million DVA.*

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

Table J3: 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, 2021	\$ 421	\$ 411	\$ 10
June 30, 2021	\$ 487	\$ 472	\$ 15

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of market borrowings recorded at fair value on the Condensed Balance Sheet:

Table J4: Market Borrowings reported at 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, 2021	\$ 22,050	\$ 22,253	\$ (203)
June 30, 2021	\$ 20,555	\$ 20,659	\$ (104)

Valuation adjustments on fair value option elected liabilities

During the three months ended September 30, 2021, IDA recorded unrealized mark-to-market losses of \$31 million (\$16 million losses – three months ended September 30, 2020) in Other Comprehensive Income, in relation to the changes in its own credit (DVA) on fair value option elected liabilities (market borrowings carried at fair value).

As of September 30, 2021, IDA's Condensed Balance Sheet included a DVA of \$87 million cumulative loss (\$56 million cumulative loss—June 30, 2021) in Accumulated other comprehensive income, associated with the changes in IDA's own credit for its market borrowings reported at fair value.

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 J5: Unrealized Mark-to-Market Gains (Losses) on Trading and Non-Trading Portfolios, Net

In millions of U.S. dollars

	Three Months Ended September 30,					
	2021			2020		
	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts ^a	Unrealized gains (losses)	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts ^a	Unrealized gains (losses)
Investments, Trading—Note F	\$ 63	\$ (48)	\$ 15	\$ 6	\$ 13	\$ 19
Non-trading portfolios, net						
Asset-liability management—Note F	-	58	58	-	125	125
Investment portfolio—Note C	-	(2)	(2)	-	(1)	(1)
Borrowing portfolio—Note E	-	11	11	-	7	7
Other ^b	-	(5)	(5)	-	(2)	(2)
Total	\$ -	\$ 62	\$ 62	\$ -	\$ 129	\$ 129

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

b. Other comprise mark to market gains or losses on the loan portfolio and on PSW.

NOTE K—CONTINGENCIES

In light of the COVID-19 pandemic, IDA faces additional credit, market and operational risks. The duration of the COVID-19 pandemic is difficult to predict at this time, as are the extent and efficacy of economic interventions by governments and central banks. The length and severity of the pandemic and the related developments, as well as the impact on the financial results and position of IDA in future periods cannot be reasonably estimated at this point in time and continues to evolve. IDA continues to monitor the developments and to manage the risks associated with its various portfolios within existing financial policies and limits.

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, 2021, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.

INDEPENDENT AUDITOR'S REVIEW REPORT



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INDEPENDENT AUDITOR'S REVIEW REPORT

President and Board of Executive Directors
International Development Association:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed balance sheet of the International Development Association ("IDA") as of September 30, 2021, and the related condensed statements of income, comprehensive income, changes in accumulated deficit, and cash flows for the three-month periods ended September 30, 2021 and 2020, and the related notes (collectively referred to as the "interim financial information").

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

Basis for Review Results

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

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Balance Sheet as of June 30, 2021

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, 2021, 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 6, 2021. In our opinion, the accompanying condensed balance sheet of IDA as of June 30, 2021, 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 & Touche LLP".

November 12, 2021