

# International Development Association



Management's Discussion & Analysis  
and  
Condensed Quarterly Financial Statements  
September 30, 2022  
(Unaudited)



# **International Development Association (IDA)**

## **Management's Discussion and Analysis**

### **September 30, 2022**

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This Management's Discussion & Analysis (MD&A) reflects the results of the International Development Association's (IDA) financial performance for the three-month period ended September 30, 2022 (FY23 YTD). This document should be read in conjunction with IDA's financial statements and MD&A issued for the fiscal year ended June 30, 2022 (FY22). 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,
	2022	2021	2022
<b>Lending Highlights (Section IV)</b>			
<b>Loans, Grants and Guarantees</b>			
Net commitments <sup>a</sup>	\$ 6,326	\$ 2,630	\$ 37,727
Gross disbursements <sup>a</sup>	3,988	3,423	21,214
Net disbursements <sup>a</sup>	2,311	1,893	14,477
<b>Balance Sheet (Section IV)</b>			
Total assets	\$ 214,935	\$ 221,070	\$ 220,014
Net investment portfolio <sup>b</sup>	38,976	40,405	39,561
Net loans outstanding	169,266	176,547	174,490
Borrowing portfolio <sup>c</sup>	35,740	32,204	35,032
Total equity	173,326	179,395	178,668
<b>Income Statement (Section IV)</b>			
Interest revenue, net of borrowing expenses	\$ 529	\$ 468	\$ 1,901
Transfers from affiliated organizations and others	-	-	274
Development grants	(1,058)	(343)	(2,372)
Net (loss) income	(535)	(80)	12
<b>Non-GAAP Measures</b>			
Adjusted Net Income (Section IV)	\$ 87	\$ 33	\$ 260
Deployable Strategic Capital Ratio (Section V)	26.1%	31.0%	26.4%

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

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

c. Includes associated derivatives. For the composition of the Borrowing portfolio, see Notes to the Condensed Quarterly Financial Statements, Note E – Borrowings.

## Section I: Executive Summary

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IDA, an international organization owned by its 174 member countries, is one of the five institutions of the World Bank Group (WBG<sup>1</sup>). Each WBG organization is legally and financially independent from IDA, with separate assets and liabilities. IDA is not liable for the obligations of the other institutions.

IDA is rated triple-A by the major rating agencies and has been providing financing and knowledge services to many of the world's developing countries for 62 years. With its many years of experience and its depth of knowledge in international development, IDA plays a key role in achieving the WBG's 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, and other financial products to the poorest and most vulnerable countries to help meet their development needs and by providing technical assistance and policy advice leveraging its experience and expertise. 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, mitigation and resilience, human capital, infrastructure, and debt transparency, among others. To meet its development goals, the WBG implements country programs to improve growth and development outcomes. Further, new and ongoing challenges continue to influence the global outlook. These include high inflation, the rise in food insecurity, growing inequality, global fragility, the coronavirus disease (COVID-19) pandemic, the war in Ukraine and other geopolitical events, rising debt, climate change, and macroeconomic imbalances. In response, IDA, as part of the WBG efforts, continues to work with partners at global and country levels to support its borrowing countries in addressing the impact of these multiple crises, to enhance resilience, and lay the groundwork for rebuilding better. The activities all remain in compliance with IDA's existing financial, operational and risk management policies.

IDA's Twentieth Replenishment (IDA20) commenced on July 1, 2022, with a financing envelope of \$93.0 billion<sup>2</sup> over the three-year replenishment period, FY23-FY25. The IDA20 operational and financing framework continues to leverage IDA's strong equity base to help low-income countries respond to the multiple challenges in a post-COVID-19 environment and build a greener, more resilient, and inclusive future.

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

<sup>2</sup> U.S. dollar amounts are based on IDA20 reference rate of USD/SDR 1.42934. The U.S. dollar amounts are provided for reporting purposed only, as IDA's balance sheet is predominantly managed in Special Drawing Rights (SDR).

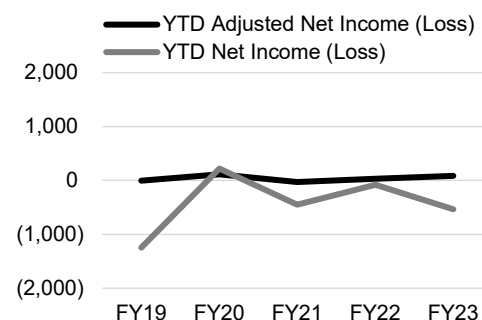
## Summary of Financial Results

### Net Loss and Adjusted Net Income

**Net Loss:** IDA reported net loss of \$535 million in FY23 YTD, compared to a net loss of \$80 million for the three-month period ended September 30, 2021 (FY22 YTD). The increase in net loss was primarily driven by the increase in development grant expenses, partially offset by the increase in non-functional currency translation gains. See Section IV: Financial Results.

**Adjusted Net Income:** IDA's adjusted net income was \$87 million in FY23 YTD, compared to \$33 million in FY22 YTD. The increase was primarily due to higher interest revenue on investments and lower provision for losses on loans and other exposures, partially offset by higher borrowing expenses and higher unrealized mark-to-market losses on investments. See Section IV: Financial Results.

In millions of U.S. dollars



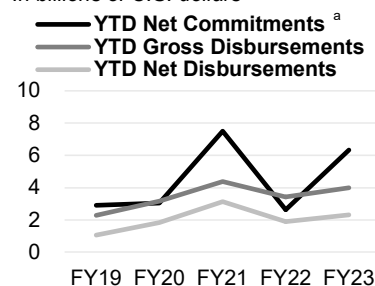
### Lending Operations

IDA's net commitments in FY23 YTD were \$6.3 billion, \$3.7 billion higher than FY22 YTD. Out of the total net commitments, \$4.2 billion were loan commitments and \$2.1 billion were grant commitments. FY23 YTD net loan commitments included \$1.2 billion approved under the IDA19 envelope due to the extension of the closing date for the approval of IDA19 operations.

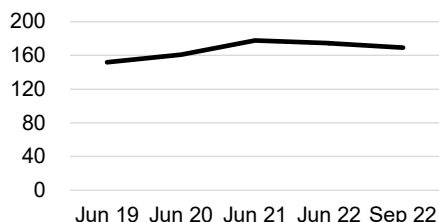
IDA's net loans outstanding decreased by \$5.2 billion to \$169.3 billion as of September 30, 2022 from \$174.5 billion as of June 30, 2022, primarily due to currency translation losses as the SDR depreciated against the U.S. dollar during the period. See Section IV: Financial Results.

Development grant expenses were \$1.1 billion in FY23 YTD compared to \$0.3 billion in FY22 YTD due to an increase in fast disbursing development policy grants in FY23 YTD.

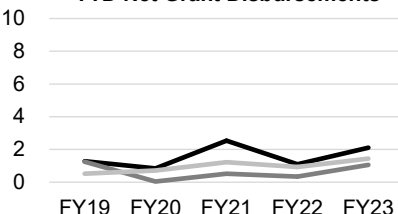
In billions of U.S. dollars



### Net Loans Outstanding



### YTD Net Grant Commitments, YTD Grant Expense, and YTD Net Grant Disbursements



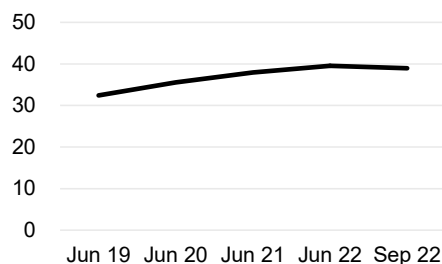
a. Includes loans, grants, and guarantees.

### Net Investment Portfolio

As of September 30, 2022, the net investment portfolio was \$39.0 billion, compared with \$39.6 billion as of June 30, 2022. See Section IV: Financial Results. The primary objective of IDA's investment strategy is principal protection. As of September 30, 2022, 67% of IDA's investment portfolio was held in instruments rated AA or above (see Table 16).

In billions of U.S. dollars

### Net Investment Portfolio



## Borrowing Portfolio

**Market borrowings at fair value:** As of September 30, 2022, the market borrowings carried at fair value and the related derivatives were \$21.4 billion, a decrease of \$0.5 billion from June 30, 2022. See Section IV: Financial Results.

**Market borrowings at amortized cost:** As of September 30, 2022, the market borrowings carried at amortized cost were \$7.7 billion, an increase of \$1.5 billion from June 30, 2022.

**Concessional Partner Loans at amortized cost:** As of September 30, 2022, total borrowings from members - Concessional Partner Loans (CPL) were \$6.6 billion, a decrease of \$0.4 billion from June 30, 2022.

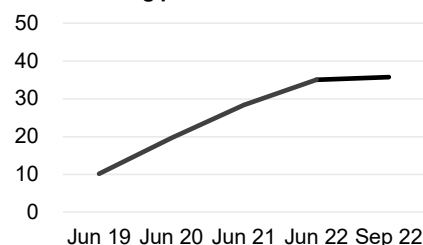
## Equity and Capital Adequacy

As of September 30, 2022, IDA's equity was \$173.3 billion, a decrease of \$5.3 billion from June 30, 2022. The decrease was primarily due to currency translation losses consistent with the depreciation of the SDR against the U.S. dollar. See Section IV: Financial Results.

The Deployable Strategic Capital (DSC) ratio, IDA's main capital adequacy measure, was 26.1% as of September 30, 2022, above the zero percent policy minimum and a decrease of 0.3 percentage points from 26.4% as of June 30, 2022. IDA's capital continues to be adequate to support its operations. See Section V: Risk Management.

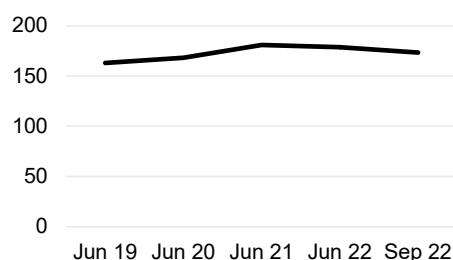
*In billions of U.S. dollars*

**Borrowing portfolio**



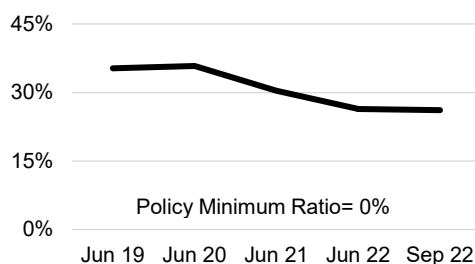
*In billions of U.S. dollars*

**Equity**



*Ratio in percentages*

**Deployable Strategic Capital Ratio**



## Section II: Overview

Generally, every three years, representatives of IDA's members<sup>3</sup> meet to assess IDA's financial capacity and the medium-term demand for new IDA financing. Members decide on the policy framework, agree on 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.

### Twentieth Replenishment of Resources (IDA20)

IDA20 recognizes the need to help address the profound challenges faced by IDA countries. While the IDA20 operational and financial framework was agreed in December 2021 before the global economic events were exacerbated by the war in Ukraine, the scale and timing of IDA20 allow IDA to support IDA countries facing the multiple overlapping crises currently unfolding in a financially sustainable manner. IDA20 reaffirms the international community's commitment to scale up support to enable IDA countries to respond to the effects of the COVID-19 crisis, recoup their development losses, and resume progress toward the 2030 Sustainable Development goals. IDA20 supports the world's poorest and most vulnerable countries to emerge on a development path in line with the Green, Resilient and Inclusive Development (GRID) framework. IDA20 builds on the IDA19 special themes, with the continuation of climate change, fragility, conflict, and violence (FCV), gender and development, jobs, and economic transformation and the introduction of human capital as a special theme. In addition, IDA20's policy package incorporates four crosscutting issues: crisis preparedness (introduced in IDA20), governance and institutions, debt (including transparency), and technology. For the three-year funding cycle of IDA20 (FY23-FY25), the agreed resource envelope totals \$93 billion including \$11 billion of IDA19 carry-over, supported by \$23.5 billion of member contributions. The remainder of the financing envelope will be covered by the Multilateral Debt Relief Initiative (MDRI), financing raised in the capital markets, internal resources (e.g., loan repayments) and transfers from IBRD.

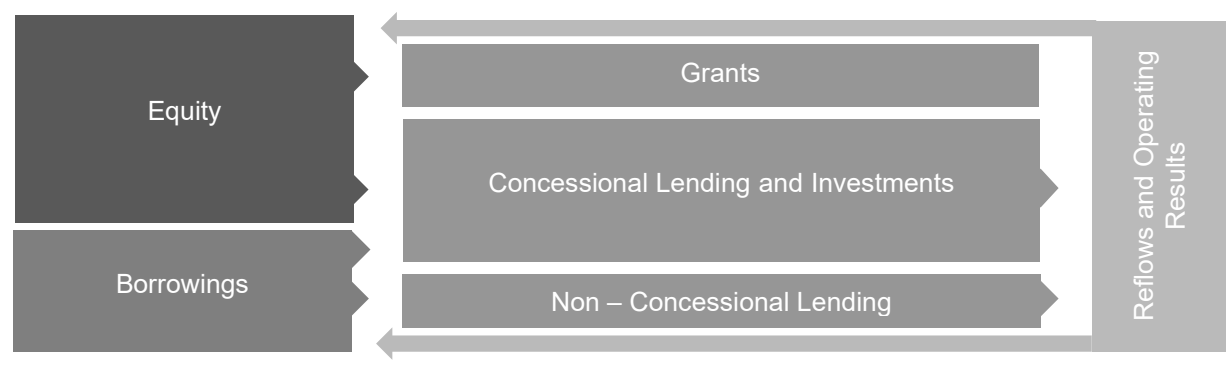
### Financial Business Model

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 from member countries, IDA has built up a substantial equity base of \$173.3 billion as of September 30, 2022. Since FY18, IDA has shifted to a hybrid financial model by introducing 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.

Non-concessional lending is financed by market debt. Concessional lending, including grants, is primarily financed by IDA's equity. As IDA's funding program expands under the hybrid financing model, a larger portion of concessional lending will be funded by market debt, together with member countries' contributions (equity). Funds not deployed for lending are maintained in IDA's investment portfolio to supply liquidity for its operations.

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



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



## 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 reporting currency is the U.S. dollar. IDA's functional currencies are the SDR and its component currencies of the U.S. dollar, euro, Japanese yen, pound sterling and Chinese renminbi. 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, 2022, Section IV: Financial Results.

## Section III: IDA's Financial Resources

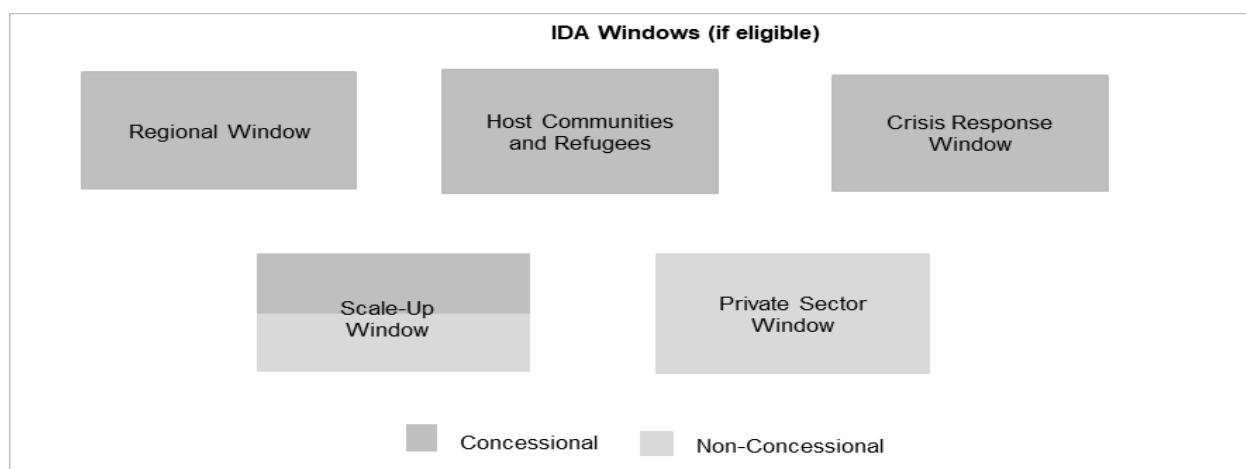
### IDA20 Funding

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 IDA20 Resources

IDA financing is provided in the form of loans, grants, and guarantees. Most of IDA's resources are allocated to eligible members through IDA Country Allocations that provide unearmarked support. The allocation framework is agreed for each replenishment cycle. 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 FCV envelope. The rest of IDA resources are provided through five IDA Windows dedicated to addressing specific development priorities, and an Arrears Clearance framework that provides exceptional support for countries to fully reengage with the World Bank.

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



Eligibility and the percentage of allocation of grants for IDA-only countries are based on an assessment of the country's risk of debt distress, where countries with high risk of debt distress, or in debt distress, will receive their IDA assistance in grants. In addition, IDA-only Small States at moderate risk of debt distress will receive half of their IDA20 allocation in grants. Gap and Blend countries are only eligible for grant financing via the Window for Host Communities and Refugees, if applicable. As part of IDA's balance sheet optimization measures, two new financing terms have been introduced in IDA20. Concessional Shorter-Maturity Loans (SMLs) are offered through the Scale-Up Window (SUW) and country allocations based on the PBA system. Additionally, 50-year loans are available for IDA-only countries at moderate risk of debt distress in lieu of the previous financing terms of half grants and half loans, with an exception for Small States.

**Table 1: Cumulative Net Commitments***In millions of U.S. dollars*

As of September 30, 2022	Loans and Guarantees		Grants		Total
Concessional financing					
IDA Country Allocations	\$	2,613	\$	1,771	\$ 4,384
IDA Concessional Windows					
Regional Window		100		230	330
Window for Host Communities and Refugees		8		7	15
Crisis Response Window		-		100	100
Scale-up Window – Shorter-Maturity Loans		97		-	97
Non-concessional financing – Scale-up Window		200		-	200
<b>Cumulative Net Commitments under IDA20</b>	<b>\$</b>	<b>3,018</b>	<b>\$</b>	<b>2,108</b>	<b>\$ 5,126</b>
<b>IDA19 Commitments approved in July 2022</b>					
IDA Country Allocations	\$	1,200	\$	-	\$ 1,200
<b>Total Cumulative Net Commitments <sup>a</sup></b>	<b>\$</b>	<b>4,218</b>	<b>\$</b>	<b>2,108</b>	<b>\$ 6,326</b>

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

### Private Sector Window

The IDA-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. Under IDA20, \$2.5 billion has been allocated to PSW.

As of September 30, 2022, \$991 million had been utilized out of a combined total of \$2.9 billion committed in IDA18 through IDA20. See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2022, Note G – Transactions with Affiliated Organizations – Table G4.

**Table 2: Utilization of PSW Commitments***In millions of U.S. dollars*

As of September 30, 2022	IDA18 and IDA 19		IDA20	Total	Utilization measure
Allocation	\$	2,950	\$ 2,500	\$ 5,450	
Net Commitments		2,947	-	2,947	
Of which utilized					
Guarantees				\$ 643	Face value of outstanding guarantees
Derivatives				231	Notional amount
Funding of IFC's PSW-related equity investments				61	Initial value of investment
Loans				56	Amortized cost
<b>Total utilization of IDA PSW</b>				<b>\$ 991</b>	

## Section IV: Financial Results

### Financial Results and Portfolio Performance

#### Net Loss

IDA had a net loss of \$535 million in FY23 YTD compared with a net loss of \$80 million in FY22 YTD (See Table 3). The increase in net loss was primarily driven by:

- An increase of \$715 million in development grant expenses partly due to an increase in fast disbursing development policy grants, partially offset by
- An increase of \$311 million in non-functional currency translation adjustment gains as the depreciation of the majority of the non-functional currencies against the U.S. dollar was greater in FY23 YTD than in FY22 YTD.

#### Adjusted Net Income

IDA's adjusted net income was \$87 million in FY23 YTD compared with \$33 million in FY22 YTD (See Table 3). The increase was primarily driven by:

- An increase of \$124 million in net interest revenue on investments due to higher interest rates in FY23 YTD;
- A decrease of \$48 million in provision for losses on loans mainly due to changes in exposure, partially offset by
- An increase of \$102 million of borrowing expenses, excluding amortization of discount on CPL, as a result of the higher average balance of debt and the increase in interest rates.

**Table 3: Condensed Statements of Income**

*In millions of U.S. dollars*

For the three months ended September 30,	2022	2021	Negative Impact	Positive Impact
<b>Interest revenue</b>				
Loans, net	\$ 516	\$ 481		35
Investments, net	157	33		124
Asset-liability management derivatives, net	2	-		2
<b>Borrowing expenses, net</b>	(146)	(46)	(100)	
<b>Interest revenue, net of borrowing expenses</b>	<u>\$ 529</u>	<u>\$ 468</u>		
Provision for losses on loans and other exposures	(52)	(100)		61
Other revenue (expenses), net (Table 13)	12	(5)		48
Net non-interest expenses (Table 12)	(365)	(345)	(20)	17
Non-functional currency translation adjustment gains, net	479	168		311
Unrealized mark-to-market (losses) gains on investments-trading portfolio, net <sup>a</sup>	(107)	15	(122)	
Unrealized mark-to-market gains on non-trading portfolios, net	27	62	(35)	
Development grants	(1,058)	(343)	(715)	
<b>Net Loss</b>	<u><b>\$ (535)</b></u>	<u><b>\$ (80)</b></u>	(455)	
Adjustments to reconcile net (loss) income to adjusted net income:				
Expenses relating to development financing activities directly funded by contributions from members	1,078	379		699
Non-functional currency translation adjustment gains, net	(479)	(168)	(311)	
Unrealized mark-to-market losses (gains) on non-trading portfolios, net <sup>b</sup>	14	(64)		78
Pension and other adjustments	9	(34)		43
<b>Adjusted Net Income</b>	<u><b>\$ 87</b></u>	<u><b>\$ 33</b></u>		54

a. Includes IDA's share of returns from Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF) assets – \$36 million negative return (FY22 YTD– \$17 million positive return).

b. Excludes \$41 million of gains from revenue-related forward currency contracts (FY22 YTD - \$2 million of losses).

As of September 30, 2022, total assets decreased compared to June 30, 2022. The decrease was primarily driven by the decrease in net loans outstanding due to currency translation losses in FY23 YTD.

**Table 4: Condensed Balance Sheets**

*In millions of U.S. dollars*

As of	September 30, 2022	June 30, 2022	Decrease	Increase
<b>Assets</b>				
Due from banks	\$ 617	\$ 686	(69)	
Investments	39,779	39,827	(48)	
Net loans outstanding <sup>a</sup>	169,266	174,490	(5,224)	
Derivative assets, net	353	404	(51)	
Other assets	4,920	4,607		313
<b>Total assets</b>	<b>\$ 214,935</b>	<b>\$ 220,014</b>	<b>(5,079)</b>	
<b>Liabilities</b>				
Borrowings	\$ 32,579	\$ 32,899	(320)	
Derivative liabilities, net	948	579		369
Other liabilities	8,082	7,868		214
<b>Equity</b>	<b>173,326</b>	<b>178,668</b>	<b>(5,342)</b>	
<b>Total liabilities and equity</b>	<b>\$ 214,935</b>	<b>\$ 220,014</b>	<b>(5,079)</b>	

a. The fair value of net loans outstanding was \$129,417 million as of September 30, 2022 (\$141,193 million – June 30, 2022).

## Equity

See Table 5 below for the change in IDA's equity during FY23 YTD.

**Table 5: Changes in Equity**

*In millions of U.S. dollars*

Equity as of June 30, 2022	\$ 178,668
Change during the period:	
Subscriptions and contributions paid-in <sup>a</sup>	(395)
Nonnegotiable, noninterest-bearing demand obligations	1,010
Change in Accumulated deficit	(535)
Change in Accumulated other comprehensive (loss) income	(5,419)
Change in Deferred amounts to maintain value of currency holdings	(3)
Total change	\$ (5,342)
<b>Equity as of September 30, 2022</b>	<b>\$ 173,326</b>

a. Includes \$621 million of translation adjustment losses (See Notes to the Condensed Quarterly Financial Statements, Note B – Members' Subscriptions and Contributions).

## Results from Lending Activities

### Loan Portfolio and Grant Activity

As of September 30, 2022, the net loans outstanding were \$169.3 billion, \$5.2 billion lower compared with June 30, 2022. The decrease was mainly due to currency translation losses of \$6.2 billion, consistent with the 3.6% depreciation of the SDR against the U.S. dollar during the period, partially offset by \$0.9 billion in net loan disbursements.

As of September 30, 2022, 87% 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, 2022, Note D – Loans and Other Exposures – Table D5.

### Provision for losses on loans and other exposures

In FY23 YTD, IDA recorded a \$52 million provision for losses on loans and other exposures compared to \$100 million in FY22 YTD. The decrease in provision was primarily due to lower exposure in FY23 YTD compared to FY22 YTD. See Table 6. For adjusted net income purposes, the provision for losses on loans and other exposures excludes the provision for debt relief under Heavily Indebted Poor Countries (HIPC) / Multilateral Debt Relief Initiative (MDRI) and the provision for grant advances as these are funded by contributions from members.

**Table 6: Provision for losses on loans and other exposures***In millions of U.S. dollars*

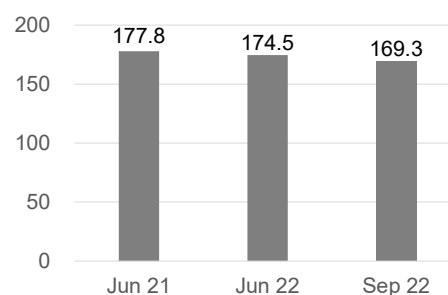
For the three months ended September 30,	2022	2021	Variance
<b>Provision for losses on loans and other exposures - GAAP basis (Table 3)</b>	<b>\$ (52)</b>	<b>\$ (100)</b>	<b>\$ 48</b>
Adjustments to arrive at provision for losses on loans and other exposures - Adjusted net income basis:			
Provision for debt relief under HIPC/MDRI, release	-	(1)	1
Provision for grant advances, release	(1)	-	(1)
<b>Provision for losses on loans and other exposures - Adjusted Net Income basis</b>	<b>\$ (53)</b>	<b>\$ (101)</b>	<b>\$ 48</b>

**Table 7: Net Loans Outstanding activity***In millions of U.S. dollars*

Net Loans outstanding as of June 30, 2022	\$ 174,490
Change during the period:	
Gross loan disbursements	2,553
Loan repayments	(1,677)
Change in accumulated provision for loan losses <sup>a</sup>	111
Translation adjustments	(6,204)
Other <sup>b</sup>	(7)
Total change	\$ (5,224)
<b>Net Loans outstanding as of September 30, 2022</b>	<b>\$ 169,266</b>

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

b. Represents deferred loan income of \$3 million, and HIPC debt relief provided of \$10 million.

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

During FY23 YTD, net loan commitments were higher by \$2.7 billion compared with FY22 YTD. There were no guarantee commitments in either FY23 YTD or FY22 YTD. Higher net loan commitments were mainly driven by higher Investment Project Financing (IPF) and Program-for-Results (PforR) commitments.

**Table 8: Net Commitments of Loans and Guarantees by Region***In millions of U.S. dollars*

For the three months ended September 30,	2022	% of total	2021	% of total	Variance
Eastern and Southern Africa	\$ 1,335	32 %	\$ 30	2 %	\$ 1,305
Western and Central Africa	1,998	47	1,219	79	779
East Asia and Pacific	-	-	25	2	(25)
Europe and Central Asia	30	1	56	4	(26)
Latin America and the Caribbean	51	1	4	*	47
South Asia	804	19	200	13	604
<b>Total</b>	<b>\$ 4,218</b>	<b>100 %</b>	<b>\$ 1,534</b>	<b>100 %</b>	<b>\$ 2,684</b>

\* Indicates percentage less than 0.5%.

**Table 9: Net Commitments of Grants by Region***In millions of U.S. dollars*

For the three months ended September 30,	2022	% of total	2021	% of total	Variance
Eastern and Southern Africa	\$ 1,728	82 %	\$ 318	29 %	\$ 1,410
Western and Central Africa	225	11	667	61	(442)
East Asia and Pacific	-	-	36	3	(36)
Latin America and the Caribbean	-	-	75	7	(75)
Middle East and North Africa	150	7	-	-	150
South Asia	5	*	-	-	5
<b>Total</b>	<b>\$ 2,108</b>	<b>100 %</b>	<b>\$ 1,096</b>	<b>100 %</b>	<b>\$ 1,012</b>

\* 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 10).

Gross disbursements were 17% higher in FY23 YTD compared with the same period in FY22. IPF, PforR and DPF disbursements all contributed to this increase.

**Table 10: Gross Disbursements of Loans and Grants by Region**

*In millions of U.S. dollars*

For the three months ended September 30,	2022			2021			Variance
	Loans <sup>a</sup>	Grants <sup>b</sup>	Total	Loans <sup>a</sup>	Grants <sup>b</sup>	Total	
Eastern and Southern Africa	\$ 718	\$ 812	\$ 1,530	\$ 685	\$ 344	\$ 1,029	\$ 501
Western and Central Africa	559	366	925	546	192	738	187
East Asia and Pacific	221	46	267	287	13	300	(33)
Europe and Central Asia	247	25	272	55	33	88	184
Latin America and the Caribbean	47	11	58	113	49	162	(104)
Middle East and North Africa	7	129	136	6	130	136	-
South Asia	748	52	800	800	170	970	(170)
<b>Total</b>	<b>\$ 2,547</b>	<b>\$ 1,441</b>	<b>\$ 3,988</b>	<b>\$ 2,492</b>	<b>\$ 931</b>	<b>\$ 3,423</b>	<b>\$ 565</b>

a. Excludes PSW related disbursements - \$6 million (FY22 YTD - \$1 million).

b. Excludes Project Preparation Advances (PPA).

As of September 30, 2022, 59% of loans outstanding were on regular terms (75 basis points SDR equivalent service charge) see Table 11. For a summary of financial terms for IDA's lending products, refer to IDA's MD&A for the fiscal year ended June 30, 2022, Section V: Development Activities, Products and Programs.

The increase in IDA's revenue on loans in FY23 YTD compared to FY22 YTD was primarily due to higher average balances of loans outstanding in FY23 YTD compared to FY22 YTD.

**Table 11: Revenue and Loan Balances by Product Category**

*In millions of U.S. dollars*

Category	Balance as of September 30,		Interest revenue on loans <sup>a</sup>	
	2022	2021	For the three months ended September 30,	2021
Loans				
Concessional				
Regular	\$ 101,235	\$ 108,692	\$ 200	\$ 208
Blend	63,634	64,634	254	236
Hard <sup>b</sup>	1,263	1,383	12	12
Non-concessional <sup>c</sup>	6,565	5,516	50	26
Others <sup>d</sup>	56	10	1	*
<b>Total</b>	<b>\$ 172,753</b>	<b>\$ 180,235</b>	<b>\$ 517</b>	<b>\$ 482</b>

a. Excludes interest rate swap expenses related to loan hedges - \$1 million in FY23 YTD (\$1 million - FY22 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. In addition, \$7 million of commitment charges were earned in FY23 YTD on undisbursed balances of non-concessional loans (\$6 million in FY22 YTD).

d. Represents loans under the PSW.

\* Indicates amount less than \$0.5 million.

## Results from Investing Activities

### Investment Portfolio

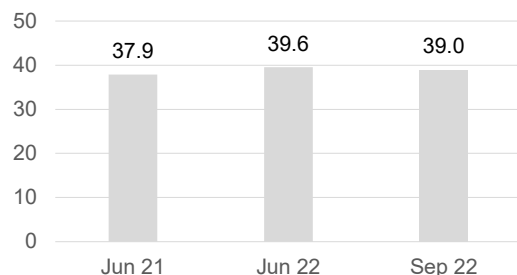
IDA's net investment portfolio decreased to \$39.0 billion as of September 30, 2022 from \$39.6 billion as of June 30, 2022. The decrease was primarily due to currency translation adjustment losses.

### Investment interest revenue, net of derivatives

During FY23 YTD, IDA's net investment interest revenue was \$157 million, an increase of \$124 million compared with the same period in FY22. The increase in interest revenue was mainly driven by the higher interest rate environment in the current period.

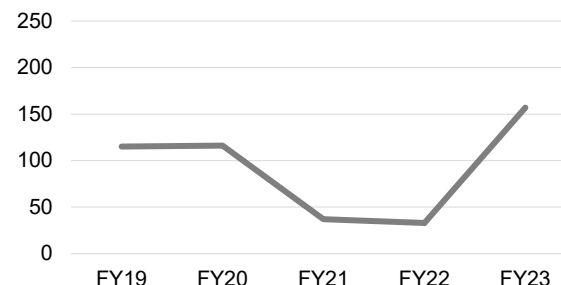
**Figure 3: Net Investment Portfolio**

*In billions of U.S. dollars*



**Figure 4: Net Investment Revenue - YTD**

*In millions of U.S. dollars*



### Results from Borrowing Activities

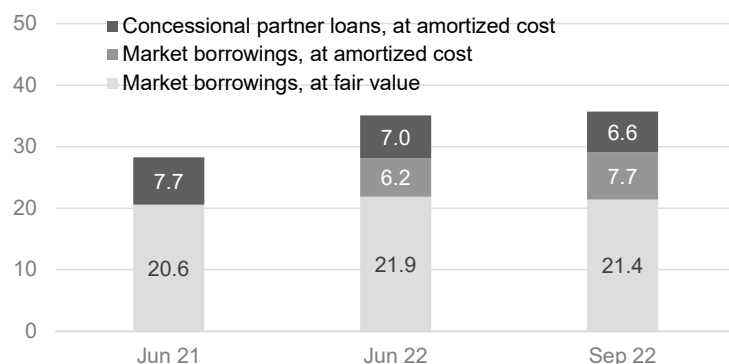
As of September 30, 2022, the market borrowing portfolio recorded at fair value was \$21.4 billion, a decrease of \$0.5 billion compared to June 30, 2022 (\$21.9 billion). The decrease was mainly due to the translation gains arising from the depreciation of most major currencies against the U.S. dollar. See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2022, Note E – Borrowings.

As of September 30, 2022, the market borrowings at amortized cost were \$7.7 billion, an increase of \$1.5 billion from June 30, 2022 (\$6.2 billion). The increase was due to issuances of new long-term fixed rate market debt during the period. See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2022, Note E – Borrowings.

Concessional partner loans from members, recorded at amortized cost, were \$6.6 billion as of September 30, 2022 (\$7.0 billion - June 30, 2022). The decrease was mainly due to translation adjustment gains.

**Figure 5: Borrowing Portfolio**

*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, 2022, IBRD's Board of Governors approved a transfer from FY22 allocable income of \$117 million to IDA which was received by IDA on October 20, 2022.

### Net Non-Interest Expenses

As shown in Table 12, IDA's net non-interest expenses are primarily comprised of administrative expenses, net of revenue from externally-funded activities. IBRD and IDA's administrative budget is a single resource envelope that



funds the combined work programs of 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. The allocation 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.

The increase in net non-interest expenses from FY22 YTD to FY23 YTD, on both a GAAP basis and on an adjusted net income basis, was primarily driven by higher staff costs and higher travel expenses due to the continued easing of COVID-19 related travel restrictions and office closures.

**Table 12: Net Non-Interest Expenses**

*In millions of U.S. dollars*

For the three months ended September 30,	2022	2021	Variance
Administrative expenses:			
Staff costs	\$ 302	\$ 286	\$ 16
Travel	20	7	13
Consultant and contractual services	83	82	1
Pension and other post-retirement benefits	41	48	(7)
Communications and technology	23	19	4
Premises and equipment	33	36	(3)
Other expenses	29	16	13
<b>Total administrative expenses</b>	<b>\$ 531</b>	<b>\$ 494</b>	<b>\$ 37</b>
Revenue from externally funded activities:			
Reimbursable revenue - IDA executed trust funds	(110)	(102)	(8)
Other revenue	(56)	(47)	(9)
<b>Total revenue from externally funded activities</b>	<b>\$ (166)</b>	<b>\$ (149)</b>	<b>\$ (17)</b>
<b>Total Net Non-Interest Expenses (Table 3) - GAAP basis</b>	<b>\$ 365</b>	<b>\$ 345</b>	<b>\$ 20</b>
<b>Adjustments to arrive at Net non-interest expenses - Adjusted Net Income basis</b>			
Pension, RAMP and EFO adjustments <sup>a</sup>	27	17	10
<b>Net non-interest expenses - Adjusted Net Income basis</b>	<b>\$ 392</b>	<b>\$ 362</b>	<b>\$ 30</b>

*a. Adjustments are included in the Pension and other adjustments line in Table 3. The Reserve Advisory and Management Partnership (RAMP) adjustment was effective from June 30, 2022 and applied prospectively.*

IDA's net other revenue increased by \$17 million in FY23 YTD compared to FY22 YTD as the PPA grant expenses, net of cancellations and refinancing of PPA grants previously approved, were lower in the current year compared to the same period in the previous year. Refinanced PPA grants are included in the loan provided to the borrower, and correspondingly, prior grant expenses are reversed.

**Table 13: Other Revenue (Expenses), net**

*In millions of U.S. dollars*

For the three months ended September 30,	2022	2021	Variance
PPA grants and others	\$ (1)	\$ (15)	\$ 14
Guarantee fees	6	4	2
Commitment charges	7	6	1
<b>Other Revenue (Expenses), net (Table 3)</b>	<b>\$ 12</b>	<b>\$ (5)</b>	<b>\$ 17</b>

### Unrealized mark-to-market gains (losses) on investments-trading portfolio, net

During FY23 YTD, IDA's investments-trading portfolio, excluding the returns from PEBP, had unrealized mark-to-market losses of \$71 million, compared to \$2 million of unrealized mark-to-market losses in FY22 YTD. The higher losses were primarily driven by the increase in EUR denominated bond yields.

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

During FY23 YTD, the non-trading portfolios had \$27 million of net unrealized mark-to-market gains (\$62 million of net unrealized mark-to-market gains in FY22 YTD). In FY23 YTD, the unrealized mark-to-market gains were lower due to the unrealized mark-to-market losses from the currency forward contracts. This was partially offset by an increase in unrealized mark-to-market gains from the derivatives held for the Capital Value Protection Program (CVP), managed as part of ALM, due to the increase in U.S. dollar and EUR interest rates for long tenors. (Section V: Risk Management).

**Table 14: Unrealized Mark-to-Market gains (losses) on non-trading portfolios, net**

*In millions of U.S. dollars*

For the three months ended September 30,	2022	2021	Variance
Asset-liability management	\$ 27	\$ 58	\$ (31)
Investment portfolio	(8)	(2)	(6)
Other <sup>a</sup>	8	6	2
<b>Total</b>	<b>\$ 27</b>	<b>\$ 62</b>	<b>\$ (35)</b>

*a. Other comprises mark-to-market gains (losses) on borrowings, loan related derivatives and on PSW.*

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

Non-functional currency translation adjustment gains or losses represent unrealized exchange rate gains or losses resulting from the hedging of exchange rate risk related to future donor contributions, 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. The translation adjustment gains and losses in FY23 YTD and FY22 YTD were primarily driven by the hedging of exchange rate risk related to future donor contributions. Certain members pledge their future equity contributions in non-SDR currencies. These future cash flows are economically hedged using currency forwards. The economic offset is inherent in the future contribution inflows. The payable portion of the currency forward contracts are denominated in non-functional currencies. The appreciation or depreciation of these currencies against the U.S. dollar results in exchange rate losses or gains which are recorded in the income statement. Accordingly, the translation adjustment gains on non-functional currencies were \$479 million in FY23 YTD, as compared to translation adjustment gains of \$168 million in FY22 YTD. The increase in translation gains in FY23 YTD was driven by the depreciation of the major non-functional currencies against the U.S. dollar which was more prominent compared to FY22 YTD.

## 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.

### 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, or from external events.

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.

For a detailed discussion of the risk governance and risk oversight and coverage, see IDA's MD&A for the fiscal year ended June 30, 2022, Section IX: Risk Management.

### 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.

### Geopolitical events and Global Outlook

In response to geopolitical events and other ongoing challenges to the global outlook, including high inflation, the rise in food insecurity, growing inequality, global fragility, COVID-19 pandemic, the war in Ukraine, rising debt, climate change and macroeconomic imbalances, IDA continues to support its client needs in a financially sustainable manner.

As of September 30, 2022, 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 15).

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 monitor associated risks and will mitigate its exposures and risks in line with the existing risk governance framework.

### Capital Adequacy

IDA uses a solvency-based capital adequacy model, which mandates that IDA hold capital for credit risk, market risk and operational risk covering all activities and assets on its books. The main measure of capital adequacy is the DSC, 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. In addition, TRR includes capital requirements to account for development grants which are approved but not yet expensed. 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, 2022, the DSC was 26.1%, lower by 0.3 percentage points compared with June 30, 2022 (26.4%). The decrease in the ratio was mainly due to the decrease in TRA exceeding the decrease in TRR. The decrease in TRA was primarily driven by the decline in equity as a result of the currency translation adjustment losses as the SDR depreciated against the U.S. dollar during the period. See Table 15.

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, 2022, Section IX: Risk Management.

**Table 15: Deployable Strategic Capital Ratio**

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

As of	September 30, 2022	June 30, 2022	Variance
Total Resources Available (TRA)	\$ 178.0	\$ 183.5	\$ (5.5)
Total Resources Required (TRR)	113.7	116.7	(3.0)
Conservation Buffer (CB)	17.8	18.4	(0.6)
Deployable Strategic Capital (DSC = TRA-TRR-CB)	\$ 46.5	\$ 48.4	\$ (1.9)
<b>Deployable Strategic Capital as a percentage of TRA</b>	<b>26.1%</b>	<b>26.4%</b>	<b>(0.3%)</b>

## Asset - Liability Management (ALM)

In FY22, 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 align the interest rate and maturities of the debt with those of the loan portfolio. For more details, see Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2022, Note 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, 2022, 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 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.

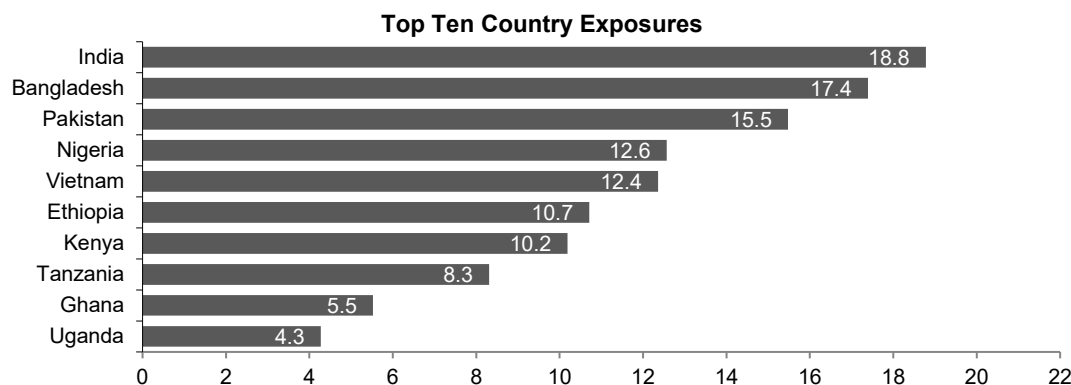
IDA regularly assesses the country credit risk of all its borrowers. IDA produces credit risk ratings for all its borrowing countries, which reflect country economic, financial, and political circumstances, and also considers environmental, social and governance (ESG) risk factors. Based on these risk ratings, to manage 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 FY23, the SBL has been set at \$45 billion (25% of \$178.7 billion of equity as of June 30, 2022). 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, 2022, the ten countries with the highest exposures accounted for 66% of IDA's total exposure (Figure 6). 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, 2022**

*In billions of U.S. dollars*



#### *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, 2022, one IDA borrowing country in the accrual portfolio had overdue payments beyond 90 days totaling \$3 million.

As an exception to the practices set forth for treatment of overdue payments, IDA has provided financing to countries with overdue payments in specific situations. For further details, refer to IDA's MD&A for the fiscal year ended June 30, 2022, Section IX: Risk Management.

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

As of September 30, 2022, IDA had \$172.8 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 \$4.7 billion, which represents a provisioning rate of 1.9% of the underlying exposures as of September 30, 2022 (\$4.8 billion as of June 30, 2022, 1.9% of the underlying exposure). See Notes to the Condensed Quarterly Financial Statements for the period ended September 30, 2022, 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 16).

As shown in Table 16, as of September 30, 2022, 67% of IDA's investment portfolio is rated AA or above, and the remainder is predominantly rated A, 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, 2022. 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, 2022, Note F: Derivative Instruments.

**Table 16: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating**

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

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

As of September 30, 2022							
Counterparty Rating <sup>a</sup>	Sovereigns		Non-Sovereigns		Net Swap Exposure	Total Exposure	% of Total
AAA	\$	8,454	\$	3,262	\$ -	\$ 11,716	29 %
AA		2,207		12,833	163	15,203	38
A		6,340		6,735	310	13,385	33
Total	\$	17,001	\$	22,830	\$ 473	\$ 40,304	100 %

As of June 30, 2022							
Counterparty Rating <sup>a</sup>	Sovereigns		Non-Sovereigns		Net Swap Exposure	Total Exposure	% of Total
AAA	\$	10,567	\$	5,038	\$ -	\$ 15,605	39 %
AA		2,226		11,949	155	14,330	35
A		4,256		5,901	284	10,441	26
Total	\$	17,049	\$	22,888	\$ 439	\$ 40,376	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.

## Market Risk

IDA is exposed to changes in interest and exchange rates and uses derivatives to manage its exposure to market risks. Derivatives 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. In addition, IDA also issues long-term fixed rate debt to fund fixed rate loans. Loan, investment and borrowing 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. With IDA's lengthy disbursement profile, the duration of IDA's loans is relatively long (11 years). This long duration, combined with volatility in market interest rates, results in significant year-on-year variability in the fair value of loans. 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. IDA's investment-trading portfolio (liquid asset portfolio) has a relatively low sensitivity to interest rates with a duration of three months as of September 30, 2022.

Under its integrated financing model, IDA employs the following strategies to manage 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 FY2021, the Financial Conduct Authority (FCA), the regulator of London Interbank Offered Rate (LIBOR), confirmed that effective December 31, 2021, all the LIBOR settings, except for certain USD LIBOR, would cease to be provided by any administrator or were no longer representative. FCA also announced that USD LIBOR rates will no longer be available after June 30, 2023.

In consideration of the regulatory guidance and in preparation for the global markets' transition away from LIBOR, IDA took the necessary steps to facilitate a smooth and orderly transition of its financial instruments to alternative reference rates. This transition started on January 1, 2022. Effective this date, IDA started offering new non-concessional loans with alternative reference rates and ceased to offer LIBOR based loans. The remaining loans, which are USD fixed spread loans, will be transitioning beginning in July 2023, as the loans reset.

Out of the total loans outstanding as of September 30, 2022, less than 1% have transitioned and less than 2% are still subject to transition to alternative reference rates. The remaining 98% are not subject to transition to alternative reference rates as they are on fixed-rate terms.

As of September 30, 2022, IDA's borrowing portfolio before associated derivatives carries only fixed interest rates and is not subject to transition to alternative reference rates.

Out of the total derivative portfolio notional as of September 30, 2022, approximately 4% have transitioned and 32% are subject to transition to alternative reference rates. The remaining 64% of the total derivative portfolio notional are not subject to transition to alternative reference rates. For the vast majority of the derivative portfolio subject to transition, IDA either has sufficient provisions in the derivative agreements with its counterparties or has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol) or works bilaterally with counterparties to ensure smooth transition to alternative reference rates.

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.

#### *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 from exchange rate movements, as measured by the capital adequacy framework. 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 the 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 FY23, the prudential minimum has been set at \$20.8 billion. As of September 30, 2022, IDA's liquid assets were \$38.7 billion, 186% of the FY23 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 third-party 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**

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### **Senior Management Changes**

There were no senior management changes during the first three months of FY23.

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# INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

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*September 30, 2022*

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## CONDENSED BALANCE SHEETS

*Expressed in millions of U.S. dollars*

	<i>September 30, 2022</i> <i>(Unaudited)</i>	<i>June 30, 2022</i> <i>(Unaudited)</i>
<b>Assets</b>		
Due from banks—Notes C and J		
Unrestricted cash	\$ 594	\$ 662
Restricted cash	23	24
	<u>617</u>	<u>686</u>
Investments (including securities transferred under repurchase or securities lending agreements of Nil—September 30, 2022; Nil—June 30, 2022) —Notes C, G and J	39,779	39,827
Derivative assets, net—Notes C, F, G and J	353	404
Receivable from affiliated organization—Note G	1,017	1,006
Loans outstanding—Notes D, G and J		
Total loans approved	243,554	250,300
Less: Undisbursed balance (including signed loan commitments of \$61,234 million—September 30, 2022; \$61,812 million—June 30, 2022)	<u>(70,801)</u>	<u>(72,209)</u>
Loans outstanding	172,753	178,091
Less: Accumulated provision for loan losses	<u>(3,472)</u>	<u>(3,583)</u>
Deferred loan income	<u>(15)</u>	<u>(18)</u>
Net loans outstanding	<u>169,266</u>	<u>174,490</u>
Other assets—Notes C, D, G and H	3,903	3,601
<b>Total assets</b>	<u>\$ 214,935</u>	<u>\$ 220,014</u>

	<i>September 30, 2022</i> <i>(Unaudited)</i>	<i>June 30, 2022</i> <i>(Unaudited)</i>
<b>Liabilities</b>		
Borrowings—Notes E and J		
Market borrowings, at fair value	\$ 18,212	\$ 19,718
Market borrowings, at amortized cost	7,758	6,201
Concessional partner loans, at amortized cost	6,609	6,980
	<u>32,579</u>	<u>32,899</u>
Derivative liabilities, net—Notes C, F, G and J	948	579
Payable for development grants—Note H	4,179	4,615
Payable to affiliated organization—Note G	510	578
Other liabilities—Notes C and D	3,393	2,675
<b>Total liabilities</b>	<u>41,609</u>	<u>41,346</u>
<b>Equity</b>		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	290,405	289,536
Less:		
Subscriptions and contributions receivable	(29,165)	(27,902)
Cumulative discounts/credits on subscriptions and contributions, net	(3,858)	(3,857)
Subscriptions and contributions paid-in	<u>257,382</u>	<u>257,777</u>
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(9,157)	(10,167)
Deferred amounts to maintain value of currency holdings	(249)	(246)
Accumulated deficit (Statements of Changes in Accumulated Deficit)	(60,079)	(59,544)
Accumulated other comprehensive loss—Note I	(14,571)	(9,152)
<b>Total equity</b>	<u>173,326</u>	<u>178,668</u>
<b>Total liabilities and equity</b>	<u>\$ 214,935</u>	<u>\$ 220,014</u>

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

## CONDENSED STATEMENTS OF INCOME

*Expressed in millions of U.S. dollars*

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<u>2022</u>	<u>2021</u>
<b>Interest revenue</b>		
Loans, net—Note D	\$ 516	\$ 481
Investments, net—Notes C and G	157	33
Asset-liability management derivatives, net—Notes F and J	2	-
<b>Borrowing expenses, net—Note E</b>	(146)	(46)
<b>Interest revenue, net of borrowing expenses</b>	<u>529</u>	<u>468</u>
<b>Provision for losses on loans and other exposures—Note D</b>	(52)	(100)
<b>Non-interest revenue</b>		
Revenue from externally funded activities—Note G	166	149
Commitment charges—Note D	7	6
Other	6	4
Total	<u>179</u>	<u>159</u>
<b>Non-interest expenses</b>		
Administrative—Note G	(531)	(494)
Other	(1)	(15)
Total	<u>(532)</u>	<u>(509)</u>
<b>Development grants—Note H</b>	(1,058)	(343)
<b>Non-functional currency translation adjustment gains, net</b>	479	168
<b>Unrealized mark-to-market (losses) gains on Investments-Trading portfolio, net—Notes F and J</b>	(107)	15
<b>Unrealized mark-to-market gains on non-trading portfolios, net—Note J</b>	27	62
<b>Net loss</b>	<u>\$ (535)</u>	<u>\$ (80)</u>

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

## CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

*Expressed in millions of U.S. dollars*

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
<b>Net loss</b>	\$ (535)	\$ (80)
<b>Other comprehensive loss—Note I</b>		
Currency translation adjustments on functional currencies	(5,419)	(1,842)
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	-	(31)
<b>Comprehensive loss</b>	<u>\$ (5,954)</u>	<u>\$ (1,953)</u>

## CONDENSED STATEMENTS OF CHANGES IN ACCUMULATED DEFICIT

*Expressed in millions of U.S. dollars*

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
<b>Accumulated Deficit at beginning of the fiscal year</b>	\$ (59,544)	\$ (59,556)
Net loss	(535)	(80)
<b>Accumulated deficit at end of the period</b>	<u>\$ (60,079)</u>	<u>\$ (59,636)</u>

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

# CONDENSED STATEMENTS OF CASH FLOWS

*Expressed in millions of U.S. dollars*

	<i>Three Months Ended September 30, (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
<b>Cash flows from investing activities</b>		
Loans		
Disbursements	\$ (2,553)	\$ (2,493)
Principal repayments	1,677	1,531
Non-trading securities—Investments		
Repayments	53	61
Net cash used in investing activities	(823)	(901)
<b>Cash flows from financing activities</b>		
Members' subscriptions and contributions	614	473
Medium and long-term borrowings		
New issues	1,989	4,432
Retirements	(25)	(25)
Short-term borrowings (original maturities greater than 90 days)		
New issues	2,875	1,732
Retirements	(1,220)	(1,619)
Net short-term borrowings (original maturities less than 90 days)	(1,649)	(293)
Net derivatives-borrowings	(2)	2
Net cash provided by financing activities	2,582	4,702
<b>Cash flows from operating activities</b>		
Net loss	(535)	(80)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for losses on loans and other exposures	52	100
Non-functional currency translation adjustment gains, net	(479)	(168)
Unrealized mark-to-market gains on non-trading portfolios, net	(27)	(62)
Other non-interest expenses, net	1	15
Amortization of borrowing costs	35	25
Changes in:		
Net Investment portfolio	(680)	(2,861)
Other assets and liabilities	(184)	(654)
Net cash used in operating activities	(1,817)	(3,685)
<b>Effect of exchange rate changes on unrestricted and restricted cash</b>	(11)	(2)
<b>Net (decrease) increase in unrestricted and restricted cash</b>	(69)	114
<b>Unrestricted and restricted cash at beginning of the fiscal year</b>	686	496
<b>Unrestricted and restricted cash at end of the period</b>	<u>\$ 617</u>	<u>\$ 610</u>
<b>Supplemental disclosure</b>		
(Decrease) Increase in ending balances resulting from exchange rate fluctuations:		
Loans outstanding	\$ (6,204)	\$ (2,222)
Investment portfolio	(1,176)	(340)
Borrowings	(1,587)	(495)
Derivatives—Borrowings	262	95
Derivatives—Asset-liability management	846	393
Principal repayments written off under Heavily Indebted Poor Countries Debt Initiative	10	9
Interest paid on borrowing portfolio	83	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, 2022 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2022 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 [ ], 2022 which was also the date through which IDA's management evaluated subsequent events.

### Accounting and Reporting Developments

#### *Accounting Standards Under Evaluation:*

In March 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance on troubled debt restructurings for creditors and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. This ASU will be effective from the quarter ending September 30, 2023 (fiscal year 2024), with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

In November 2021, the FASB issued ASU 2021-10, *Disclosure by Business Entities about Government Assistance*, which requires entities to make certain annual disclosures about government assistance transactions. This ASU will be effective from the fiscal year ending June 30, 2023 (annual statements of fiscal year 2023), with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

## 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*

	<i>September 30, 2022</i>	<i>June 30, 2022</i>
Beginning of the fiscal year	\$ 257,777	\$ 250,452
Cash contributions received	226	3,937
Demand obligations received	-	4,668
Translation adjustment	(621)	(1,280)
End of the period/fiscal year	<u>\$ 257,382</u>	<u>\$ 257,777</u>

During the three months ended September 30, 2022, IDA encashed demand obligations totaling \$388 million.

## NOTE C—INVESTMENTS

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

As of September 30, 2022, IDA's Investments were mainly comprised of government and agency obligations (53%) and time deposits (46%), with all of the instruments classified as either Level 1 or Level 2 within the fair value hierarchy. As of September 30, 2022, the largest holding of investments with a single counterparty was Japanese government instruments (14%).

A summary of IDA's Investments is as follows:

**Table C1: Investments-composition**

*In millions of U.S. dollars*

	<u>September 30, 2022</u>	<u>June 30, 2022</u>
<b>Trading</b>		
Government and agency obligations	\$ 21,222	\$ 23,902
Time deposits	18,143	15,411
Asset-backed securities (ABS)	131	168
	<u>\$ 39,496</u>	<u>\$ 39,481</u>
<b>Non-trading</b>		
Debt securities	283	346
<b>Total</b>	<u><u>\$ 39,779</u></u>	<u><u>\$ 39,827</u></u>

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

**Table C2: Net investment portfolio position**

*In millions of U.S. dollars*

	<i>September 30, 2022</i>	<i>June 30, 2022</i>
<b>Investments</b>		
Trading	\$ 39,496	\$ 39,481
Non-trading	283	346
Total	39,779	39,827
<b>Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received <sup>a</sup></b>	(844)	(772)
<b>Derivative Assets</b>		
Currency swaps and currency forward contracts	350	306
Interest rate swaps	4	2
Total	354	308
<b>Derivative Liabilities</b>		
Currency swaps and currency forward contracts	(36)	(50)
Interest rate swaps	-	(1)
Total	(36)	(51)
<b>Cash held in investment portfolio <sup>b</sup></b>	544	583
<b>Receivable from investment securities traded and other assets <sup>c</sup></b>	10	9
<b>Payable for investment securities purchased <sup>d</sup></b>	(831)	(343)
<b>Net Investment Portfolio</b>	<b>\$ 38,976</b>	<b>\$ 39,561</b>

a. This amount represents cash collateral of \$844 million received from counterparties under derivative agreements as of September 30, 2022 (\$772 million – June 30, 2022).

b. These amounts are included in Unrestricted cash under Due from Banks on the Condensed Balance Sheets.

c. These amounts are included in Other assets on the Condensed Balance Sheets.

d. These amounts are included in Other liabilities on the Condensed Balance Sheets.

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, 2022</i>	<i>June 30, 2022</i>
Less than 1 year	\$ 86	\$ 96
Between		
1 - 2 years	68	77
2 - 3 years	55	62
3 - 4 years	13	34
4 - 5 years	12	12
Thereafter (through 2039)	71	77
<b>Total</b>	<b>\$ 305</b>	<b>\$ 358</b>

## Commercial Credit Risk

For the purposes 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.

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

**Table C4: Collateral received**

*In millions of U.S. dollars*

	<i>September 30, 2022</i>	<i>June 30, 2022</i>
Collateral received		
Cash	\$ 844	\$ 772
Securities <sup>a</sup>	59	-
Total collateral received	<u>\$ 903</u>	<u>\$ 772</u>
Collateral permitted to be repledged	\$ 903	\$ 772
Amount of collateral repledged	-	-
Amount of cash collateral invested	655	659

*a. Includes \$56 million of excess collateral received as of September 30, 2022 (Nil – June 30, 2022).*

As of September 30, 2022, and June 30, 2022, 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. Accrued interest income on loans of \$568 million as of September 30, 2022 (\$521 million—June 30, 2022) are presented in Other assets on the Condensed Balance Sheets.

As of September 30, 2022, 0.5% of IDA's loans were in nonaccrual status and related to three borrowers. The total accumulated provision for losses on loans in accrual status and nonaccrual status was 2% of total loans as of September 30, 2022.

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

An assessment was also performed to determine whether a qualitative adjustment was needed on the loan loss provision as of September 30, 2022, including consideration of global and macroeconomic events. 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, 2022</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>				
<i>Risk Class</i>									
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 311	\$ 311
Medium	-	-	-	-	-	-	-	19,493	19,493
High	10	-	-	2	-	12	12	152,101 <sup>a</sup>	152,113
Loans in accrual status	10	-	-	2	-	12	12	171,905	171,917
Loans in nonaccrual status	5	1	1	10	401	418	418	418	836
Total	\$ 15	\$ 1	\$ 1	\$ 12	\$ 401	\$ 430	\$ 430	\$ 172,323	\$ 172,753

**Table D1.1:**

*In millions of U.S. dollars*

<i>Days past due</i>	<i>June 30, 2022</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>				
<i>Risk Class</i>									
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374	\$ 374
Medium	-	-	-	-	-	-	-	20,491	20,491
High	7	*	6	11	-	24	24	156,335 <sup>a</sup>	156,359
Loans in accrual status	7	*	6	11	-	24	24	177,200	177,224
Loans in nonaccrual status	7	*	3	8	408	426	426	441	867
Total	\$ 14	\$ *	\$ 9	\$ 19	\$ 408	\$ 450	\$ 450	\$ 177,641	\$ 178,091

*a. Includes Private Sector Window (PSW) related loans of \$56 million (\$50 million-June 30, 2022).*

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

The table below discloses the outstanding balances of IDA's loan portfolio as of September 30, 2022, 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*

September 30, 2022										
Risk Class	Fiscal Year of origination						CAT DDOs disbursed and revolving	CAT DDOs Converted to Term Loans	Loans Outstanding as of September 30, 2022	
	2023	2022	2021	2020	2019	Prior Years				
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 311	\$ -	\$ -	\$ 311	
Medium	-	111	390	531	238	18,223	-	-	19,493	
High	242	3,946	7,687	7,338	9,245	123,308	176	171	152,113	
Loans in accrual status	242	4,057	8,077	7,869	9,483	141,842	176	171	171,917	
Loans in nonaccrual status	-	-	-	-	-	836	-	-	836	
Total	\$ 242	\$ 4,057	\$ 8,077	\$ 7,869	\$ 9,483	\$ 142,678	\$ 176	\$ 171	\$ 172,753	

**Table D2.1:**

*In millions of U.S. dollars*

In millions of U.S. dollars										
Risk Class	June 30, 2022									
	Fiscal Year of origination						CAT DDOs disbursed and revolving	CAT DDOs Converted to Term Loans	Loans Outstanding as of June 30, 2022	
	2022	2021	2020	2019	2018	Prior Years				
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374	\$ -	\$ -	\$ -	\$ 374
Medium	111	394	542	243	77	19,124	-	-	-	20,491
High	3,678	7,509	7,233	9,365	10,042	118,173	182	177	177	156,359
Loans in accrual status	3,789	7,903	7,775	9,608	10,119	137,671	182	177	177	177,224
Loans in nonaccrual status	-	-	-	-	-	867	-	-	-	867
Total	\$ 3,789	\$ 7,903	\$ 7,775	\$ 9,608	\$ 10,119	\$ 138,538	\$ 182	\$ 177	\$ 177	\$ 178,091

The amount of Catastrophe Deferred Drawdown Option (CAT DDO) outstanding and revolving converted to term loans during the three months ended September 30, 2022 was \$5 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 Statements of Income. In addition, the 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 a 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. The provision is 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, 2022, and the fiscal year ended June 30, 2022, there were no loans written off under the MDRI.

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

**Table D3: Accumulated provisions**

*In millions of U.S. dollars*

	<i>September 30, 2022</i>				
	<i>Loans outstanding</i>	<i>Loan commitments</i>	<i>Debt relief under HIPC/MDRI</i>	<i>Other<sup>a</sup></i>	<i>Total</i>
<b>Accumulated provision, beginning of the fiscal year</b>	\$ 2,876	\$ 1,082	\$ 707	\$ 155	\$ 4,820
Provision, net - charge	14	31	-	7	52
Loans written off under:					
HIPC/MDRI	-	-	(10) <sup>b</sup>	-	(10)
Translation adjustment	(100)	(41)	(15)	(2)	(158)
<b>Accumulated provision, end of the period</b>	<u>\$ 2,790</u>	<u>\$ 1,072</u>	<u>\$ 682</u>	<u>\$ 160</u>	<u>\$ 4,704</u>
Including accumulated provision for losses on:					
Loans in accrual status	\$ 2,564		\$ 413		\$ 2,977
Loans in nonaccrual status	226		269		495
<b>Total</b>	<u>\$ 2,790</u>		<u>\$ 682</u>		<u>\$ 3,472</u>
Loans:					
Loans in accrual status					\$ 171,917
Loans in nonaccrual status					836
<b>Loans outstanding</b>					<u>\$ 172,753</u>

**Table D3.1:**

*In millions of U.S. dollars*

	<i>June 30, 2022</i>				
	<i>Loans outstanding</i>	<i>Loan commitments</i>	<i>Debt relief under HIPC/MDRI</i>	<i>Other<sup>a</sup></i>	<i>Total</i>
<b>Accumulated provision, beginning of the fiscal year</b>	\$ 2,946	\$ 1,054	\$ 772	\$ 120	\$ 4,892
Provision, net - charge (release)	135	109	(5)	39	278
Loans written off under:					
HIPC/MDRI	-	-	(30) <sup>b</sup>	-	(30)
Translation adjustment	(205)	(81)	(30)	(4)	(320)
<b>Accumulated provision, end of the period</b>	<u>\$ 2,876</u>	<u>\$ 1,082</u>	<u>\$ 707</u>	<u>\$ 155</u>	<u>\$ 4,820</u>
Including accumulated provision for losses on:					
Loans in accrual status	\$ 2,641		\$ 433		\$ 3,074
Loans in nonaccrual status	235		274		509
<b>Total</b>	<u>\$ 2,876</u>		<u>\$ 707</u>		<u>\$ 3,583</u>
Loans:					
Loans in accrual status					\$ 177,224
Loans in nonaccrual status					867
<b>Loans outstanding</b>					<u>\$ 178,091</u>

*a. These amounts primarily relate to outstanding guarantees.*

*b. Represents debt service reduction under HIPC.*

	Reported as Follows	
	Condensed Balance Sheets	Condensed Statements of Income
<b>Accumulated Provision for Losses on:</b>		
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, 2022, principal of \$2 million and charges of \$1 million from one borrower in accrual status were overdue by more than three months.

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

**Table D4: Loans in nonaccrual status**

*In millions of U.S. dollars*

Borrower	Nonaccrual since	Recorded investment <sup>a</sup>	Average recorded investment	Principal Outstanding	Provision for debt relief	Provision for loan losses <sup>b</sup>	Overdue amounts	
							Principal	Charges
Eritrea	March 2012	\$ 400	\$ 407	\$ 400	\$ 269	\$ 14	\$ 110	\$ 34
Syrian Arab Republic	June 2012	14	14	14	-	1	13	1
Zimbabwe	October 2000	422	430	422	-	211	295	64
Total - September 30, 2022		\$ 836	\$ 851	\$ 836	\$ 269	\$ 226	\$ 418	\$ 99
Total - June 30, 2022		\$ 867	\$ 907	\$ 867	\$ 274	\$ 235	\$ 426	\$ 101

*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.*

During the three months ended September 30, 2022 and 2021, no new loans were placed into nonaccrual status.

During the three months ended September 30, 2022, service charge revenue not recognized as a result of loans being in nonaccrual status was \$1 million (\$2 million – three months ended September 30, 2021).

During the three months ended September 30, 2022, service charge revenue recognized on loans in nonaccrual status was less than \$1 million (Nil – three months ended September 30, 2021).

### Guarantees

Guarantees of \$2,486 million were outstanding as of September 30, 2022 (\$2,507 million—June 30, 2022). This amount includes \$643 million relating to the PSW (\$638 million—June 30, 2022). The outstanding amount of guarantees represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees and are not included on the Condensed Balance Sheets. The guarantees issued by IDA have original maturities ranging between 3 and 22 years and expire in decreasing amounts through 2043.

As of September 30, 2022, liabilities related to IDA's obligations under guarantees included the obligation to stand ready of \$141 million (\$145 million—June 30, 2022), and the accumulated provision for guarantee losses of \$132 million (\$126 million—June 30, 2022). These have been included in Other liabilities on the Condensed Balance Sheets.

During the three months ended September 30, 2022 and 2021, no guarantees provided by IDA to sovereign or sub-sovereign borrowers were called. During the three months ended September 30, 2022, less than \$0.5 million of IDA-PSW Blended Finance Facility guarantees under the Small Loan Guarantee Program pursuant to the risk-sharing agreement between IDA and International Finance Corporation (IFC) were called (Nil – three months ended September 30, 2021).



## Concentration Risk

Loan revenue comprises service charges, interest charges and commitment charges, net of waivers. For the three months ended September 30, 2022, loan revenue of \$68 million and \$59 million from two countries, were each in excess of 10% of total loan revenue.

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

**Table D5: Loan revenue and outstanding loan balances by geographic region**

<i>In millions of U.S. dollars</i>		<i>As of and for the three months ended September 30,</i>		
<i>Region</i>	<i>2022</i>		<i>2021</i>	
	<i>Loan Revenue <sup>b</sup></i>	<i>Loans Outstanding</i>	<i>Loan Revenue <sup>b</sup></i>	<i>Loans Outstanding</i>
South Asia	\$ 196	\$ 59,012	\$ 180	\$ 63,524
Eastern and Southern Africa	117	47,689	110	48,434
Western and Central Africa	104	35,106	94	34,654
East Asia and Pacific	57	18,188	59	20,201
Europe and Central Asia	30	7,330	28	7,659
Latin America and the Caribbean	14	3,253	12	3,314
Middle East and North Africa	5	2,119	5	2,439
Others <sup>a</sup>	1	56	-	10
Total	<u>\$ 524</u>	<u>\$ 172,753</u>	<u>\$ 488</u>	<u>\$ 180,235</u>

a. Represents loans under the PSW.

b. Excludes \$1 million of interest rate swap expenses related to loan hedges for the three months ended September 30, 2022 (\$1 million-three months ended September 30, 2021). Includes net commitment charges of \$7 million for the three months ended September 30, 2022 (\$6 million – three months ended September 30, 2021).

## NOTE E—BORROWINGS

IDA's borrowings comprise market borrowings (carried at amortized cost or fair value) and concessional partner loans made by IDA members (carried at amortized cost).

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

As of September 30, 2022, and June 30, 2022, the instruments in IDA's borrowing portfolio measured at fair value were classified as Level 2 within the fair value hierarchy. A summary of IDA's borrowings are as follows (for details on principal due upon maturity, see Note J—Fair Value Disclosures):

**Table E1: Market borrowings outstanding, at fair value, after derivatives**

<i>In millions of U.S. dollars</i>		
	<i>September 30, 2022</i>	<i>June 30, 2022</i>
Market borrowings	\$ 18,212	\$ 19,718
Currency swaps, net	967	547
Interest rate swaps, net	2,194	1,586
Total at fair value	<u>\$ 21,373</u>	<u>\$ 21,851</u>

**Table E2: Market borrowings outstanding, at amortized cost**

<i>In millions of U.S. dollars</i>			
	<i>Principal at face value</i>	<i>Net unamortized premium (discount)</i>	<i>Total</i>
September 30, 2022	\$ 7,810	\$ (52)	\$ 7,758
June 30, 2022	\$ 6,240	\$ (39)	\$ 6,201

**Table E3: Concessional partner loans outstanding, at amortized cost***In millions of U.S. dollars*

	<i>Principal at face value</i>	<i>Net unamortized discount</i>	<i>Total</i>
September 30, 2022	\$ 8,017	\$ (1,408)	\$ 6,609
June 30, 2022	\$ 8,508	\$ (1,528)	\$ 6,980

**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**

<b>Portfolio</b>	<b>Derivative instruments used</b>	<b>Purpose/Risk being managed</b>
Risk management purposes:		
Investments—Trading	Interest rate swaps, currency forward contracts, currency swaps, options, swaptions, futures contracts, and to-be-announced (TBA) securities	Manage currency and interest rate risks.
Other assets/liabilities management	Currency forward contracts, currency swaps and interest rate swaps	Manage currency and interest rate risks.
Loans	Interest rate swaps	Manage interest rate risk.
Borrowings	Interest rate swaps and currency swaps	Manage currency and interest rate risks.
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 Condensed Balance Sheets. 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, 2022						
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	\$ 3,209	\$ (1,510)	\$ 1,699	\$ 2,964	\$ (771)	\$ 2,193
Currency swaps <sup>a</sup>	23,540	(21,638)	1,902	5,966	(4,887)	1,079
Total	\$ 26,749	\$ (23,148)	\$ 3,601	\$ 8,930	\$ (5,658)	\$ 3,272
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 2,404 <sup>b</sup>			\$ 2,324 <sup>c</sup>
Cash collateral received			844			
<b>Net derivative positions on the Balance Sheet</b>			<u>\$ 353</u>			<u>\$ 948</u>
Less:						
Securities collateral received <sup>d</sup>			3			
<b>Net derivative exposure after collateral</b>			<u>\$ 350</u>			

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

June 30, 2022						
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	\$ 3,267	\$ (1,678)	\$ 1,589	\$ 2,321	\$ (727)	\$ 1,594
Currency swaps <sup>a</sup>	16,624	(15,355)	1,269	6,569	(5,918)	651
Total	\$ 19,891	\$ (17,033)	\$ 2,858	\$ 8,890	\$ (6,645)	\$ 2,245
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 1,682 <sup>b</sup>			\$ 1,666 <sup>c</sup>
Cash collateral received			772			
<b>Net derivative positions on the Balance Sheet</b>			<u>\$ 404</u>			<u>\$ 579</u>
Less:						
Securities collateral received			-			
<b>Net derivative exposure after collateral</b>			<u>\$ 404</u>			

*a. Includes currency forward contracts.**b. Includes \$123 million Credit Value Adjustment (CVA) (\$35 million-June 30, 2022).**c. Includes \$43 million Debit Value Adjustment (DVA) (\$19 million-June 30, 2022).**d. Excludes \$56 million of excess collateral received as of September 30, 2022.*

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*

	September 30, 2022		
	Interest rate swaps	Currency swaps (including currency forward contracts)	Total
Investments - Trading	\$ 4	\$ 350	\$ 354
Asset/liability management	1,596	1,552	3,148
Borrowings	-	-	-
Other <sup>a</sup>	99	-	99
<b>Total Exposure</b>	<b>\$ 1,699</b>	<b>\$ 1,902</b>	<b>\$ 3,601</b>

**Table F3.1**

*In millions of U.S. dollars*

	June 30, 2022		
	Interest rate swaps	Currency swaps (including currency forward contracts)	Total
Investments - Trading	\$ 2	\$ 306	\$ 308
Asset/liability management	1,513	963	2,476
Borrowings	2	-	2
Other <sup>a</sup>	72	-	72
<b>Total Exposure</b>	<b>\$ 1,589</b>	<b>\$ 1,269</b>	<b>\$ 2,858</b>

*a. Includes derivatives related to loans and 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. As of September 30, 2022, the notional amounts of IDA's derivative contracts outstanding were as follows: interest rate swaps \$32,296 million (\$33,267 million as of June 30, 2022) and, currency swaps \$30,468 million (\$23,120 million as of June 30, 2022). There were no long or short positions of other derivatives as of September 30, 2022 (Nil—June 30, 2022).

**Collateral:** IDA is not required to post collateral under its derivative agreements as long as it maintains a triple-A credit rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position as of September 30, 2022 is \$946 million (\$586 million —June 30, 2022). As of September 30, 2022, 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, 2022, the amount of collateral that would need to be posted would be \$310 million (\$41 million—June 30, 2022). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of \$946 million as of September 30, 2022 (\$586 million—June 30, 2022).

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

**Table F4: Unrealized mark-to-market gains or 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>2022</i>	<i>2021</i>
Interest rate swaps	Unrealized mark-to-market	\$ (480)	\$ (57)
Currency swaps and currency forward contracts	losses on non-trading portfolios, net	(306)	(27)
<b>Total</b>		<b>\$ (786)</b>	<b>\$ (84)</b>

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

The following table provides information on the amount of gains or losses on IDA's investment trading portfolio (derivative and non-derivative instruments), and their location in the Condensed Statements of Income:

**Table F5: Unrealized mark-to-market gains or 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>2022</i>	<i>2021</i>
Fixed income (including related derivatives)	Unrealized mark-to-market (losses) gains on Investments- Trading portfolios, net	\$ (107)	\$ 15

## 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, 2022 were \$20,476 million (\$20,476 million—June 30, 2022). 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	\$ 20,476	\$ -	\$ 20,476
Of which transfers from:			
IBRD	16,361	-	16,361
IFC	3,885	-	3,885
Nonaffiliated organizations	230	-	230

### Subsequent Event

On October 14, 2022, IBRD's Board of Governors approved a transfer of \$117 million to IDA. This transfer was received on October 20, 2022.

## 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, 2022			June 30, 2022		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services	\$ (510)	\$ -	\$ (510)	\$ (578)	\$ -	\$ (578)
Post-Retirement Contribution Reserve Fund <sup>a</sup>	438	-	438	404	-	404
Pension and Other Postretirement Benefits	579	-	579	602	-	602
Derivative (liabilities)/assets, net	(7)	(44)	(51)	(8)	(9)	(17)
PSW- Blended Finance Facility <sup>b</sup>	-	57	57	-	54	54
Investments	-	283	283	-	346	346
Total	<u>\$ 500</u>	<u>\$ 296</u>	<u>\$ 796</u>	<u>\$ 420</u>	<u>\$ 391</u>	<u>\$ 811</u>

a. 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 Sheets as follows:

Receivables / Payables related to:	Reported as:
Receivable for pension and other postretirement benefits	Receivable from affiliated organization
Receivable for PCRF	Receivable from affiliated organization
Net receivables (payables) for derivative transactions	Derivative assets/liabilities, net
Payable for administrative services	Payable to affiliated organization
Receivable for PSW – Blended Finance Facility	Other Assets
Receivable for Investments	Investments

**Administrative Services:** The payable to IBRD represents IDA's share of joint administrative expenses, including 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, 2022, IDA's share of joint administrative expenses and contributions to special programs totaled \$421 million (\$392 million - three months ended September 30, 2021).

**Other revenue:** Includes IDA's share of other revenue jointly earned with IBRD during the three months ended September 30, 2022 totaling \$56 million (\$47 million—three months ended September 30, 2021).

The amount of fee revenue associated with services provided to other affiliated organizations are included in Other revenue in the Condensed Statements of Income, as follows:

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

*In millions of U.S. dollars*

	Three Months Ended September 30,	
	2022	2021
Fees charged to IFC	\$ 20	\$ 17
Fees charged to MIGA	1	1

**Pension and Other Post-Retirement Benefits:** IBRD, along with IFC and Multilateral Investment Guarantee Agency (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, 2022, IDA's share of IBRD's benefit costs relating to all three plans totaled \$41 million (\$48 million—three months ended September 30, 2021).

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 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, 2022, the principal amount due on the debt security was \$305 million (\$358 million—June 30, 2022), with a fair value of \$283 million (\$346 million—June 30, 2022). The investment is reported under Investments on the Condensed Balance Sheets. During the three months ended September 30, 2022, IDA recognized interest income of \$2 million from this investment (\$2 million - three months ended September 30, 2021).

### Private Sector Window (PSW)

The PSW was created under the Eighteenth Replenishment of IDA's Resources (IDA18) to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations. The PSW continued under IDA's Twentieth Replenishment of Resources (IDA20), which commenced on July 1, 2022 with an initial allocation set at \$2.5 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, 2022:

### G4: Summary of PSW-related transactions

*In millions of U.S. dollars*

Facility	Notional	Net Asset/ (Liability) position	Description	Location on the Condensed Balance Sheets
Local Currency Facility	\$ 231	\$ (44)	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 Sheets	
				Exposure	Accumulated Provision
MIGA Guarantee Facility	\$ 269	\$ 36	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	\$ 374	\$ 62	Sharing the coverage of IFC programs through shared first loss	Off Balance Sheet item	Other liabilities
	57	Not applicable	Funding for IFC's PSW equity investments recorded at fair value	Other assets	
	56	8	Concessional senior and subordinated 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*

	<i>September 30, 2022</i>	<i>June 30, 2022</i>
Balance, beginning of the fiscal year	\$ 4,615	\$ 6,820
Disbursements (including PPA grant activity) <sup>a</sup>	(267)	(1,659)
Cancellations	(8)	(149)
Translation adjustment	(161)	(397)
Balance, end of the period/ fiscal year	<u>\$ 4,179</u>	<u>\$ 4,615</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*

	<i>Three Months Ended September 30,</i>	
	<i>2022</i>	<i>2021</i>
Conditional Development grants disbursed <sup>a</sup>	\$ 1,174	\$ 552
Cancellation of unconditional grants	(8)	(16)
Disbursement of grant advances not yet expensed <sup>b</sup>	(358)	(302)
Grant advances meeting expense condition <sup>c</sup>	250	109
Grant Expenses	<u>\$ 1,058</u>	<u>\$ 343</u>
Grants Approved	<u>\$ 2,049</u>	<u>\$ 1,088</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, 2022, the cumulative amount of conditional grants approved but not yet expensed since all of the conditions have not been met was \$24,548 million. Out of which, the outstanding amount of conditional grant advances disbursed but not yet expensed, totaling \$2,297 million as of September 30, 2022 (\$2,189 million – June 30, 2022), are included in Other assets on the Condensed Balance Sheets.

## 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 currency translation adjustments on functional currencies and DVA on fair value option elected liabilities. These items are presented in the Condensed Statements 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*

	<i>Three Months Ended September 30,</i>	
	<i>2022</i>	<i>2021</i>
Balance, beginning of the fiscal year	\$ (9,152)	\$ 1,656
Currency translation adjustments on functional currencies	(5,419)	(1,842)
DVA on fair value option elected liabilities	-	(31)
Balance, end of the period	<u>\$ (14,571)</u>	<u>\$ (217)</u>



## **NOTE J— FAIR VALUE DISCLOSURES**

### **Valuation Methods and Assumptions**

As of September 30, 2022, and June 30, 2022, 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, 2022 and June 30, 2022. 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.

As of September 30, 2022, and June 30, 2022, borrowings measured at amortized cost would be classified as Level 2 within the fair value hierarchy.

#### ***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 measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IDA's cost of funding applicable to the relevant reference rates.

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*

	<i>September 30, 2022</i>		<i>June 30, 2022</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
<b>Assets</b>				
Due from banks	\$ 617	\$ 617	\$ 686	\$ 686
Investments (including securities transferred under repurchase or securities lending agreements)	39,779	39,779	39,827	39,827
Net loans outstanding	169,266	129,417	174,490	141,193
Derivative assets, net	353	353	404	404
<b>Liabilities</b>				
Borrowings				
Market borrowings, at fair value	18,212	18,212	19,718	19,718
Market borrowings, at amortized cost	7,758	6,186	6,201	5,073
Concessional partner loans	6,609	6,211	6,980	7,123
Derivative liabilities, net	948	948	579	579

As of September 30, 2022, IDA's signed loan commitments were \$61.2 billion (\$61.8 billion – June 30, 2022) and had a fair value of \$(8.9) billion (\$(8.2) billion – June 30, 2022).

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, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments—Trading				
Government and agency obligations	\$ 10,329	\$ 10,893	\$ -	\$ 21,222
Time deposits	806	17,337	-	18,143
ABS	-	131	-	131
Total Investments—Trading	11,135	28,361	-	39,496
Investments—Non-trading (at fair value)	-	283	-	283
Total Investments	\$ 11,135	\$ 28,644	\$ -	\$ 39,779
Derivative assets:				
Currency swaps and currency forward contracts	\$ -	\$ 1,902	\$ -	\$ 1,902
Interest rate swaps	-	1,699	-	1,699
	\$ -	\$ 3,601	\$ -	\$ 3,601
Less:				
Amounts subject to legally enforceable master netting agreements <sup>a</sup>				2,404
Cash collateral received				844
Derivative assets, net				\$ 353
<b>Liabilities:</b>				
Market Borrowings, at fair value	\$ -	\$ 18,212	\$ -	\$ 18,212
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ -	\$ 1,079	\$ -	\$ 1,079
Interest rate swaps	-	2,193	-	2,193
	\$ -	\$ 3,272	\$ -	\$ 3,272
Less:				
Amounts subject to legally enforceable master netting agreements <sup>b</sup>				2,324
Derivative liabilities, net				\$ 948

*a. Includes \$123 million CVA.*

*b. Includes \$43 million DVA.*

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

	<i>Fair Value Measurements on a Recurring Basis As of June 30, 2022</i>			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments—Trading				
Government and agency obligations	\$ 7,699	\$ 16,203	\$ -	\$ 23,902
Time deposits	569	14,842	-	15,411
ABS	-	168	-	168
Total Investments—Trading	8,268	31,213	-	39,481
Investments—Non-trading (at fair value)	-	346	-	346
Total Investments	\$ 8,268	\$ 31,559	\$ -	\$ 39,827
Derivative assets:				
Currency swaps and currency forward contracts	\$ -	\$ 1,269	\$ -	\$ 1,269
Interest rate swaps	-	1,589	-	1,589
	\$ -	\$ 2,858	\$ -	\$ 2,858
Less:				
Amounts subject to legally enforceable master netting agreements <sup>a</sup>				1,682
Cash collateral received				772
Derivative assets, net				\$ 404
<b>Liabilities:</b>				
Market Borrowings, at fair value	\$ -	\$ 19,718	\$ -	\$ 19,718
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ -	\$ 651	\$ -	\$ 651
Interest rate swaps	-	1,594	-	1,594
	\$ -	\$ 2,245	\$ -	\$ 2,245
Less:				
Amounts subject to legally enforceable master netting agreements <sup>b</sup>				1,666
Derivative liabilities, net				\$ 579

*a. Includes \$35 million CVA.**b. Includes \$19 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*

	<i>Fair value</i>	<i>Principal amount due</i>	<i>Difference</i>
September 30, 2022	\$ 283	\$ 305	\$ (22)
June 30, 2022	\$ 346	\$ 358	\$ (12)

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

**Table J4: Market Borrowings-Fair value and contractual principal balance***In millions of U.S. dollars*

	<i>Fair Value</i>	<i>Principal Due Upon Maturity</i>	<i>Difference</i>
September 30, 2022	\$ 18,212	\$ 20,728	\$ (2,516)
June 30, 2022	\$ 19,718	\$ 21,506	\$ (1,788)

### Valuation adjustments on fair value option elected liabilities

During the three months ended September 30, 2022, IDA recorded unrealized mark-to-market gains of less than \$0.5 million (\$31 million loss – three months ended September 30, 2021) in Other Comprehensive Income, in relation to the changes in its own credit (DVA) on fair value option elected liabilities (market borrowings).

IDA's Condensed Balance Sheets included a DVA of \$13 million cumulative loss as of September 30, 2022 (\$13 million cumulative loss—June 30, 2022) 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,					
	2022			2021		
	Realized gains (losses)	Unrealized gains excluding realized amounts <sup>a</sup>	Unrealized gains (losses)	Realized gains (losses)	Unrealized gains excluding realized amounts <sup>a</sup>	Unrealized gains (losses)
Investments, Trading—Note F	\$ 55	\$ (162)	\$ (107)	\$ 63	\$ (48)	\$ 15
Non-trading portfolios, net						
Asset-liability management—Note F	-	27	27	-	58	58
Investment portfolio—Note C	-	(8)	(8)	-	(2)	(2)
Borrowing portfolio—Note E	-	1	1	-	11	11
Other <sup>b</sup>	-	7	7	-	(5)	(5)
Total	\$ -	\$ 27	\$ 27	\$ -	\$ 62	\$ 62

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

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

### NOTE K—CONTINGENCIES

From time to time, IDA may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. The outcome of any existing legal action, in which IDA has been named as a defendant or co-defendant, as of and for the three months ended September 30, 2022, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.

# INDEPENDENT AUDITORS' REVIEW REPORT



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## INDEPENDENT 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, 2022, and the related condensed statements of income, comprehensive income, changes in accumulated deficit, and cash flows for the three-month periods ended September 30, 2022 and 2021, 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, 2022

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of June 30, 2022, 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

## INDEPENDENT AUDITORS' REVIEW REPORT

August 5, 2022. In our opinion, the accompanying condensed balance sheet of IDA as of June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Deloitte & Touche LLP*

November 11, 2022