International Development Association

Management's Discussion & Analysis
and
Condensed Quarterly Financial Statements
December 31, 2020
(Unaudited)

International Development Association (IDA)
Management's Discussion and Analysis
December 31, 2020

Contents

This Management's Discussion & Analysis (MD&A) discusses the results of the International Development Association's (IDA) financial performance for the six-month period ended December 31, 2020 (FY21 YTD). This document should be read in conjunction with IDA's financial statements and MD&A issued for the fiscal year ended June 30, 2020 (FY20). 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 six months ended December 31,		As of and for the fiscal years ended June 30,			
	2020	2019	2020	2019	2018	2017
Lending Highlights (Section IV)						
Loans, Grants and Guarantees						
Net commitments [a]	$ 13,611	$ 5,850	$ 30,365	$ 21,932	$ 24,010	$ 19,513
Gross disbursements [a]	9,654	8,397	21,179	17,549	14,383	12,718
Net disbursements [a]	6,942	5,536	15,112	12,221	9,290	8,154
Balance Sheet (Section IV)						
Total assets	$ 212,064	$ 192,822	$ 199,472	$ 188,553	$ 184,666	$ 173,357
Net investment portfolio [b]	35,547	34,565	35,571	32,443	33,735	29,673
Net loans outstanding	172,761	154,782	160,961	151,921	145,656	138,351
Borrowing portfolio [c]	24,364	15,819	19,653	10,149	7,318	3,660
Total equity	174,845	163,866	168,171	162,982	163,945	158,476
Income Statement (Section IV)						
Interest revenue, net of borrowing expenses	$ 845	$ 877	$ 1,843	$ 1,702	$ 1,647	$ 1,521
Transfers from affiliated organizations and others	-	252	252	258	203	599
Development grants	(932)	(379)	(1,475)	(7,694)	(4,969)	(2,577)
Net (loss) income	(1,103)	204	(1,114)	(6,650)	(5,231)	(2,296)
Non-GAAP Measures:						
Adjusted Net (Loss) Income (Section IV)	(51)	50	724	225	(391)	(158)
Capital Adequacy (Section V)						
Deployable Strategic Capital Ratio	34.7%	36.5%	35.8%	35.3%	37.4%	37.2%

a. Commitments are net of full cancellations/terminations approved in the same fiscal year. Commitments and disbursements exclude IFC-MIGA Private Sector Window (PSW) activities.
b. For composition of net investment portfolio, see Notes to Condensed Quarterly Financial Statements, Note C – Investments – Table C2.
c. Includes associated derivatives.

Section I: Executive Summary

Owned by its 173 members, IDA, an entity rated triple-A by the major rating agencies and one of the five institutions of the World Bank Group (WBG[1]), has been providing financing and knowledge services to many of the world's developing countries for 60 years. Each organization is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their obligations.

With its many years of experience and its depth of knowledge in the international development arena, IDA plays a key role in achieving the WBG goal of helping countries achieve better development outcomes. IDA contributes to the WBG's twin goals of ending extreme poverty and promoting shared prosperity by providing loans, grants, and guarantees to countries to help meet their development needs and by leveraging its experience and expertise to provide technical assistance and policy advice. It also supports countries with disaster risk financing and insurance against natural disasters and health-related crises and facilitates financing through trust fund partnerships.

IDA and its affiliated organizations seek to help countries achieve improvements in growth, job creation, poverty reduction, governance, the environment, climate adaptation and resilience, human capital, infrastructure and debt transparency. To meet its development goals, the WBG is increasing its focus on country programs in order to improve growth and development outcomes. The Bank's operational realignment, which came into effect on July 1, 2020, places country-driven development at the center of the delivery model, while strengthening thought leadership on development issues of critical importance to sustainable growth and poverty alleviation. Support is being expanded for countries at lower levels of income, and fragile and conflict-affected states. The realignment strengthens the focus on Africa by creating two Vice Presidencies, one focused on Western and Central Africa and the other on Eastern and Southern Africa. Certain reclassifications of prior years' information have been made to conform with the current year's presentation.

In March 2020, in response to the global outbreak of the coronavirus disease (COVID-19) and to support global public goods, as part of a WBG package, IDA announced that it could deploy an estimated range of $50 - $55 billion through June 30, 2021 to support member countries in their efforts to contain the pandemic and respond to its immediate health consequences as well as to address the social and economic effects. This amount was estimated in compliance with IDA's Financial Framework based on market conditions at that time and is subject to revisions in order to ensure continued compliance with all risk limits.

[1] *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).*

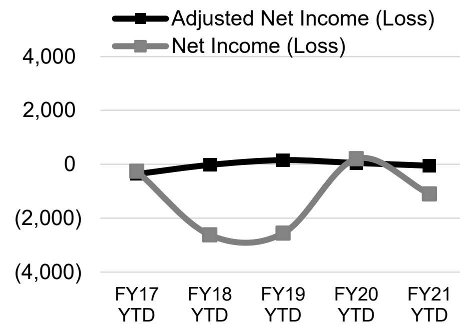
Summary of Financial Results

Net Loss and Adjusted Net Income

Net Loss: For FY21 YTD, IDA reported a net loss of $1,103 million, compared to net income of $204 million for FY20 YTD. The decrease in net income was primarily driven by the increase in development grant expenses, and non-functional currency translation adjustment losses during the period. See Section IV: Financial Results.

Adjusted Net Income: For FY21 YTD, IDA's adjusted net loss was $51 million, lower by $101 million compared with the adjusted net income in FY20 YTD ($50 million). The decrease is primarily due to lower investment revenue and a higher loan loss provision charge, partially offset by higher loan interest revenue. See Section IV: Financial Results.

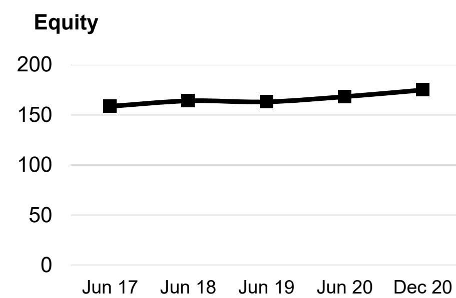
in millions of U.S. dollars



Equity and Capital Adequacy

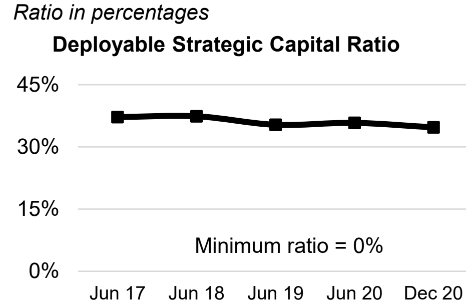
As of December 31, 2020, IDA's reported equity was $174.8 billion, an increase of $6.7 billion from June 30, 2020. See Section IV: Financial Results.

in billions of U.S. dollars



The Deployable Strategic Capital (DSC) ratio, IDA's main measure for capital adequacy, was 34.7% as of December 31, 2020, above the zero percent policy minimum. IDA's capital continues to be adequate to support its operations. See **Table 12**.

Ratio in percentages

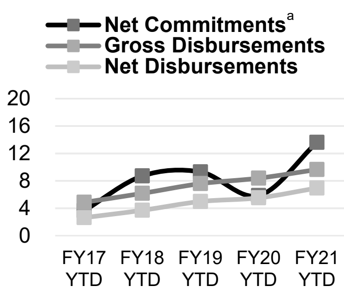


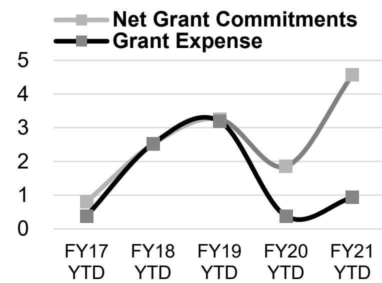
Lending Operations

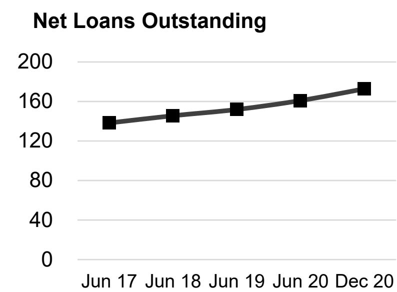
IDA made $13.6 billion of net commitments in FY21 YTD, of which $9.1 billion were loan and guarantee commitments. The remainder were grant commitments, which are recorded as an expense in IDA's Statement of Income once all conditions are met.

IDA's net loans outstanding increased by $11.8 billion, to $172.8 billion as of December 31, 2020, from $161 billion as of June 30, 2020. See Section IV: Financial Results.

in billions of U.S. dollars





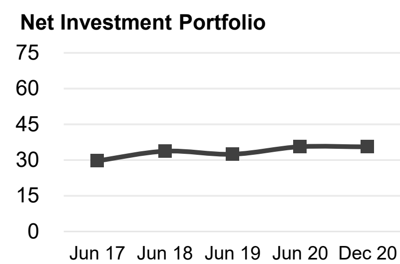


a. Includes loans, grants and guarantees.

Net Investment Portfolio

As of December 31, 2020, the net investment portfolio was $35.5 billion, compared with $35.6 billion as of June 30, 2020. See Section IV: Financial Results. The primary objective of IDA's investment is principal protection. As of December 31, 2020, 52% of IDA's investment portfolio was held in instruments rated AA or above (See **Table 14**).

in billions of U.S. dollars

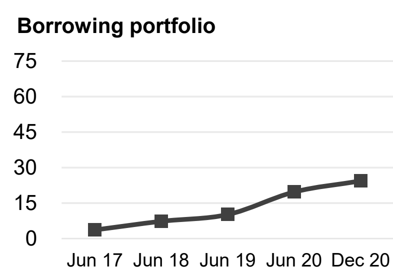


Borrowing Portfolio

Market borrowings: As of December 31, 2020, the total net outstanding for market borrowings (including associated derivatives) was $16.3 billion, an increase of $4.3 billion from June 30, 2020. See Section IV: Financial Results.

Concessional Partner Loans: As of December 31, 2020, total borrowings from members - Concessional Partner Loans (CPLs) - were $8.1 billion, an increase of $0.4 billion, compared with June 30, 2020 ($7.6 billion). See Section IV: Financial Results.

in billions of U.S. dollars



Section II: Overview

Every three years, representatives of IDA's members[2] meet to assess IDA's financial capacity and the medium-term demand for new IDA financing. Members decide on the policy framework, agree upon the amount of financing to be made available for the replenishment period, and commit to additional contributions of equity that are required to meet these goals. The meetings culminate in a replenishment agreement that determines the size, sources (both internal and external), and uses of funds for the following three years.

Nineteenth Replenishment of Resources (IDA19)

In March 2020, IDA's Nineteenth Replenishment of Resources (IDA19) was approved by the Board of Governors. The IDA19 financing framework is an integrated package that will continue to leverage IDA's strong equity base. Members have agreed that IDA will make $82 billion[3] in new commitments over the three-year replenishment period, FY21 - FY23, backed by $27.4 billion in new member contributions, including compensation for the Multilateral Debt Relief Initiative (MDRI). IDA19 will support the world's poorest and most vulnerable countries to implement country-driven solutions that generate growth, are people-centered and strengthen resilience. IDA19 will build on IDA18 development themes, including creating jobs, focusing on the poorest countries, including Fragile, Conflict and Violent (FCV) states, promoting low carbon enabling environment and investments, gender and governance. IDA19's policy package incorporates four additional crosscutting issues: debt (including transparency); digital technology and connectivity; investing in people; and disability inclusion.

On November 20, 2020, IDA had received Instruments of Commitments (IoCs) of $14 billion which represented 60% of the total member contributions for IDA19. Under the terms of IDA19, this triggered "effectiveness", upon which the resources to be contributed by members now become payable to IDA.

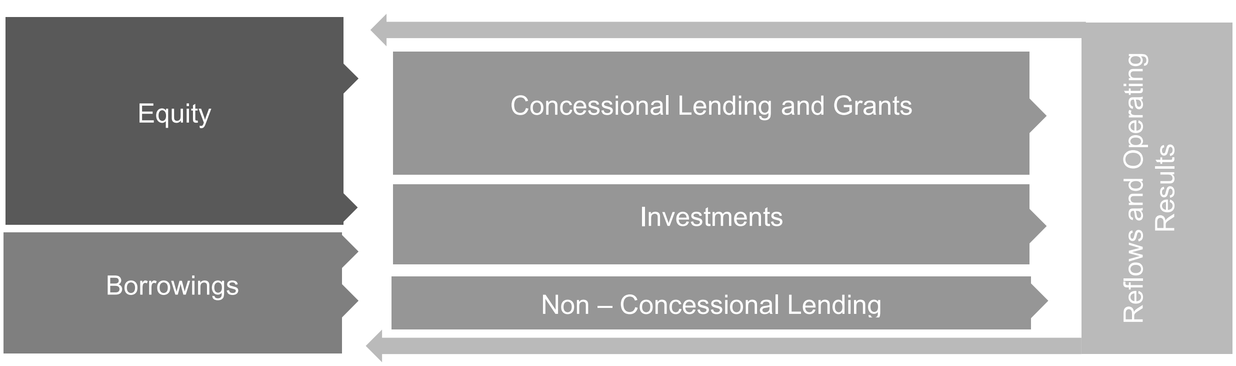
Financial Business Model

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. In FY15, IDA introduced debt to its financial model with concessional partner loans received from certain members. In FY18, IDA introduced its hybrid financing model to include market debt. By prudently leveraging its equity and blending market debt with additional equity contributions from members, IDA has increased its financial efficiency, and scaled up its financing to support the escalating demand for its resources to deliver on the following priorities:

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

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

Figure 1: IDA's Financial Business Model



[2] *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.*

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

Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). IDA's functional currencies are the SDR and its component currencies of U.S. dollar, euro, Japanese yen, pound sterling and Chinese renminbi. For the convenience of its members and other users, IDA's financial statements are reported in U.S. dollars. Management uses net income as the basis for deriving adjusted net income, as discussed in Section IV: Financial Results.

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU, along with its subsequent amendments, introduces a new credit loss methodology - the Current Expected Credit Losses (CECL) methodology. This ASU also requires credit risk measurement disclosures. IDA adopted the ASU as of July 1, 2020. See Notes to the Condensed Quarterly Financial Statements, Note A – Summary of Significant Accounting and Related Policies.

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, 2020, Section IV: Financial Results.

Section III: IDA's Financial Resources

IDA19 Funding

IDA's resource envelope available for financing lending and grant commitments made during the three-year replenishment period, 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. For IDA19, the agreed resource envelope is $82 billion, which will be supported by $27.4 billion of member contributions, including compensation for MDRI.

Allocation of IDA19 Resources

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

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

- Concessional Windows
  - Regional Window
  - Window for Host Communities and Refugees (WHR)
  - Crisis Response Window (CRW)
- Non-concessional Window
  - Scale-up Window (SUW)
- Private Sector Window (PSW)

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

Table 1: Cumulative Net Commitments under IDA19

In millions of U.S. dollars

As of December 31, 2020	Loans and Guarantees	Grants	Total
Concessional financing [a]			
IDA Country Allocations	$ 7,579	$ 3,940	$ 11,519
IDA Concessional Windows			
Regional Window	718	220	938
Window for Host Communities for Refugees	-	351	351
Crisis Response Window	237	50	287
Non-concessional financing	516	-	516
Total Net Commitments [b]	$ 9,050	$ 4,561	$ 13,611

a. Includes $5,508 million to countries identified as being in situations of fragility, conflict and violence.
b. Excludes IFC-MIGA Private Sector Window (PSW) activities.

The Private Sector Window was created under IDA18 with the revised resource allocation of $1.4 billion to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected States. In IDA19, the PSW resource allocation has been set at $2.5 billion. During FY21 YTD, $135 million of the IDA19 resources, net of cancellations, was committed.

As of December 31, 2020, $524 million has been utilized out of a total of $1.5 billion commitments in IDA18 and IDA19. See Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2020, Note G – Transactions with Affiliated Organizations – Table G4. The utilized amount is comprised of:

In millions of U.S. dollars

As of December 31, 2020		
Guarantees	$	417
Derivatives		81
Exposure through the funding of IFC's PSW- related equity investments		18
Loans		8
Total utilization of IDA PSW	**$**	**524**

Section IV: Financial Results

Summary of Financial Results

IDA had a net loss of $1,103 million in FY21 YTD compared with net income of $204 million in FY20 YTD. The decrease in net income was primarily driven by the increase in development grant expenses, and non-functional currency translation adjustment losses during the period.

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 which primarily relate to activities directly funded by members, amounts restricted for specific uses and unrealized mark-to-market gains/losses on non-trading portfolios. (For a detailed discussion of the adjustments, see IDA’s MD&A for the fiscal year ended June 30, 2020, Section IV: Financial Results).

Table 2: Condensed Statement of Income

In millions of U.S. dollars

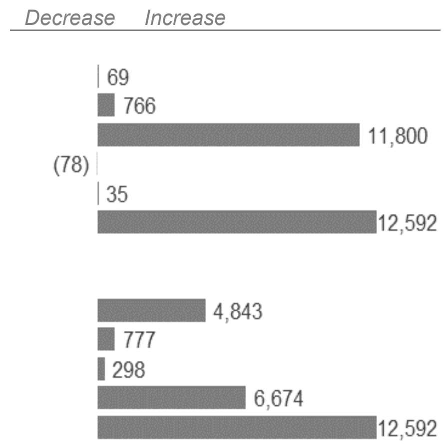
For the six months ended December 31,	2020	2019	Negative Impact	Positive Impact
Interest Revenue				
Loans, net	$ 881	$ 781		100
Investments, net	70	228	(158)	
Asset/Liability Management Derivatives, net	(9)	(9)		-
Borrowing expenses, net	(97)	(123)		26
Interest Revenue, net of borrowing expenses	$ 845	$ 877	(32)	
Provision for losses on loans and other exposures, charge	(249)	(127)	(122)	
Other revenue, net (Table 11)	38	5		33
Net non-interest expenses (Table 10)	(785)	(783)	(2)	
Transfers from affiliated organizations and others	-	252	(252)	
Non-functional currency translation adjustment (losses) gains, net	(499)	17	(516)	
Unrealized mark-to-market gains on investments-trading portfolio, net [a]	84	19		65
Unrealized mark-to-market gains on non-trading portfolios, net	395	323		72
Development grants	(932)	(379)	(553)	
Net (Loss) Income	**$ (1,103)**	**$ 204**	(1,307)	
Adjustments to reconcile net (loss) income to adjusted net income:				
Expenses relating to development financing activities directly funded by contributions from members				
Development grants	932	379		553
Project Preparation Advances (PPA) grants	(23)	10	(33)	
Amortization of CPL discounts	45	40		5
Contributions from affiliated organizations and others	-	(252)		252
Non-functional currency translation adjustment losses (gains), net	499	(17)		516
Unrealized market-to-market gains on non-trading portfolios, net [b]	(403)	(323)	(80)	
Pension, PEBP and PCRF adjustments				
Pension adjustment	114	46		68
PEBP and PCRF income	(112)	(30)	(82)	
Externally Funded Outputs (EFO) income	-	(7)		7
Adjusted Net (Loss) Income	**$ (51)**	**$ 50**	(101)	

a. Includes IDA’s share of returns from Post-Employment Benefiy Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF) assets – $112 million of positive returns (FY20 YTD – $30 million of positive returns).

b. For FY21 YTD, excludes $8 million of loss from revenue-hedging forward currency contracts.

Table 3: Condensed Balance Sheet

As of	*December 31, 2020*	*June 30, 2020*
Assets		
Due from banks	$ 743	$ 674
Investments	35,436	34,670
Net loans outstanding [a]	172,761	160,961
Derivative assets, net	58	136
Other assets	3,066	3,031
Total assets	**$ 212,064**	**$ 199,472**
Liabilities		
Borrowings	$ 24,609	$ 19,766
Derivative liabilities, net	1,367	590
Other liabilities	11,243	10,945
Equity	174,845	168,171
Total liabilities and equity	**$ 212,064**	**$ 199,472**



a. The fair value of IDA loans was $163,511 million as of December 31, 2020 ($149,597 million – June 30, 2020).

Equity

For movement in IDA's equity during FY21 YTD, see **Table 4** below.

Table 4: Changes in Equity
In millions of U.S. dollars

Equity as of June 30, 2020	$ 168,171
Activity during the year:	
Subscriptions and contributions paid-in	3,206
Nonnegotiable, noninterest-bearing demand obligations	(1,846)
Change in Accumulated deficit	(1,905)
Change in Accumulated other comprehensive income (loss)	7,217
Change in Deferred amounts to maintain value of currency holdings	2
Total activity	$ 6,674
Equity as of December 31, 2020	**$ 174,845**

Total Assets

As of December 31, 2020, total assets were $212.1 billion, an increase of $12.6 billion from June 30, 2020 ($199.5 billion). The increase was primarily driven by the increase in net loans outstanding, as discussed below.

Results from Lending activities

Loan Portfolio and Grant Activity

As of December 31, 2020, the net loans outstanding was $172.8 billion ($161 billion - June 30, 2020). IDA's loans are carried at amortized cost. As of December 31, 2020, 92% 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, Note D – Loans and Other Exposures – Table D6.

Table 5: Net Loans Outstanding activity

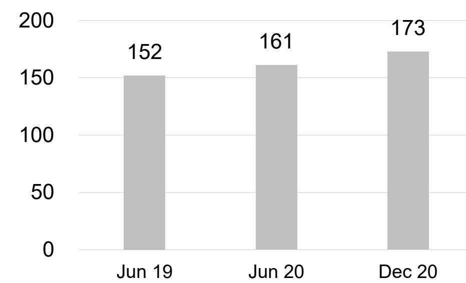
In millions of U.S. dollars

Net Loans outstanding as of June 30, 2020	$	160,961
Activity during the period:		
Gross loan disbursements		6,984
Loan repayments		(2,712)
Change in Accumulated provision for loan losses [a]		(160)
Translation adjustment impact		7,697
Change in Others [b]		(9)
Total activity	$	11,800
Net Loans outstanding as of December 31, 2020	**$**	**172,761**

a. See Notes to the Condensed Quarterly Financial Statements, Note D – Loans and Other Exposures.
b. Includes deferred loan origination costs of $4 million, and Heavily Indebted Poor Countries (HIPC) Debt relief provided of $5 million.

Figure 2: Net Loans Outstanding

In billions of U.S. dollars



During FY21 YTD, net commitments of loans were higher by 128%, compared with the same period in FY20, mainly driven by the higher level of Investment Project Financing (IPF) and Program-for Results (PforR) commitments.

Table 6: Net Commitments of Loans and Guarantees by Region

In millions of U.S. dollars

For the six months ended December 31,		2020	% of total			2019	% of total			Variance
Eastern and Southern Africa	$	2,199	24	%	$	1,208	30	%	$	991
Western and Central Africa		3,991	44			1,901	48			2,090
East Asia and Pacific		154	2			412	10			(258)
Europe and Central Asia		384	4			150	4			234
Latin America and the Caribbean		229	3			56	1			173
Middle East and North Africa		5	*			10	*			(5)
South Asia		2,088	23			259	7			1,829
Total	**$**	**9,050**	**100**	%	**$**	**3,996**	**100**	%	**$**	**5,054**
of which Guarantees	$	**-**			$	**25**			$	**(25)**

** Indicates percentage less than 0.5%.*

Table 7: Net Commitments of Grants by Region

In millions of U.S. dollars

For the six months ended December 31,		2020	% of total			2019	% of total			Variance
Eastern and Southern Africa	$	2,038	45	%	$	1,032	56	%	$	1,006
Western and Central Africa		1,349	30			640	34			709
East Asia and Pacific		60	1			57	3			3
Europe and Central Asia		206	4			42	2			164
Latin America and the Caribbean		72	2			10	1			62
Middle East and North Africa		329	7			5	*			324
South Asia		507	11			68	4			439
Total	**$**	**4,561**	**100**	%	**$**	**1,854**	**100**	%	**$**	**2,707**

** Indicates percentage less than 0.5%.*

IDA's loans generally disburse within five to ten years for 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 8**).

During FY21 YTD, gross disbursements were higher by 15% compared with the same period in FY20. The increase was mainly driven by higher level of IPF disbursements.

Table 8: Gross Disbursements of Loans and Grants by Region

In millions of U.S. dollars

	2020			2019			
For the six months ended December 31,	Loans	Grants [a]	Total	Loans	Grants [a]	Total	Variance
Eastern and Southern Africa	$ 2,049	1,002	3,051	$ 2,122	651	2,773	$ 278
Western and Central Africa	1,873	1,003	2,876	2,216	665	2,881	(5)
East Asia and Pacific	642	73	715	602	42	644	71
Europe and Central Asia	559	77	636	158	53	211	425
Latin America and the Caribbean	167	55	222	117	49	166	56
Middle East and North Africa	42	120	162	10	36	46	116
South Asia	1,649	343	1,992	1,399	277	1,676	316
Others [b]	3	-	3	5	-	5	(2)
Total	**$ 6,984**	**2,673**	**9,657**	**$ 6,629**	**1,773**	**8,402**	**$ 1,255**

a. Excludes Project Preparation Advances (PPA).
b. Represents loans under PSW.

As of December 31, 2020, 62% of IDA's loans were on regular terms (75bps SDR equivalent service charge), see **Table 9**. For a summary of financial terms for IDA's lending products, effective July 1, 2020, refer to IDA's MD&A for the fiscal year ended June 30, 2020, Section V: Development Activities, Products and Programs.

During the six months ended December 31, 2020, the increase in IDA's revenue from loans was primarily driven by the increased volume of loans outstanding.

Table 9: Revenue and Balances by Product Category

In millions of U.S. dollars

	Balance as of December 31,		Interest revenue on loans [a] For the six months ended December 31,	
Category	2020	2019	2020	2019
Loans				
Concessional				
Regular	$ 109,281	$ 99,776	$ 398	$ 363
Blend	62,673	56,179	420	361
Hard [b]	1,425	1,344	24	24
Non-concessional [c]	3,957	2,217	40	33
Others [d]	8	5	*	-
Total	**$ 177,344**	**$ 159,521**	**$ 882**	**$ 781**

a. Excludes interest rate swap expenses related to loan hedges - $1 million in FY21 YTD (less than $0.5 million - FY20 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, $9 million of commitment charges were earned in FY21 YTD on undisbursed balances of non-concessional loans ($7 million in FY20 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 $35.5 billion as of December 31, 2020, from $35.6 billion as of June 30, 2020. The key drivers of the decrease were:

- $9.7 billion in loan and grant disbursements, partially offset by,
- $3.9 billion of net new issuances of debt instruments;
- $2.7 billion of loan repayments and prepayments;
- $1.5 billion of translation adjustment gains, and
- $1.4 billion of member contributions.

Net Investment Revenue

During the six months ended December 31, 2020, IDA's net investment revenue was $70 million, a decrease of $158 million compared with the same period in FY20. The decrease was mainly driven by the lower interest rate environment in the current period.

Figure 3: Net Investment Portfolio
in billions of U.S. dollars

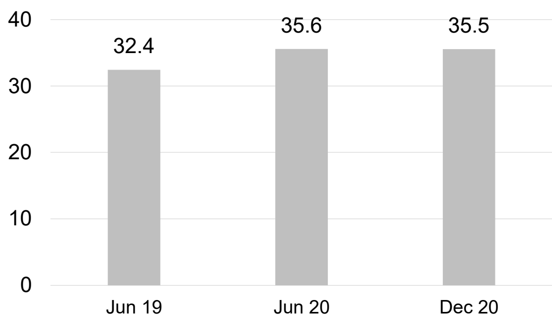
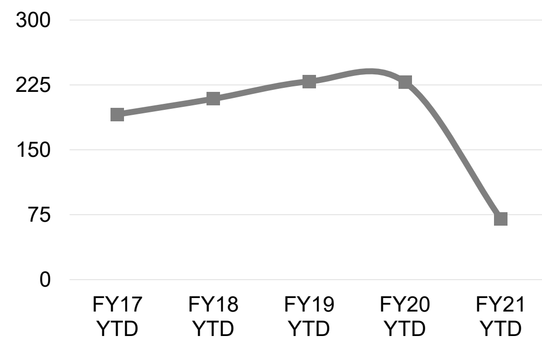


Figure 4: Net Investment Revenue
In millions of U.S. dollars



Borrowings (excluding associated derivatives)

Market borrowings outstanding were $16.5 billion as of December 31, 2020, an increase of $4.4 billion compared to June 30, 2020 ($12.1 billion). The increase was driven mainly by new issuances of Medium and Long-term instruments. See Notes to the Condensed Quarterly Financial Statements, Note E – Borrowings.

As part of IDA19, two members have agreed to provide IDA with concessional partner loans totaling $1.1 billion. As of December 31, 2020, IDA has not signed any concessional partner loan agreement under IDA19. The concessional partner loans are carried at amortized cost. As of December 31, 2020, total borrowings outstanding from members were $8.1 billion ($7.6 billion - June 30, 2020).

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. For allocations out of the FY20 net income, the Board approved holding $331 million in IBRD's Surplus account, as a measure of prudence in view of the uncertain outlook due to the COVID-19 crisis, retaining the option to keep those funds with IBRD to strengthen its reserves should a downside scenario materialize.

Based on the updated outlook, on December 10, 2020, IBRD's Board recommended to the Board of Governors the approval of the transfer of $331 million to IDA. Subsequently, on January 25, 2021, IBRD's Board of Governors approved the transfer which was received by IDA on February 1, 2021.

Net Non-Interest Expenses

As shown in **Table 10**, IDA's net non-interest expenses primarily comprise administrative expenses, net of revenue from externally-funded activities. IBRD and IDA's administrative budget is a single resource envelope that fun the combined work programs of IBRD and IDA. The allocation of administrative expenses between IBRD and IDA is based on an agreed cost and revenue sharing methodology, approved by their Boards, which is primarily driven by the relative level of activities relating to lending, knowledge services, and other services between the two institutions. The administrative expenses shown in the table below include costs related to IDA-executed trust funds and other externally funded activities.

See **Table 10** for a comparison of the main types of Administrative expenses and revenue from externally funded activities between FY21 YTD and FY20 YTD.

IDA's net non-interest expenses were $785 million for FY21 YTD, as compared to $783 million in FY20 YTD. The key drivers during the period were:

- increase in pension costs driven by a decrease in the discount rate for pension liabilities resulting in higher service cost and higher amortization of unrecognized actuarial losses;
- decrease in revenue from externally funded activities, partially offset by;
- decrease in travel costs due to savings from COVID-19 related travel curtailment, and;
- decrease in share of costs allocated to IDA.

Table 10: Net Non-Interest Expenses
In millions of U.S. dollars

For the six months ended December 31,	2020	2019	Variance
Administrative expenses:			
Staff costs	$ 557	$ 586	$ (29)
Travel	4	93	(89)
Consultant and contractual services	195	206	(11)
Pension and other post-retirement benefits	249	183	66
Communications and technology	33	30	3
Premises and equipments	68	75	(7)
Other expenses	20	9	11
Total administrative expenses	**$ 1,126**	**$ 1,182**	**$ (56)**
Contributions to special programs	18	21	(3)
Revenue from externally funded activities:			
Reimbursable revenue - IDA executed trust funds	(239)	(270)	31
Other revenue	(120)	(150)	30
Total revenue from externally funded activities	**$ (359)**	**$ (420)**	**$ 61**
Total Net Non-Interest Expenses (Table 2)	**$ 785**	**$ 783**	**$ 2**

During FY21 YTD, IDA's net other revenue increased by $33 million. The main driver was the Project Preparation Advances (PPA) grant activity, including cancellations and refinancing of PPA grants previously approved.

Table 11: Other Revenue (Expenses), net
In millions of U.S. dollars

For the six months ended December 31,	2020	2019	Variance
Other (primarily PPA grants)	$ 22	$ (10)	$ 32
Guarantee fees	7	8	(1)
Commitment charges	9	7	2
Other Revenue, net (Table 2)	**$ 38**	**$ 5**	**$ 33**

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

During the six months ended December 31, 2020, the non-trading portfolio had $395 million net unrealized mark-to-market gains ($323 million net unrealized mark-to-market gains for same period in FY20). The increase is mainly driven by mark-to-market gains from the derivatives held for the Capital Value Protection Program (CVP) due to the increase in USD interest rates.

Non-functional currency translation adjustment gains, net

These represent unrealized exchange rate gains/losses resulting from the translation of loans, borrowings, and all other assets and liabilities held on IDA's Balance Sheet, that are denominated in currencies other than the SDR and its component currencies. During the six months ended December 31, 2020, translation adjustment losses on non-functional currencies were $499 million as the majority of the non-functional currencies appreciated against the U.S. dollar, IDA's reporting currency. In comparison, in FY20 YTD, the translation adjustment gains were $17 million due to the depreciation of the majority of these non-functional currencies against the U.S. dollar.

Section V: Risk Management

Risk Governance

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

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

IDA's financial and operational risk governance structure is built on a layered approach where:

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

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

Risk Oversight and Coverage

The CRO oversees both financial and operational risks. These risks include (i) country credit risks in the core sovereign lending business, (ii) market and counterparty risks including liquidity risk, and (iii) operational risks relating to people, processes and systems. In addition, the CRO works closely with IBRD, IFC, and MIGA's Management to review, measure, aggregate, and report on risks and share best practices across the WBG. The CRO also helps enhance cooperation between the entities and facilitates knowledge sharing in the risk management function.

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

Management of IDA's Risks

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

Coronavirus Disease 2019 (COVID-19) Outbreak

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

In light of COVID-19, IDA faces additional credit, market and operational risks for its activities. IDA continues to monitor the developments and to manage the risks associated with all its portfolios. IDA's announced lending capacity response to the outbreak was estimated within its existing financial, operational and risk management policies as well as prescribed limits, which have not been modified for this response to the outbreak, as described in Section I – Executive Summary.

As of December 31, 2020, IDA had sufficient resources to meet its liquidity requirements and continues to have access to capital market resources, despite recent market volatility. 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.

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 reflect 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.

Home-based work continues in all WB offices throughout the world, with certain exceptions, in line with IDA's Business Continuity Procedures. In addition, IDA has adopted other prudent measures to ensure the health and safety of its employees, including imposing travel restrictions and holding public events in virtual format.

While the duration of the COVID-19 pandemic and its effects remain difficult to predict at this time, IDA has continued to respond to demand and operate its core business functions effectively by utilizing technology for remote work, and by leveraging its extensive local presence in client countries around the world.

Management has an office reopening framework that prioritizes staff health and safety while taking into consideration risks including business continuity. The office reopening framework provides for the incremental return to office and on-site business activities in stages or "tiers," allowing for enough time in between tiers to assess risk and preparedness indicators. IDA continues to monitor risks associated with COVID-19 and prepare plans to respond in case the situation deteriorates.

Capital Adequacy

IDA uses a solvency-based capital adequacy model, which mandates that IDA holds capital for credit risk, market risk and operational risk covering all activities and assets on its books. The main measure of capital adequacy is Deployable Strategic Capital, a non-GAAP measure, which is the capital available to support future commitments, over and above the current portfolio. IDA is required, by the Board, to keep the DSC at levels greater than or equal to zero percent. The DSC is calculated as the amount by which Total Resources Available (TRA) exceed Total Resources Required (TRR), plus a Conservation Buffer (CB). The TRA consists of IDA's existing equity plus accumulated provision for loan losses. 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. The CB is an extra buffer in the amount of 10 percent of TRA.

As of December 31, 2020, the DSC was 34.7 %, lower by 1.1 percentage points compared with June 30, 2020 (35.8%). The decrease in the ratio was mainly due to a larger percentage increase in TRR compared to the percentage increase in TRA. The increase in TRR was primarily due to the increase in total exposure at default. See **Table 12**.

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, 2020, Section IX: Risk Management.

Table 12: Deployable Strategic Capital Ratio

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

As of	December 31, 2020	June 30, 2020
Total Resources Available (TRA)	$ 180.6	$ 172.6
Total Resources Required (TRR)	99.8	93.5
Conservation Buffer (CB)	18.1	17.3
Deployable Strategic Capital (DSC = TRA-TRR-CB)	$ 62.7	$ 61.8
Deployable Strategic Capital as a percentage of TRA	**34.7%**	**35.8%**

Asset/Liability Management

Capital Value Protection Program

In FY20, as part of IDA's Asset/Liability Management (ALM) policies, IDA executed pay fixed, receive floating forward-starting swaps with a notional of $15 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, Note F: Derivative Instruments.

Management of Credit and Market Risks

Credit Risk

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

Country Credit Risk

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

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

For FY21, the SBL has been set at $42 billion (25% of $168.2 billion of equity as of June 30, 2020). Currently, the maximum country exposure levels compatible with IDA's overall capital adequacy target are lower than the SBL for all IDA-borrowing countries. As a consequence, the SBL is not currently a constraining factor.

Probable Losses, Overdue Payments and Non-Performing Loans

When a borrower fails to make payments on any principal, interest or other charges due to IDA, IDA may suspend disbursements immediately on all loans and grants to that borrower. IDA's current practice is to exercise this option using a graduated approach. These practices also apply to member countries eligible to borrow from both IDA and IBRD, and whose payments on IBRD loans may become overdue. It is IDA's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of December 31, 2020, none of the borrowing countries in IDA's accrual portfolio had overdue payments beyond 90 days.

As an exception to the practices set forth for treatment of overdue payments, IDA has provided financing to countries with overdue payments, in very specific situations. For further details, refer IDA's MD&A for the fiscal year ended June 30, 2020, Section IX: Risk Management).

In FY21, Sudan has access to $410 million of Pre-Arrears Clearance Grants (PACG) in support of the country's reform momentum towards HIPC decision point. Of this amount, $200 million of grants were approved in October 2020 to fund Sudan's Family Support program that will provide direct cash transfers to support vulnerable families as part of the country's efforts to mitigate the effects of the reforms and ongoing economic difficulties. As of December 31, 2020, $100 million of the approved amount was disbursed.

As of December 31, 2020, approximately 1.2% of IDA's loans were in nonaccrual status, a marginal decrease (0.1%), compared with June 30, 2020. See Notes to the Condensed Quarterly Financial Statements, Note D: Loans and Other Exposures.

Accumulated Provision for Losses on Loans and Other Exposures

Beginning July 1, 2020, IDA records a provision to reflect the expected losses inherent in its loan and other exposures. Prior to July 1, 2020, the provision was determined based on an incurred loss model. On July 1, 2020, IDA recorded a transition adjustment of $802 million, increasing the beginning balance of accumulated deficit. This adjustment represented the difference between the previous method and CECL (See Notes to Condensed Quarterly Financial Statements, Note A – Summary of Significant Accounting and Related Policies). For the first six months of FY21, IDA recorded a provision for losses on loans and other exposures of $249 million, primarily reflecting the increase in exposures during the period.

As of December 31, 2020, IDA's accumulated provision for losses on loans and other exposures was $5.7 billion, which represents a provisioning rate of $2.4% of the underlying exposures, ($4.5 billion as of June 30, 2020, 2.7% of the underlying exposures).

Table 13 provides details of the top five borrowers with the largest loan outstanding balances as of December 31, 2020. These borrowers represented 45% of loans outstanding as of that date.

Table 13: Top Five Borrowers with the Largest Outstanding Balance

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

Country	Total	India	Bangladesh	Pakistan	Vietnam	Nigeria	Others
Eligibility		IBRD	IDA-only	Blend	IBRD	Blend	
Loans outstanding	$ 177,344	$ 22,157	$ 17,572	$ 15,436	$ 14,128	$ 11,005	$ 97,046
% of Total Loans outstanding	100%	12%	10%	9%	8%	6%	55%
Weighted Average Maturity (Years)	11.7	5.4	13.3	10.7	7.1	13.4	13.5
Loans outstanding by terms							
Concessional							
Regular	109,281	3,840	16,588	751	7,422	5,478	75,202
Blend	62,673	16,437	923	13,912	6,275	5,340	19,786
Hard	1,425	427	-	463	269	117	149
Non-concessional	3,957	1,453	61	310	162	70	1,901
Others [a]	8	-	-	-	-	-	8
Undisbursed balance	$ 66,645	$ 1,965	$ 7,399	$ 4,933	$ 3,731	$ 8,295	$ 40,322

a. Represents loans under the PSW.

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 14)**.

The credit quality of IDA's investment portfolio remains in the upper end of the credit spectrum with 52% of the portfolio rated AA or above as of December 31, 2020, 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 $35.4 billion as of December 31, 2020. For the contractual value, notional amounts and related credit risk exposure amounts by instrument, see Notes to the Condensed Quarterly Financial Statements, Note F: Derivative Instruments.

Table 14: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

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

	As of December 31, 2020				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 5,595	$ 5,119	$ -	$ 10,714	30
AA	2,385	5,335	53	7,773	22
A	13,378	3,542	-	16,920	48
BBB or below	-	-	-	-	-
Total	**$ 21,358**	**$ 13,996**	**$ 53**	**$ 35,407**	**100**

	As of June 30, 2020				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 2,814	$ 6,617	$ -	$ 9,431	27
AA	2,221	6,997	106	9,324	27
A	11,886	3,832	46	15,764	46
BBB or below	-	*	-	*	*
Total	**$ 16,921**	**$ 17,446**	**$ 152**	**$ 34,519**	**100**

a. Average rating is calculated using available ratings for the three major rating agencies; however, if ratings are not available from each of the three rating agencies, IDA uses the average of the ratings available from any of such rating agencies or a single rating to the extent that an instrument or issuer (as applicable) is rated by only one rating agency.
** Indicates amount less than $0.5 million or percentage less than 0.5%.*

Credit and Debit Valuation Adjustments

Most outstanding derivative positions are transacted over-the-counter, and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a Credit Valuation Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a Debit Valuation Adjustment (DVA) to reflect its own credit risk. As of December 31, 2020, IDA's Condensed Balance Sheet included a CVA of $1 million and a DVA of $24 million on outstanding derivatives.

Market Risk

IDA is exposed to changes in interest and exchange rates. The introduction of market debt financing into IDA's business model from IDA18 presents additional exposures.

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

Interest Rate Risk

IDA is exposed to interest rate risk due to mismatches between its assets (loan and investment portfolios) and its liabilities (borrowing portfolio) both in terms of maturity and instrument type. Given IDA's lengthy disbursement profile, the duration of IDA's loans is relatively long. This long duration, combined with volatility in market interest rates, would result in significant year-on-year variability in the fair value of equity. However, since the loan portfolio is not reported at fair value under U.S. GAAP, the impact of this variability on IDA's Balance Sheet is not fully evident.

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

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

Alternative Reference Rate

In July 2017, the Financial Conduct Authority (FCA), the regulator of LIBOR, announced that it will no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021. Therefore, market participants, including IDA and its borrowers, need to move to alternative reference rates because the availability of LIBOR after this date is not a certainty. Although, the transition from LIBOR is faced with numerous uncertainties and challenges, the transition decision is aimed at increasing transparency in the financial markets by better aligning the alternative reference rates with actual market transactions.

IDA previously completed an initial impact assessment of its exposure, both quantitatively and qualitatively, to LIBOR and developed an implementation roadmap for the LIBOR transition. As part of the communication strategy for the transition, senior management has also met with various internal and external key stakeholders to discuss the important nature of the transition. For IDA's LIBOR based non-concessional and hard-term loans, IDA's Executive

Directors have endorsed an omnibus amendment process with borrowers for loan agreements, where relevant, to address the replacement of LIBOR, allowing IDA to maintain the principles of fairness and equivalence for any replacement reference rate. The contract amendments will enable similar treatment to all loans by bringing the fallback provisions related to changes in the reference rate in the General Conditions into conformity with the revised General Conditions of December 2018. The new language permits IDA to transition the interest rate to alternative reference rates when a suitable alternative is available, and it is appropriate to do so. During FY21, loan agreement omnibus amendment packages were distributed to borrowers and IDA has started receiving signed amendments from borrowers.

IDA is actively working through this transition and is analyzing the impact from multiple perspectives: lending, funding, accounting, operations, information technology, liquidity investing, risk and legal, considering the portfolio of existing loans and other instruments that use LIBOR as a benchmark. As the market undergoes fundamental changes due to the transition to alternative reference rates, as a part of its interest rate risk management, on January 26, 2021, IDA suspended the offering of non-concessional loans on fixed spread terms as well as the suspension of a related conversion feature from the variable spread terms to fixed spread terms, effective from April 1, 2021. IDA will continue to work with key stakeholders, including internal subject matter experts, senior management, borrowers, industry groups and other market participants, to mitigate potential financial and operational risks to which IDA is exposed and to ensure an orderly transition to alternative reference rates. IDA is managing the transition prudently and in a cost-effective manner.

Exchange Rate Risk

Changes in exchange rates affect the capital adequacy of IDA when the currency of the equity supporting the loan portfolio and other assets is different from that of the risk exposure. Accordingly, the primary objective of IDA's currency risk management is to protect IDA's financial capacity, as measured by the capital adequacy framework, from exchange rate movements. To achieve this, IDA's balance sheet is managed in multiple currencies: SDR and the currencies comprising the SDR basket. The exchange rate risk management methodology includes the hedging of: (i) currency risk arising from settlement of loan disbursements, loan repayments and donor contributions; (ii) debt funding; (iii) IDA loans; (iv) donor contributions; and (v) administrative budget.

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 FY21, the Prudential Minimum has been set at $21.2 billion. As of December 31, 2020, IDA's liquidity assets were 165% of the Prudential Minimum.

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

Operational Risk

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

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

Section VI: Governance

Senior Management Changes

There were no Senior Management changes during the period.

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INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

CONTENTS
December 31, 2020

CONDENSED QUARTERLY FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	December 31, 2020 (Unaudited)	June 30, 2020 (Unaudited)
Assets		
Due from banks—Notes C and J		
Unrestricted cash	$ 717	$ 650
Restricted cash	26	24
	743	674
Investments (including securities transferred under repurchase or securities lending agreements of Nil—December 31, 2020; $108 million—June 30, 2020) —Notes C, G and J	35,436	34,670
Derivative assets, net—Notes C, F and J	58	136
Receivable from affiliated organization—Note G	881	858
Loans outstanding—Notes D, G and J		
Total loans approved	243,989	227,291
Less: Undisbursed balance (including signed loan commitments of $59,499 million—December 31, 2020; $49,580 million—June 30, 2020)	(66,645)	(61,911)
Loans outstanding	177,344	165,380
Less: Accumulated provision for loan losses	(4,580)	(4,420)
Add: Deferred loans origination costs	(3)	1
Net loans outstanding	172,761	160,961
Other assets—Notes C, D and G	2,185	2,173
Total assets	$ 212,064	$ 199,472

	December 31, 2020 (Unaudited)	June 30, 2020 (Unaudited)
Liabilities		
Borrowings—Notes E and J		
Market borrowings (at fair value)	$ 16,542	$ 12,131
Concessional partner loans (at amortized cost)	8,067	7,635
	24,609	19,766
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and J	-	108
Derivative liabilities, net—Notes C, F and J	1,367	590
Payable for development grants—Note H	8,207	9,141
Payable to affiliated organization—Note G	485	509
Other liabilities—Notes C and D	2,551	1,187
Total liabilities	37,219	31,301
Equity		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	292,909	267,529
Less:		
Subscriptions and contributions receivable	(44,530)	(22,415)
Cumulative discounts/ acceleration credits on subscriptions and contributions	(3,830)	(3,771)
Subscriptions and contributions paid-in	244,549	241,343
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(12,525)	(10,679)
Deferred amounts to maintain value of currency holdings	(243)	(245)
Accumulated deficit (Statement of Changes in Accumulated Deficit)	(60,226)	(58,321)
Accumulated other comprehensive income (loss)—Note I	3,290	(3,927)
Total equity	174,845	168,171
Total liabilities and equity	$ 212,064	$ 199,472

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

CONDENSED STATEMENT OF INCOME

Expressed in millions of U.S. dollars

	Three Months Ended December 31, (Unaudited)		*Six Months Ended December 31, (Unaudited)*	
	2020	*2019*	*2020*	*2019*
Interest revenue				
Loans, net—Note D	$ 444	$ 394	$ 881	$ 781
Investments, net—Notes C and G	33	112	70	228
Asset/liability management derivatives, net	(4)	(6)	(9)	(9)
Borrowing expenses, net—Note E	(48)	(66)	(97)	(123)
Interest revenue, net of borrowing expenses	425	434	845	877
Provision for losses on loans and other exposures, charge—Note D	(127)	(92)	(249)	(127)
Non-interest revenue				
Revenue from externally funded activities—Note G	206	275	359	420
Commitment charges—Note D	5	4	9	7
Other	4	3	7	8
Total	215	282	375	435
Non-interest expenses				
Administrative—Note G	(576)	(650)	(1,126)	(1,182)
Contributions to special programs—Note G	(17)	(21)	(18)	(21)
Other	11	(6)	22	(10)
Total	(582)	(677)	(1,122)	(1,213)
Transfers from affiliated organizations and others—Note G	-	252	-	252
Development grants—Note H	(423)	(337)	(932)	(379)
Non-functional currency translation adjustment (losses) gains, net	(494)	(126)	(499)	17
Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net—Notes F and J	65	(24)	84	19
Unrealized mark-to-market gains on non-trading portfolios, net—Note J	266	272	395	323
Net (loss) income	$ (655)	$ (16)	$ (1,103)	$ 204

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of U.S. dollars

	Three Months Ended December 31, (Unaudited)		*Six Months Ended December 31, (Unaudited)*	
	2020	*2019*	*2020*	*2019*
Net (loss) income	$ (655)	$ (16)	$ (1,103)	$ 204
Other comprehensive loss—Note I				
Currency translation adjustments on functional currencies	3,429	2,057	7,249	(901)
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	(16)	(1)	(32)	-
Comprehensive Income (loss)	$ 2,758	$ 2,040	$ 6,114	$ (697)

CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited)	
	2020	*2019*
Accumulated deficit at beginning of the fiscal year	$ (58,321)	$ (57,207)
Cumulative effect of change in accounting principle—Note A and D	(802)	-
Net (loss) income for the period	(1,103)	204
Accumulated deficit at end of the period	$ (60,226)	$ (57,003)

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

CONDENSED STATEMENT OF CASH FLOWS

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited) 2020	2019
Cash flows from investing activities		
Loans		
Disbursements	$ (6,984)	$ (6,629)
Principal repayments	2,712	2,862
Non-trading securities—Investments		
Principal payments received	64	61
Net cash used in investing activities	(4,208)	(3,706)
Cash flows from financing activities		
Members' subscriptions and contributions	1,359	1,581
Medium and long-term borrowings		
New issues	3,974	1,423
Retirements	(48)	-
Short-term borrowings (original maturities greater than 90 days)		
New issues	3,750	6,033
Retirements	(6,491)	(2,783)
Net short-term borrowings (original maturities less than 90 days)	2,668	946
Net derivatives-borrowings	25	(34)
Net cash provided by financing activities	5,237	7,166
Cash flows from operating activities		
Net (loss) income	(1,103)	204
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Provision for losses on loans and other exposures, net—charge	249	127
Non-functional currency translation adjustment losses (gains), net	499	(17)
Unrealized mark-to-market gains on non-trading portfolios, net	(395)	(323)
Other non-interest expenses, net	(22)	10
Amortization of borrowing costs	48	71
Changes in:		
Net Investment portfolio	1,595	(1,692)
Other assets and liabilities	(1,879)	(1,268)
Net cash used in operating activities	(1,008)	(2,888)
Effect of exchange rate changes on unrestricted and restricted cash	48	12
Net increase in unrestricted and restricted cash	69	584
Unrestricted and restricted cash at beginning of the fiscal year	674	138
Unrestricted and restricted cash at end of the period	$ 743	$ 722
Supplemental disclosure		
Increase (Decrease) in ending balances resulting from exchange rate fluctuations:		
Loans outstanding	$ 7,697	$ (794)
Investment portfolio	1,540	(77)
Derivatives—Asset/liability management	(1,065)	(59)
Borrowings	964	41
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	5	5
Interest paid on borrowing portfolio	63	48

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, 2020 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2020 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 six months of the current fiscal year are not necessarily indicative of the results that may be expected for the full year.

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

These financial statements were issued on February 10, 2021 which was also the date through which IDA's management evaluated subsequent events.

Accounting and Reporting Developments

Accounting Standards Evaluated:

In March 2020, the FASB issued ASU 2020-04 - *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden of the expected market transition from LIBOR and other interbank offered rates. To be eligible for the optional expedients, modifications of contractual terms that change (or have the potential to change) the amount or timing of contractual cash flows must be related only to replacement of a reference rate. The relief is temporary and is only available through December 31, 2022. IDA will apply the standard consistently to contractual amendments made to all applicable floating rate instruments indexed to IBOR (inter-bank offered rate) rates. IDA adopted the standard effective June 30, 2020 and the adoption did not have a material impact on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which amends the disclosure requirements of ASC 820. The guidance became effective for IDA from the quarter ending September 30, 2020. The adoption of this ASU had no material impact on IDA's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL ASU). The ASU and its subsequent amendments introduce a new model for the accounting of credit losses of loans and other financial assets measured at amortized cost. The current expected credit loss (CECL) model, requires an entity to estimate the credit losses expected over the life of an exposure, considering historical information, current information, and reasonable and supportable forecasts. Additionally, the ASUs require enhanced disclosures about credit quality and significant estimates and judgments used in estimating credit losses.

For IDA, the ASUs became effective on July 1, 2020. The transition adjustment increased the Accumulated Deficit by $802 million, which reflects the increase in the credit losses relating to loans and other exposures under CECL compared to the previous "incurred loss" model. The impact is mainly driven by the requirement to provision over the full life of IDA's long maturity profile credit exposures as well as the inclusion of signed loan commitments in the determination of the provision.

See the table below for details of the CECL transition adjustment as of July 1, 2020. The transition adjustment had no impact on the Statement of Income. See Note D — Loans and Other Exposures, for additional details.

In millions of U.S. dollars

Accumulated provision related to	*Location on the Condensed Balance Sheet*	*June 30, 2020 As reported*	*Impact of the adoption of the CECL ASU*	*July 1, 2020 Adjusted*
Loans outstanding	Accumulated provision for loan losses	$ 2,829	$ (59)	$ 2,770
Debt Relief under HIPC/MDRI	Accumulated provision for loan losses	1,591	-	1,591
Signed loan commitments	Other liabilities	-	859	859
Other exposures	Other liabilities	72	2	74
Total accumulated provision		$ 4,492	$ 802	$ 5,294
Accumulated Deficit		$ (58,321)	$ (802)	$ (59,123)

As a result of the implementation of CECL, the significant accounting policies have been updated as follows.

Accumulated Provision for Losses on Loans and Other Exposures: Management determines the appropriate level of the accumulated provision for losses, which reflects the expected losses inherent in IDA's exposures. The exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. For countries in accrual status, these exposures are grouped in pools of borrowers with similar risk rating categories. The expected credit losses related to loans and other exposures are calculated over the life of the instruments by multiplying the annual expected exposures, by the expected default frequency (probability of default to IDA) and by the estimated severity of the loss given default. The provision for expected losses is the sum of the expected annual losses over the expected life of the instruments. The total exposure for provisioning under CECL is the current exposure and the expected exposure over the life of the instrument. Each risk rating is mapped to the expected default frequency based on historical observations of credit ratings at the beginning and at the end of each year. Expected losses on loan exposures comprise estimates of losses arising from default and nonpayment of principal and interest amounts due, as well as the economic loss due to delay in receiving payments. The severity of loss given default is determined at each balance sheet date, based on historical experience as well as parameters adjusted for current conditions during the reasonable and supportable forecast period of IDA. The severity of loss is dependent on the borrower's eligibility, namely: IDA, Blend (IBRD and IDA) and IBRD, with the highest severity associated with IDA. The borrower's eligibility is assessed at least annually. The main factors used to determine the loss severity are the delays in receiving loan payments resulting in economic losses to IDA based on the effective interest rate of the exposure, as well as the length of time in nonaccrual status.

For the calculation of expected credit losses, IDA applies a three-year reasonable and supportable forecast period as IDA has the most reliable and available economic data during this period. Beyond this period, IDA also applies ten-year straight-line reversion to mean to reflect the historical pattern of ratings migration to the mean of the loan portfolio. All exposures in nonaccrual status are individually assessed.

Loan commitments: With the implementation of CECL, IDA now records provisions for expected losses on undisbursed loan commitments including Deferred Drawdown Options (DDOs), when signed. The signature of the loan agreement is a binding event that prevents IDA from withdrawing from the agreement unconditionally. The projected disbursements of signed loan commitments, adjusted by the cancellations based on historical experience, is multiplied by the probability of losses and loss given default to determine the expected credit losses related to loan commitments. The provision is presented in Other liabilities on the Condensed Balance Sheet.

Guarantees: IDA records a contingent liability for the expected losses related to guarantees over the projected life of the instruments. IDA records a contingent liability based on the estimated exposure at default multiplied by the corresponding loss given default and expected default probability for the projected life of the guarantee.

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

	December 31, 2020	June 30, 2020
Beginning of the fiscal year	$ 241,343	$ 234,078
Cash contributions received	751	3,336
Demand obligations received	1,456	4,233
Translation adjustment	999	(304)
End of the period/fiscal year	$ 244,549	$ 241,343

During the six months ended December 31, 2020, IDA encashed demand obligations totaling $609 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 December 31, 2020, IDA's Investments were mainly comprised of government and agency obligations (77%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of December 31, 2020, the largest holding of Investments-Trading with a single counterparty was Japanese government instruments (30%). All of IDAs investment as of December 31, 2020 were rated A and above, by a major rating agency.

A summary of IDA's Investments is as follows:

Table C1: Investments-composition

In millions of U.S. dollars

	December 31, 2020	June 30, 2020
Trading		
Government and agency obligations	$ 27,322	$ 24,198
Time deposits	7,455	8,398
Asset-backed securities (ABS)	103	1,449
	$ 34,880	$ 34,045
Non-trading		
Debt securities	556	625
Total	$ 35,436	$ 34,670

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

Table C2: Net investment portfolio position

In millions of U.S. dollars

	December 31, 2020	June 30, 2020
Investments		
Trading	$ 34,880	$ 34,045
Non-trading	556	625
Total	35,436	34,670
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received [a]	(13)	(109)
Derivative Assets		
Currency swaps and currency forward contracts	71	19
Interest rate swaps	-	1
Other [b]	-	3
Total	71	23
Derivative Liabilities		
Currency swaps and currency forward contracts	(379)	(143)
Interest rate swaps	(26)	(6)
Other [b]	-	(1)
Total	(405)	(150)
Cash held in investment portfolio [c]	693	602
Receivable from investment securities traded and other assets [d]	56	636
Payable for investment securities purchased [e]	(291)	(101)
Net Investment Portfolio	$ 35,547	$ 35,571

a. Includes $13 million of cash collateral received from counterparties under derivative agreements ($2 million - June 30, 2020, including $1 million excess collateral).

b. These relate to To-Be-Announced (TBA) securities, swaptions, exchange traded options and futures contracts.

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

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

e. As of December 31, 2020 there were no short sales (less than $0.5 million - June 30, 2020)

IDA uses derivative instruments to manage currency and interest rate risk in the investment portfolio. For details regarding these instruments, see Note F—Derivative Instruments.
The maturity structure of IDA's non-trading investment portfolio (principal amount due) was as follows:

Table C3: Maturity structure of non-trading investment portfolio
In millions of U.S dollars

Maturity	*December 31, 2020*	*June 30, 2020*
Less than 1 year	$ 122	$ 125
Between		
1 - 2 years	105	113
2 - 3 years	86	96
3 - 4 years	68	77
4 - 5 years	55	62
Thereafter	97	124
Total	$ 533	$ 597

Commercial Credit Risk

For the purpose of risk management, IDA is party to a variety of financial transactions, certain of which involve elements of credit risk. Credit risk exposure represents the maximum potential loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. For all securities, IDA limits trading to a list of authorized dealers and counterparties. In addition, credit limits have been established for counterparties by type of instrument and maturity category.

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

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

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

	December 31, 2020	*June 30, 2020*
Collateral received		
Cash	$ 13	$ -
Securities	-	68
Total collateral received	$ 13	$ 68
Collateral permitted to be repledged	$ 13	$ 68
Amount of collateral repledged	-	-
Amount of Cash Collateral invested	-	-

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

These transactions have been conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions. As of December 31, 2020, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements (Nil—June 30, 2020).

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

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

As of December 31, 2020, there were no securities transferred under repurchase or securities lending agreements ($108 million — June 30, 2020).

As of December 31, 2020, there were no liabilities relating to securities transferred under repurchase or securities lending agreements ($107 million – June 30, 2020, comprised entirely of government and agency obligations, with agreements of overnight and continuous remaining contractual maturity).

As of December 31, 2020, none of the liabilities relating to securities transferred under repurchase or securities lending agreements remained unsettled at that date (Nil—June 30, 2020). There were no replacement trades entered into in anticipation of maturing trades of a similar amount (Nil—June 30, 2020).

In the case of resale agreements, IDA receives collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IDA's balance sheet as the accounting criteria for treatment as a sale have not been met. As of December 31, 2020, and June 30, 2020, there were no securities purchased under resale agreements, nor were there any such instruments that remained unsettled on those dates.

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: DDOs, 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.

As permitted by CECL, IDA excludes the interest receivable balance from the amortized cost basis and the related disclosures. As of December 31, 2020, accrued interest income on loans of $128 million, are presented in Other assets on the Condensed Balance Sheet ($116 million – June 30, 2020).

As of December 31, 2020, loans outstanding totaling $2,175 million (representing 1.2 % of the portfolio) from four borrowers were in nonaccrual status.

Credit Quality of Sovereign Loans

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

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

IDA's borrower country risk ratings are key determinants in the provision for loan losses as sovereign exposures are grouped in pools of borrowers with similar risk ratings for the purpose of the calculation of the expected credit losses. Country risk ratings are determined in review meetings that take place several times a year. All countries are reviewed at least once a year, or more frequently if circumstances warrant, to determine the appropriate ratings.

An assessment was also performed to determine whether a qualitative adjustment was needed to reflect the impact of COVID-19 in the loan loss provision as of December 31, 2020. 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

	December 31, 2020							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 838	$ 838
Medium	-	-	-	-	-	-	23,382	23,382
High	5	4	-	-	*	9	150,940 [a]	150,949
Loans in accrual status	5	4	-	-	*	9	175,160	175,169
Loans in nonaccrual status	10	1	4	21	1,207	1,243	932	2,175
Total	$ 15	$ 5	$ 4	$ 21	$ 1,207	$ 1,252	$ 176,092	$ 177,344

Table D1.1:

In millions of U.S. dollars

	June 30, 2020							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ *	$ -	$ -	$ -	$ -	$ *	$ 985	$ 985
Medium	-	-	-	-	-	-	23,100	23,100
High	3	*	*	-	-	3	139,195 [a]	139,198
Loans in accrual status	3	*	*	-	-	3	163,280	163,283
Loans in nonaccrual status	10	1	3	20	1,131	1,165	932	2,097
Total	$ 13	$ 1	$ 3	$ 20	$ 1,131	$ 1,168	$ 164,212	$ 165,380

a. Includes PSW-related loans of $8 million ($5 million-June 30, 2020).

** Indicates amount less than $0.5 million*

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.

The table below discloses the outstanding balances of IDA's loan portfolio as of December 31, 2020 classified by the year the loan agreement was signed.

Table D2: Loan portfolio vintage disclosure

In millions of U.S. dollars

	December 31, 2020								
	Fiscal Year of origination								
Risk Class	*2021*	*2020*	*2019*	*2018*	*2017*	*Prior Years*	*CAT DDOs disbursed and revolving*	*CAT DDOs Converted to Term Loans*	*Loans Outstanding as of December 31, 2020*
Low	$ -	$ -	$ -	$ -	$ -	$ 838	$ -	$ -	$ 838
Medium	-	567	256	35	401	22,123	-	-	23,382
High	1,367	5,622	7,226	7,593	8,143	120,623	375	-	150,949
Loans in accrual status	1,367	6,189	7,482	7,628	8,544	143,584	375	-	175,169
Loans in nonaccrual status	-	-	-	-	-	2,175	-	-	2,175
Total	$ 1,367	$ 6,189	$ 7,482	$ 7,628	$ 8,544	$ 145,759	$ 375	$ -	$ 177,344

There were no Catastrophe Deferred Drawdown Option (CAT DDO) outstanding and revolving converted to term loans during the three and six months ended December 31, 2020.

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the expected losses inherent in IDA's exposures. Delays in receiving loan payments result in economic losses to IDA since it does not charge additional interest on any overdue interest or loan charges. These economic losses are equal to the difference between the present value of payments of interest and charges made according to the related loan's contractual terms and the present value of its expected future cash flows. Except for debt relief provided under the HIPC Debt Initiative and MDRI, and any provision for losses under the mechanism to buy-down loans, it is IDA's practice not to write off its loans. To date, no loans have been written off, other than under the HIPC Debt Initiative, MDRI and the buy-down mechanism. The risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on loans and other exposures.

Management reassesses the adequacy of the accumulated provision on a quarterly basis and adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income. In addition, reasonableness of the inputs used are reassessed on a periodic basis, at least annually.

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

During the six months ended December 31, 2020 and the fiscal year ended June 30, 2020, there were no loans written off under the MDRI.

The balance of accumulated provision as of July 1, 2020 was increased by an $802 million transition adjustment recorded upon adoption of CECL. The transition adjustment corresponds to the difference between the accumulated provision calculated under the previous "incurred loss" model and the CECL model. Changes to the Accumulated provision for losses on loans and other exposures are summarized below.

Table D3: Accumulated provisions

In millions of U.S. dollars

	December 31, 2020				
	Loans outstanding	Loan commitments	Debt relief under HIPC/MDRI	Other	Total
Accumulated provision, beginning of the fiscal year	$ 2,829	$ -	$ 1,591	$ 72	$ 4,492
CECL Transition adjustment	(59)	859	-	2	802
Adjusted accumulated provision at the beginning of the fiscal year	2,770	859	1,591	74	5,294
Provision, net - charge (release) [a]	75	146	-	28	249
Loans written off under:					
HIPC/MDRI	-	-	(5) [c]	-	(5)
Translation adjustment	127	43	22	-	192
Accumulated provision, end of the period	$ 2,972	$ 1,048	$ 1,608	$ 102	$ 5,730
Including accumulated provision for losses on:					
Loans in accrual status	$ 2,703		$ 200		$ 2,903
Loans in nonaccrual status	269		1,408		1,677
Total	$ 2,972		$ 1,608		$ 4,580
Loans:					
Loans in accrual status					$ 175,169
Loans in nonaccrual status					2,175
Total					$ 177,344

Table D3.1:

In millions of U.S. dollars

	June 30, 2020				
	Loans outstanding	Loan commitments	Debt relief under HIPC/MDRI	Other	Total
Accumulated provision, beginning of the fiscal year	$ 2,826	$ -	$ 1,812	$ 70	$ 4,708
Provision, net - charge (release) [a]	33	-	(206) [b]	3	(170)
Loans written off under:					
Prepayments	(3)	-	-	-	(3)
HIPC/MDRI	-	-	(10) [c]	-	(10)
Translation adjustment	(27)	-	(5)	(1)	(33)
Accumulated provision, end of the period	$ 2,829	$ -	$ 1,591	$ 72	$ 4,492
Including accumulated provision for losses on:					
Loans in accrual status	$ 2,556		$ 201		$ 2,757
Loans in nonaccrual status	273		1,390		1,663
Total	$ 2,829		$ 1,591		$ 4,420
Loans:					
Loans in accrual status					$ 163,283
Loans in nonaccrual status					2,097
Total					$ 165,380

a. For the six months ended December 31, 2020, the provision does not include any discount on prepayment of loans ($3 million- June 30, 2020)

b. Included $280 million release of Somalia HIPC provision due to arrears clearance.

c. Represents debt service reduction under HIPC

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

Overdue Amounts

As of December 31, 2020, there were no principal or charges under loans in accrual status which were overdue by more than three months.

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

Table D4: Loans in nonaccrual status

In millions of U.S. dollars

							Overdue amounts	
Borrower	*Nonaccrual since*	*Recorded investment* [a]	*Average recorded investment*	*Principal Outstanding*	*Provision for debt relief*	*Provision for loan losses* [b]	*Principal*	*Charges*
Eritrea	March 2012	$ 450	$ 444	$ 450	$ 295	$ 16	$ 96	$ 32
Sudan	January 1994	1,234	1,222	1,234	1,113	13	840	244
Syrian Arab Republic	June 2012	14	14	14	-	1	12	1
Zimbabwe	October 2000	477	470	477	-	239	295	66
Total - December 31, 2020		$ 2,175	$ 2,150	$ 2,175	$ 1,408	$ 269	$ 1,243	$ 343
Total - June 30, 2020		$ 2,097	$ 2,093	$ 2,097	$ 1,390	$ 273	$ 1,165	$ 324

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 six months ended December 31, 2020 and December 31, 2019, no loans were placed into nonaccrual status.

Table D5: Service charge revenue not recognized

In millions of U.S. dollars

	Three months ended December 31,		*Six months ended December 31,*	
	2020	2019	2020	2019
Service charge revenue not recognized as a result of loans being in nonaccrual status	$ 4	$ 4	$ 8	$ 9

During the three and six months ended December 31, 2020, no service charge revenue was recognized on loans in nonaccrual status (less than $1 million– three months and six months ended December 31, 2019).

Guarantees

Guarantees of $2,482 million were outstanding as of December 31, 2020 ($2,362 million—June 30, 2020). This amount includes $417 million relating to the PSW ($308 million—June 30, 2020). The outstanding amount of guarantees represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees and is not included on the Condensed Balance Sheet. The guarantees have original maturities ranging between 1 and 22 years and expire in decreasing amounts through 2040.

As of December 31, 2020, liabilities related to IDA's obligations under guarantees of $143 million ($138 million—June 30, 2020), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of $92 million ($66 million—June 30, 2020). The cumulative effect of the adoption of CECL was a decrease of $3 million in the accumulated provision for guarantee losses as of July 1, 2020.

During the six months ended December 31, 2020 and December 31, 2019, no guarantees provided by IDA to sovereign or sub-sovereign borrowers were called. As of December 31, 2020, some of the IDA-PSW Blended Finance Facility guarantees were called under the Small Loan Guarantee Program pursuant to the risk-sharing agreement between IDA and IFC for an amount less than $0.5 million. During the six months ended December 31, 2019, no guarantees provided by IDA under the PSW were called.

Concentration Risk

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the six months ended December 31, 2020, loan revenue of $121 million and $107 million from two countries, were each individually in excess of ten percent of total loan revenue.

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

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

In millions of U.S. dollars

	As of and for the Six months ended December 31,			
	2020		2019	
Region	Service and Interest Charges	Loans Outstanding	Service and Interest Charges	Loans Outstanding
Eastern and Southern Africa [a]	$ 191	$ 47,406	$ 154	$ 40,895
Western and Central Africa [a]	156	32,968	126	28,066
East Asia and Pacific	113	20,630	103	19,408
Europe and Central Asia	59	7,989	63	7,562
Latin America and the Caribbean	20	3,152	16	2,764
Middle East and North Africa	10	2,589	10	2,574
South Asia	333	62,602	309	58,247
Others [b]	-	8	-	5
Total	$ 882	$ 177,344	$ 781	$ 159,521

a. Effective July 1st, 2020, Africa region has been reorganized into two regions: Eastern and Southern Africa & Western and Central Africa.

b. Represents loans under the PSW.

NOTE E—BORROWINGS

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

Table E1: Borrowings – concessional partner loans outstanding

In millions of U.S dollars

	Concessional Partner Loans outstanding		
	Principal at face value	Net unamortized premium (discount)	Total
December 31, 2020	$ 9,889	$ (1,822)	$ 8,067
June 30, 2020	$ 9,360	$ (1,725)	$ 7,635

As of December 31, 2020, all of the instruments in IDA's borrowing portfolio were classified as Level 2, within the fair value hierarchy.

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

Table E2: Market borrowings after derivatives, at fair value
In millions of U.S. dollars

	December 31, 2020	June 30, 2020
Market borrowings	$ 16,542	$ 12,131
Currency swaps, net	(136)	40
Interest rate swaps, net	(110)	(153)
Total	$ 16,296	$ 12,018

NOTE F—DERIVATIVE INSTRUMENTS

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

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

Table F1: Use of derivatives in various financial portfolios

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

The derivatives in the related tables of Note F are presented on a net basis by instrument. A reconciliation to the Condensed Balance Sheet presentation is shown in table F2.

Offsetting assets and liabilities

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

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

Table F2: Derivatives assets and liabilities before and after netting adjustments

In millions of U.S. dollars

	December 31, 2020					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	$ 215	$ (56)	$ 159	$ 2,532	$ (1,732)	$ 800
Currency swaps [a]	11,201	(10,904)	297	25,381	(24,406)	975
Other [b]	-	-	-	-	-	-
Total	$ 11,416	$ (10,960)	$ 456 [d]	$ 27,913	$ (26,138)	$ 1,775 [d]
Less:						
Amounts subject to legally enforceable master netting agreements			$ 385 [e]			$ 408 [f]
Cash collateral received [c]			13			
Net derivative positions on the Balance Sheet			$ 58			$ 1,367
Less:						
Securities collateral received [c]			-			
Net derivative exposure after collateral			$ 58			

Table F2.1:

In millions of U.S. dollars

	June 30, 2020					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	$ 189	$ (30)	$ 159	$ 2,328	$ (1,231)	$ 1,097
Currency swaps [a]	10,622	(9,909)	713	7,857	(7,593)	264
Other [b]	3	-	3	1	-	1
Total	$ 10,814	$ (9,939)	$ 875 [d]	$ 10,186	$ (8,824)	$ 1,362 [d]
Less:						
Amounts subject to legally enforceable master netting agreements			$ 738 [e]			$ 772 [f]
Cash collateral received [c]			1			
Net derivative positions on the Balance Sheet			$ 136			$ 590
Less:						
Securities collateral received [c]			68			
Net derivative exposure after collateral			$ 68			

a. Includes currency forward contracts.

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

c. Does not include excess collateral received.

d. Based on the net value per a derivative instrument.

e. Includes $1 million Credit Value Adjustment (CVA) ($7 million-June 30, 2020).

f. Includes $24 million Debit Value Adjustment (DVA) ($41 million-June 30, 2020).

The following table provides information about the notional amounts and 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

	December 31, 2020			
	Interest rate swaps	Currency swaps (including currency forward contracts)	Other [a]	Total
Investments - Trading	$ -	$ 71	$ -	$ 71
Asset/liability management	-	82	-	82
Other [b]	159	144	-	303
Total Exposure	$ 159	$ 297	$ -	$ 456

Table F3.1

In millions of U.S. dollars

	June 30, 2020			
	Interest rate swaps	Currency swaps (including currency forward contracts)	Other [a]	Total
Investments - Trading	$ 1	$ 19	$ 3	$ 23
Asset/liability management	-	691	-	691
Other [b]	158	3	-	161
Total Exposure	$ 159	$ 713	$ 3	$ 875

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

b. Include derivatives related to loans, borrowings and Private Sector Window (PSW).

The volume of derivative contracts is measured using the U.S. dollar equivalent notional balance. The notional balance represents the face value or reference value on which the calculations of payments on the derivative instrument are determined. At December 31, 2020, the notional of interest rate swaps was $29,708 million ($24,027 million as of June 30, 2020), currency swaps $35,651 million ($18,158 million as of June 30, 2020), long positions of other derivatives were $1,228 million ($1,992 million as of June 30, 2020), and there were no short positions of other derivatives ($507 million as of June 30, 2020).

Collateral: Under almost all of its ISDA Master Agreements, IDA is not required to post collateral as long as it maintains liquidity holdings at predetermined levels that are a proxy for a triple-A credit rating. After becoming a rated entity, IDA has started to enter into derivative agreements with commercial counterparties in which IDA is not required to post collateral as long as it maintains a triple-A rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position as of December 31, 2020 is $1,373 million ($719 million —June 30, 2020). As of December 31, 2020, 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 December 31, 2020, the amount of collateral that would need to be posted would be $12 million ($58 million—June 30, 2020). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $1,373 million as of December 31, 2020 ($719 million—June 30, 2020).

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

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

In millions of U.S. dollars

		Unrealized mark-to-market gains (losses)			
		Three Months Ended December 31,		Six Months Ended December 31,	
Type of instrument	*Reported as*	*2020*	*2019*	*2020*	*2019*
Interest rate swaps	**Unrealized mark-to-market gains (losses) on non-trading portfolios, net**	$ 204	$ 207	$ 383	$ 210
Currency swaps and currency forward contracts		31	31	(28)	80
Total		$ 235	$ 238	$ 355	$ 290

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 on the Condensed Statement of Income:

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

In millions of U.S. dollars

		Unrealized mark-to-market gains (losses)			
		Three Months Ended December 31,		Six Months Ended December 31,	
Type of instrument	*Reported as*	*2020*	*2019*	*2020*	*2019*
Fixed income (including related derivatives)	**Unrealized mark-to-market gains (losses) on Investment-Trading portfolios, net**	$ 65	$ (24)	$ 84	$ 19

NOTE G—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

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

Transfers and Grants

Cumulative transfers and grants made to IDA as of December 31, 2020 were $ 19,658 million ($19,658 million—June 30, 2020). Details by transferor are as follows:

Table G1: Cumulative transfers and grants

In millions of U.S dollars

Total transfers	*Beginning of the fiscal year*	*Transfers during the period*	*End of period*
Total	$ 19,658	$ -	$ 19,658
Of which from:			
IBRD	15,756	-	15,756
IFC	3,672	-	3,672

Subsequent Event
On January 25, 2021, IBRD's Board of Governors approved a transfer of $331 million. This transfer was received on February 1, 2021.

Receivables and Payables

The total amounts receivable from (payable to) affiliated organizations comprised:

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

In millions of U.S. dollars

	December 31, 2020			June 30, 2020		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services, net [a]	$ (219)	$ -	$ (219)	$ (271)	$ -	$ (271)
Derivative Transactions						
Derivative assets, net	36	8	44	74	3	77
Derivative liabilities, net	(44)	(2)	(46)	(53)	(3)	(56)
PSW- Blended Finance Facility [b]	-	14	14	-	7	7
Pension and Other Postretirement Benefits	615	-	615	620	-	620
Investments	-	556	556	-	625	625
	$ 388	$ 576	$ 964	$ 370	$ 632	$ 1,002

a. Includes $266 million as of December 31, 2020 ($238 million-June 30, 2020) 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 in the Condensed Balance Sheet as follows:

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

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

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

For the three and six months ended December 31, 2020, IDA's share of joint administrative expenses and contributions to special programs totaled $450 million and $905 million, respectively ($479 million and $933 million - three and six months ended December 31, 2019, respectively).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the three and six months ended December 31, 2020 totaling $63 million and $120 million, respectively ($84 million and $150 million—three and six months ended December 31, 2019, respectively). The allocation of revenue is based upon an agreed revenue sharing formula, and amounts are settled quarterly.

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

Table G3: Fee revenue from affiliated organizations

In millions of U.S dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Fees charged to IFC	$ 18	$ 20	$ 37	$ 37
Fees charged to MIGA	1	1	2	2

***Pension and Other Post-Retirement Benefits*:** IBRD, along with IFC and MIGA, sponsors a defined benefit Staff Retirement Plan and Trust, a Retired Staff Benefits Plan and Trust and a Post-Employment Benefits Plan (PEBP) that cover substantially all of their staff members.

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

During the three and six months ended December 31, 2020, IDA's share of IBRD's benefit costs relating to all three plans totaled $123 million and $249 million, respectively ($92 million and $183 million—three and six months ended December 31, 2019, respectively).

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*:** These relate to currency forward contracts entered into by IDA with IBRD acting as the intermediary with the market and primarily convert donors' expected contributions in national currencies under the Sixteenth and Seventeenth replenishments of IDA's resources into the five currencies of the 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 3 years. As of December 31, 2020, the principal amount due on the debt security was $533 million, and it had a fair value of $556 million. The investment is reported under Investments in the Condensed Balance Sheet. During the three and six months ended December 31, 2020, IDA recognized interest income of $2 million and $5 million, respectively on this debt security ($3 million and $6 million - three and six months ended December 31, 2019 respectively).

Private Sector Window (PSW)

As part of the IDA18 replenishment, IDA's Executive Directors approved the creation of an IDA18 IFC-MIGA PSW to mobilize private sector investments in IDA-only countries and IDA-eligible Fragile and Conflict Affected States (FCS). Under the fee arrangement for the PSW, IDA will receive fee revenue for transactions executed under this window and will reimburse IFC and MIGA for the related costs incurred in administering these transactions. The following tables provide a summary of all PSW related transactions under which IDA has an exposure as of December 31, 2020:

Table G4: Summary of PSW-related transactions

In millions of U.S. dollars

Facility	Notional	Net Asset/ (Liability) position	Description	Location on the Condensed Balance Sheet
Local Currency Facility	$ 85	$ 6	Currency swaps with IFC to support local currency denominated loans	Derivative assets/ liabilities, net

In millions of U.S. dollars

Facility	Exposure	Accumulated Provision	Description	Location on the Condensed Balance Sheet	
				Exposure	Accumulated Provision
MIGA Guarantee Facility	$ 169	$ 19	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	248	34	Sharing the first loss to support IFC's Small Loan Guarantee Program, Global Trade Finance Program and Working Capital Solutions in PSW eligible countries	Off Balance Sheet item	Other liabilities
	14	N/A	Funding for IFC's PSW equity investment	Other assets	
	8	1	Concessional senior & sub-ordinated loans to support medium term projects	Loans outstanding	Accumulated provision for loan losses

NOTE H—DEVELOPMENT GRANTS

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

Table H1: Grants payable

In millions of U.S dollars

	December 31, 2020	*June 30, 2020*
Balance, beginning of the fiscal year	$ 9,141	$ 12,345
Unconditional grants approved	-	-
Disbursements (including PPA grant activity)[a]	(1,214)	(2,472)
Cancellations	(125)	(598)
Translation adjustment	405	(134)
Balance, end of the period/ fiscal year	$ 8,207	$ 9,141

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Conditional Development grants disbursed [a]	$ 736	$ 375	$ 1,459	$ 455
Unconditional Development grants approved	-	-	-	-
Less:				
Cancellations	(13)	(47)	(125)	(64)
Net disbursement of grant advances not yet expensed [b]	(352)	(4)	(472)	(34)
Add:				
Grant advances meeting expense condition [c]	52	-	70	-
Other disbursements [d]	-	13	-	22
Grant Expenses	$ 423	$ 337	$ 932	$ 379
Grants Approved	$ 2,054	$ 1,016	$ 4,634	$ 1,858

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.

d. Comprises PEF conditional grants and CAT DDOs approved prior to July 1, 2019

As of December 31, 2020, the cumulative amount of conditional grants approved but not yet expensed is $ 9,342 million.

NOTE I—ACCUMULATED OTHER COMPREHENSIVE INCOME

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

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

Table I1: Changes in AOCI

In millions of U.S dollars

	Six Months Ended December 31,	
	2020	2019
Balance, beginning of the fiscal year	$ (3,927)	$ (2,408)
Currency translation adjustments on functional currencies	7,249	(901)
DVA on Fair Value option elected liabilities	(32)	-
Balance, end of the period	$ 3,290	$ (3,309)

NOTE J— FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of December 31, 2020 and June 30, 2020, 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 December 31, 2020 and June 30, 2020. For disclosure purposes, IDA's loans and loans 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.

For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment spreads. Where applicable, unobservable inputs such as constant prepayment rates, probability of default, and loss severity are used.

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

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

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

Borrowings

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

Derivative instruments

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

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

For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, foreign exchange rates, credit spreads, basis spreads, funding spreads and constant prepayment spreads. Where applicable, unobservable inputs such as constant prepayment rates, probability of default, and loss severity are used.

Valuation adjustments on fair value option elected liabilities

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

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

Table J1: Fair value and carrying amounts of financial assets and liabilities

In millions of U.S dollars

	December 31, 2020		June 30, 2020	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from banks	$ 743	$ 743	$ 674	$ 674
Investments (including securities transferred under repurchase or securities lending agreements)	35,436	35,436	34,670	34,670
Net loans outstanding	172,761	163,511	160,961	149,597
Derivative assets, net	58	58	136	136
Liabilities				
Borrowings				
Market borrowings	16,542	16,542	12,131	12,131
Concessional partner loans	8,067	10,389	7,635	10,031
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	-	-	108	108
Derivative liabilities, net	1,367	1,367	590	590

As of December 31, 2020, IDA's signed loan commitments were $59.5 billion ($49.6 billion – June 30, 2020) and had a negative fair value of $(4.9) billion ($(5.1) billion – June 30, 2020).

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 December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 12,896	$ 14,426	$ -	$ 27,322
Time deposits	877	6,578	-	7,455
ABS	-	103	-	103
Total Investments—Trading	13,773	21,107	-	34,880
Investments—Non-trading (at fair value)	-	556	-	556
Total Investments	$ 13,773	$ 21,663	$ -	$ 35,436
Securities purchased under resale agreements	-	-	-	-
Derivative assets:				
Currency swaps and currency forward contracts [a]	$ -	$ 297	$ -	$ 297
Interest rate swaps	-	159	-	159
Other [b]	-	-	-	-
	$ -	$ 456	$ -	$ 456
Less:				
Amounts subject to legally enforceable master netting agreements [c]				385
Cash collateral received				13
Derivative assets, net				$ 58
Liabilities:				
Market Borrowings	$ -	$ 16,542	$ -	$ 16,542
Securities sold under repurchase agreements and securities lent under security lending agreements [e]	$ -	$ -	$ -	$ -
Derivative liabilities:				
Currency swaps and currency forward contracts	$ -	$ 975	$ -	$ 975
Interest rate swaps	-	800	-	800
Other [b]	-	-	-	-
	$ -	$ 1,775	$ -	$ 1,775
Less:				
Amounts subject to legally enforceable master netting agreements [d]				408
Derivative liabilities, net				$ 1,367

a. Includes structured swaps.

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

c. Includes $1 million CVA.

d. Includes $24 million DVA.

e. Excludes amount payable for cash collateral received $13 million.

Table J2.1

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 9,711	$ 14,487	$ -	$ 24,198
Time deposits	2,458	5,940	-	8,398
ABS	-	1,449	-	1,449
Total Investments—Trading	12,169	21,876	-	34,045
Investments—Non-trading (at fair value)	-	625	-	625
Total Investments	$ 12,169	$ 22,501	$ -	$ 34,670
Securities purchased under resale agreements	-	-	-	-
Derivative assets:				
Currency swaps and currency forward contracts [a]	$ -	$ 713	$ -	$ 713
Interest rate swaps	-	159	-	159
Other [b]	-	3	-	3
	$ -	$ 875	$ -	$ 875
Less:				
Amounts subject to legally enforceable master netting agreements [c]				738
Cash collateral received				1
Derivative assets, net				$ 136
Liabilities:				
Market Borrowings	$ -	$ 12,131	$ -	$ 12,131
Securities sold under repurchase agreements and securities lent under security lending agreements [e]	$ -	$ 107	$ -	$ 107
Derivative liabilities:				
Currency swaps and currency forward contracts	$ -	$ 264	$ -	$ 264
Interest rate swaps	-	1,097	-	1,097
Other [b]	-	1	-	1
	$ -	$ 1,362	$ -	$ 1,362
Less:				
Amounts subject to legally enforceable master netting agreements [d]				772
Derivative liabilities, net				$ 590

a. Includes structured swaps.
b. These include swaptions, exchange traded options, futures contracts and TBA securities.
c. Includes $7 million CVA.
d. Includes $41 million DVA.
e. Excludes amount payable for cash collateral received $2 million.

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

	Fair value	*Principal amount due*	*Difference*
December 31, 2020	$ 556	$ 533	$ 23
June 30, 2020	$ 625	$ 597	$ 28

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

	Fair Value	Principal Due Upon Maturity	Difference
December 31, 2020	$ 16,542	$ 16,390	$ 152
June 30, 2020	$ 12,131	$ 11,952	$ 179

Valuation adjustments on fair value option elected liabilities

During the six months ended December 31, 2020, IDA recorded unrealized mark-to-market losses of $32 million in Other Comprehensive Income, in relation to the changes in its own credit (DVA) on fair value option elected liabilities (market borrowings), during that period (less than $0.5 million unrealized mark-to-market losses – six months ended December 31, 2019).

As of December 31, 2020, IDA's Condensed Balance Sheet included a DVA of $24 million loss ($8 million gain—June 30, 2020) in Accumulated other comprehensive income, associated with the changes in IDA's own credit for its market borrowings.

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

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

In millions of U.S. dollars

	Three Months Ended December 31, 2020			Six Months Ended December 31, 2020		
	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts [a]	Unrealized gains (losses)	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts [a]	Unrealized gains (losses)
Investments, Trading—Note F	$ (17)	$ 82	$ 65	$ (11)	$ 95	$ 84
Non-trading portfolios, net						
Asset/liability management—Note F	-	261	261	-	386	386
Investment portfolio—Note C	-	(3)	(3)	-	(4)	(4)
Other [b]	-	8	8	-	13	13
Total non-trading portfolios, net	$ -	$ 266	$ 266	$ -	$ 395	$ 395

Table J5.1:

In millions of U.S. dollars

	Three Months Ended December 31, 2019			Six Months Ended December 31, 2019		
	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts [a]	Unrealized gains (losses)	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts [a]	Unrealized gains (losses)
Investments, Trading, net—Note F	$ 109	$ (133)	$ (24)	$ 131	$ (112)	$ 19
Non-trading portfolios, net						
Asset/liability management—Note F	-	274	274	-	323	323
Investment portfolio—Note C	-	(3)	(3)	-	3	3
Other [b]	-	1	1	-	(3)	(3)
Total non-trading portfolios, net	$ -	$ 272	$ 272	$ -	$ 323	$ 323

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

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

NOTE K—CONTINGENCIES

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

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 six months ended December 31, 2020, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.

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INDEPENDENT AUDITORS' REVIEW REPORT

President and Board of Executive Directors
International Development Association:

We have reviewed the accompanying condensed balance sheet of the International Development Association ("IDA") as of December 31, 2020, and the related condensed statements of income and comprehensive income for the three-month and six-month periods ended December 31, 2020 and 2019, and of changes in accumulated deficit and cash flows for the six-month periods ended December 31, 2020 and 2019 (the "interim financial information").

Management's Responsibility for the Interim Financial Information

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

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

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

Report on Condensed Balance Sheet as of June 30, 2020

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of IDA as of June 30, 2020, and the related statements of income, comprehensive income, changes in accumulated deficit, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2020. In our opinion, the accompanying condensed balance sheet of IDA as of June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte & Touche LLP

February 12, 2021