

International Development Association



Management's Discussion & Analysis and Condensed Quarterly Financial Statements December 31, 2021 (Unaudited)

International Development Association (IDA)

Management's Discussion and Analysis

December 31, 2021

Contents

Section I: Executive Summary	Summary of Financial Results	4
Section II: Overview	Financial Business Model	6
	Basis of Reporting	7
Section III: IDA's Financial Resources	IDA19 Funding	8
	Allocation of IDA19 Resources	8
Section IV: Financial Results	Financial Results and Portfolio Performance	10
Section V: Risk Management	Risk Governance	17
	Management of IDA's Risks	17
Section VI: Governance	Senior Management Changes	24
List of Tables, Figures and Box	Tables	25
	Figures	25
	Box	25

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

Box 1: Selected Financial Data

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

	As of and for the six months ended December 31,		As of and for the fiscal year ended June 30,
	2021	2020	2021
Lending Highlights (Section IV)			
Loans, Grants and Guarantees			
Net commitments ^a	\$ 11,404	\$ 13,611	\$ 36,028
Gross disbursements ^a	8,556	9,654	22,921
Net disbursements ^a	5,177	6,942	16,465
Balance Sheet (Section IV)			
Total assets	\$ 219,723	\$ 212,064	\$ 219,324
Net investment portfolio ^b	38,251	35,547	37,921
Net loans outstanding	177,148	172,761	177,779
Borrowing portfolio ^c	32,212	24,364	28,335
Total equity	178,739	174,845	180,876
Income Statement (Section IV)			
Interest revenue, net of borrowing expenses	\$ 937	\$ 845	\$ 1,996
Transfers from affiliated organizations and others	274	-	544
Development grants	(986)	(932)	(2,830)
Net loss	(430)	(1,103)	(433)
Non-GAAP Measures:			
Adjusted Net Income (Loss) (Section IV)	\$ 149	\$ (51)	\$ 394
Capital Adequacy (Section V)			
Deployable Strategic Capital Ratio	29.1%	34.7%	30.4%

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

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

c. Includes associated derivatives.

Section I: Executive Summary

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

With its many years of experience and its depth of knowledge in the international development arena, IDA plays a key role in achieving the WBG's goal of helping countries achieve better development outcomes. IDA contributes to the WBG's twin goals of ending extreme poverty and promoting shared prosperity by providing loans, grants, and guarantees 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, among others. To meet its development goals, the WBG has been increasing its focus on country programs in order to improve growth and development outcomes. Further, in response to the ongoing coronavirus disease (COVID-19) pandemic and to support global public goods, IDA continues to work in solidarity with partners at global and country levels to support its borrowing countries.

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

² The other WBG institutions are the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

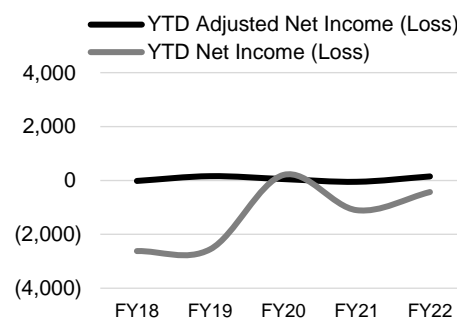
Summary of Financial Results

Net Loss and Adjusted Net Income

Net Loss: For FY22 YTD, IDA reported a net loss of \$430 million, compared to a net loss of \$1,103 million for the six-month period ended December 31, 2020 (FY21 YTD). The decrease in net loss was primarily driven by non-functional currency translation adjustment gains and transfers from affiliated organizations, partially offset by unrealized mark-to-market losses on the non-trading portfolios. See Section IV: Financial Results.

Adjusted Net Income: For FY22 YTD, IDA's adjusted net income was \$149 million compared with the adjusted net loss of \$51 million in FY21 YTD. The increase was primarily due to lower provision for losses on loans and other exposures and higher interest revenue on loans. See Section IV: Financial Results.

In millions of U.S. dollars

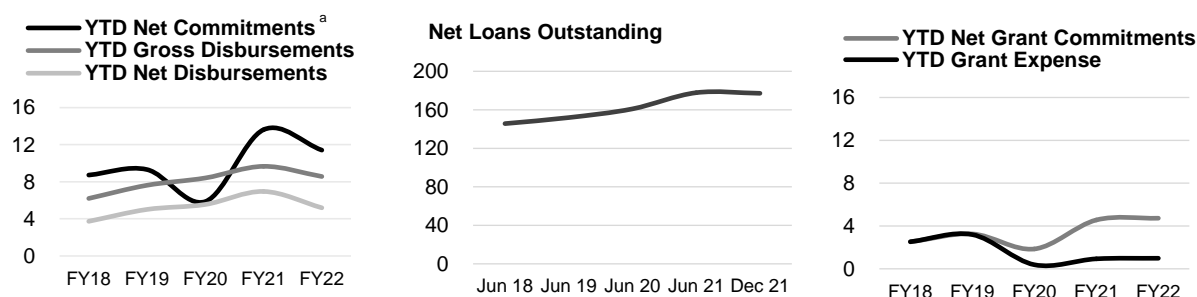


Lending Operations

IDA made \$11.4 billion of net commitments in FY22 YTD, of which \$6.7 billion was loan commitments. The remainder were grant commitments, which are recorded as an expense in IDA's Statement of Income once all conditions are met, which generally occurs at the time of disbursement. FY22 YTD commitments reflected support for COVID-19 related efforts, including \$1.2 billion of financing for COVID-19 vaccines.

IDA's net loans outstanding decreased by \$0.6 billion, from \$177.8 billion as of June 30, 2021 to \$177.1 billion as of December 31, 2021. See Section IV: Financial Results.

In billions of U.S. dollars

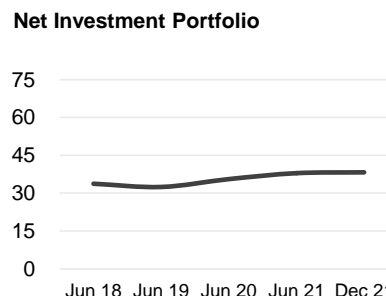


a. Includes loans, grants, and guarantees.

Net Investment Portfolio

As of December 31, 2021, the net investment portfolio was \$38.3 billion, compared with \$37.9 billion as of June 30, 2021. See Section IV: Financial Results. The primary objective of IDA's investment strategy is principal protection. As of December 31, 2021, 65% of IDA's investment portfolio was held in instruments rated AA or above (See Table 15).

In billions of U.S. dollars



Borrowing Portfolio

Market borrowings at fair value: As of December 31, 2021, the market borrowings portfolio outstanding carried at fair value was \$22.4 billion, an increase of \$1.8 billion from June 30, 2021. See Section IV: Financial Results.

Market borrowings at amortized cost: As of December 31, 2021, the market borrowings outstanding carried at amortized cost were \$2.2 billion (Nil - June 30, 2021). See Section IV: Financial Results.

Concessional Partner Loans at amortized cost: As of December 31, 2021, total borrowings from members - Concessional Partner Loans (CPLs) - were \$7.6 billion, a decrease of \$0.1 billion, compared with June 30, 2021 (\$7.7 billion). See Section IV: Financial Results.

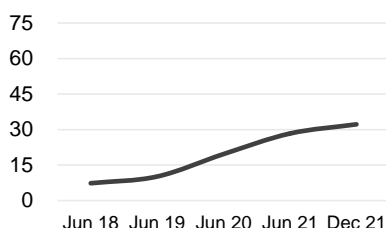
Equity and Capital Adequacy

As of December 31, 2021, IDA's equity was \$178.7 billion, a decrease of \$2.1 billion from June 30, 2021. See Section IV: Financial Results.

The Deployable Strategic Capital (DSC) ratio, IDA's main capital adequacy measure, was 29.1% as of December 31, 2021, above the zero percent policy minimum, and a decrease of 1.3 percentage points from 30.4% as of June 30, 2021. IDA's capital continues to be adequate to support its operations. See Table 14.

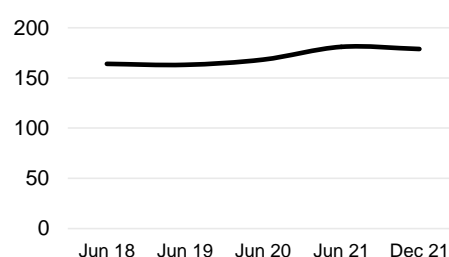
In billions of U.S. dollars

Borrowing portfolio



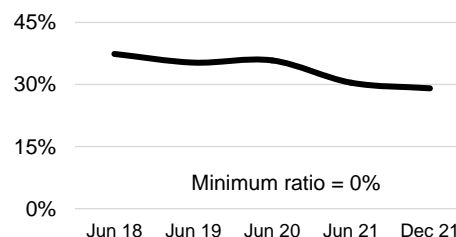
In billions of U.S. dollars

Equity



Ratio in percentages

Deployable Strategic Capital Ratio



Section II: Overview

Generally every three years, representatives of IDA's members³ meet to assess IDA's financial capacity and the medium-term demand for new IDA financing. Members decide on the policy framework, agree upon the amount of financing to be made available for the replenishment period, and commit to additional contributions of equity that are required to meet these goals. The meetings culminate in a replenishment agreement that determines the size, sources (both internal and external), and uses of funds for the replenishment period.

The Nineteenth Replenishment (IDA19) financing framework is an integrated package that continues to leverage IDA's strong equity base. The first year of the implementation of IDA19 commenced in FY21 which coincided with the onset of the COVID-19 pandemic. As a result, IDA has significantly scaled up its financial support, serving clients and targeting resources to those most in need. In recognition of the heightened financing needs of IDA countries and to make additional resources available to them to respond to, and recover from the COVID-19 crisis, IDA members agreed in April 2021 to launch the Twentieth IDA Replenishment (IDA20) one year early, to commence in FY23 and to shorten the IDA19 implementation period to two years (FY21-FY22). The remaining resources from IDA19 will be carried forward to be utilized in the replenishment period of IDA20. In December 2021, IDA members agreed on the IDA20 operational and financing framework that reflects an IDA20 financing envelope of \$93⁴ billion that will be supported by \$23.5 billion of member contributions; Multilateral Debt Relief Initiative (MDRI), financing raised in the capital markets, IDA19 carry-over, internal resources (e.g., loan repayments) and transfers from IBRD, make up the remainder. The IDA20 operational and financing framework will be reviewed for approval by IDA's Executive Directors in February 2022, after which the IDA20 resolution will be considered for adoption by IDA's Board of Governors in March 2022.

Financial Business Model

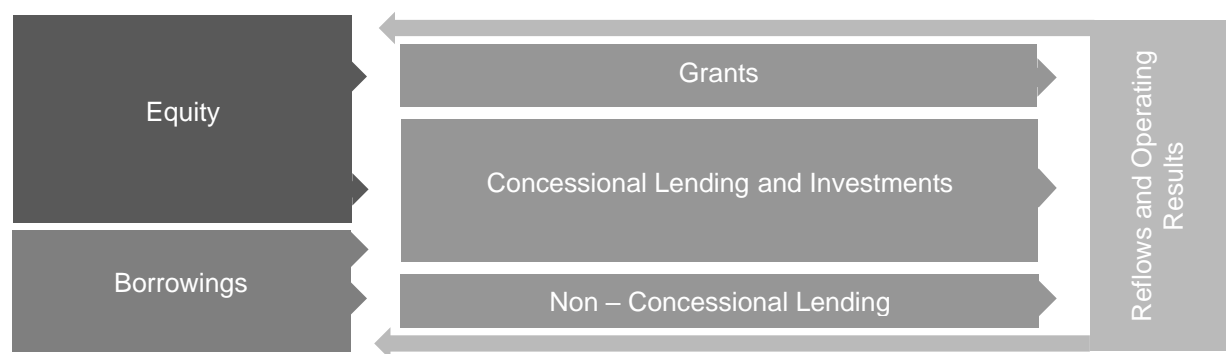
IDA has financed its operations over the years with its own equity, including regular additions to equity provided by member countries as part of the replenishment process. As a result of the strong support of member countries, IDA has built up a substantial equity base, amounting to \$178.7 billion as of December 31, 2021. In FY15, IDA introduced debt to its financial model with concessional partner loans received from certain members. In FY18, IDA introduced a hybrid financing model by including market debt into its business model. By prudently leveraging its equity and blending market debt with 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:

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

Concessional lending, including grants, is primarily financed by IDA's equity. Non-concessional lending will primarily be financed by market debt. To the extent that market debt will be used to finance concessional lending, it will be blended with member contributions (equity). Funds not deployed for lending are maintained in IDA's investment portfolio to supply liquidity for its operations. See Figure 1.

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

⁴ U.S. dollar amounts are based on IDA20 reference rate of USD/SDR 1.42934. The U.S. dollar amounts are provided for reporting purposes only, as IDA's balance sheet is predominantly managed in Special Drawing Rights (SDR).

Figure 1: IDA's Financial Business Model

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 the U.S. dollar, euro, Japanese yen, pound sterling and Chinese renminbi. For the convenience of its members and other users, IDA's financial statements are reported in U.S. dollars. Management uses net income as the basis for deriving adjusted net income, as discussed in Section IV: Financial Results.

Adjusted Net Income

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

Section III: IDA's Financial Resources

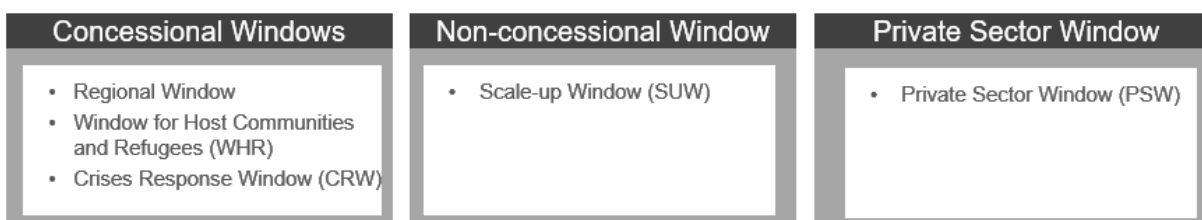
IDA19 Funding

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

Allocation of IDA19 Resources

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

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



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

Table 1: Cumulative Net Commitments under IDA19

In millions of U.S. dollars

As of December 31, 2021	Loans and Guarantees		Grants		Total
Concessional financing					
IDA Country Allocations	\$	25,878	\$	13,381	\$ 39,259
IDA Concessional Windows					
Regional Window		1,496		1,299	2,795
Window for Host Communities and Refugees		30		756	786
Crisis Response Window		445		412	857
Arrears Clearance		-		1,000	1,000
Non-concessional financing		2,735		-	2,735
Total Net Commitments ^a	\$	30,584	\$	16,848	\$ 47,432

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

Private Sector Window

The IDA-IFC-MIGA Private Sector Window was created under IDA18 to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations. In IDA19, the PSW was allocated an initial envelope of \$2.5 billion which was revised to \$1.7 billion under the adjusted IDA19 resource envelope. During FY22 YTD, \$154 million of the IDA19 PSW resources, net of full terminations and cancellations, were committed.

As of December 31, 2021, \$694 million had been utilized out of a total of \$2.1 billion commitments in IDA18 and IDA19. See Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note G – Transactions with Affiliated Organizations – Table G4.

Table 2: Utilization of PSW Commitments

In millions of U.S. dollars

As of December 31, 2021		IDA 18		IDA 19		Total	Utilization measure
Allocation	\$	1,370	\$	1,700	\$	3,070	
Net Commitments	\$	1,325 ^a	\$	749	\$	2,074	
Of which utilized							
Guarantees				\$	499		Face value of outstanding guarantees
Derivatives					119		Notional amount
Funding of IFC's PSW- related equity investments					52		Initial value of investment
Loans					24		Amortized cost
Total utilization of IDA PSW				\$	694		

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

Section IV: Financial Results

Financial Results and Portfolio Performance

Net Loss

IDA had a net loss of \$430 million in FY22 YTD compared with a net loss of \$1,103 million in FY21 YTD (See Table 3). The decrease in net loss was primarily driven by:

- \$207 million of non-functional currency translation adjustment gains in FY22 YTD as compared to \$499 million losses in FY21 YTD. The gains in FY22 YTD were primarily due to the depreciation of the majority of the non-functional currencies against the U.S. dollar.
- \$274 million received as transfer from IBRD's FY21 allocable income in FY22 YTD, upon approval by the Board of Governors. The transfer from IBRD's FY20 allocable income was received in February 2021, and accordingly nil for the comparative six-month period in FY21.
- \$115 million decrease in provision for losses on loans and other exposures, partially offset by
- \$87 million of unrealized mark-to-market losses on the non-trading portfolios in FY22 YTD as compared to \$395 million gain in FY21 YTD. The decrease was mainly driven by mark-to-market losses from the derivatives held for the Capital Value Protection Program (CVP), due to the decrease in interest rates for long tenors during the period.

Adjusted Net Income

IDA's adjusted net income was \$149 million in FY22 YTD compared with a \$51 million loss in FY21 YTD (See Table 3). The increase in ANI was primarily driven by:

- \$86 million increase in net interest revenue on loans, mainly driven by the higher average balance of loans outstanding.
- \$114 million decrease in provision for losses on loans and other exposures, excluding \$1 million release for debt relief under Heavily Indebted Poor Countries (HIPC)/ Multilateral Debt Relief Initiative (MDRI).

Table 3: Condensed Statement of Income

In millions of U.S. dollars

For the six months ended December 31,	2021	2020	Negative Impact	Positive Impact
Interest revenue				
Loans, net	\$ 967	\$ 881		86
Investments, net	66	70	(4)	
Asset-liability management derivatives, net	-	(9)		9
Borrowing expenses, net	(96)	(97)		1
Interest revenue, net of borrowing expenses	<u>\$ 937</u>	<u>\$ 845</u>		92
Provision for losses on loans and other exposures, (charge)	(134)	(249)		115
Other (expenses) revenue, net (Table 12)	(15)	38	(53)	
Net non-interest expenses (Table 11)	(705)	(785)		80
Transfers from affiliated organizations and others	274	-		274
Non-functional currency translation adjustment gains (losses), net	207	(499)		706
Unrealized mark-to-market gains on investments-trading portfolio, net ^a	79	84	(5)	
Unrealized mark-to-market (losses) gains on non-trading portfolios, net	(87)	395	(482)	
Development grants	(986)	(932)	(54)	
Net Loss	<u>\$ (430)</u>	<u>\$ (1,103)</u>		673
Adjustments to reconcile net (loss) income to adjusted net income:				
Expenses relating to development financing activities directly funded by contributions from members	1,066	954		112
Contributions from affiliated organizations and others	(274)	-	(274)	
Non-functional currency translation adjustment (gains) losses, net	(207)	499	(706)	
Unrealized market-to-market losses (gains) on non-trading portfolios, net ^b	91	(403)		494
Pension and other adjustments	(97)	2	(99)	
Adjusted Net Income (Loss)	<u>\$ 149</u>	<u>\$ (51)</u>		200

a. Includes IDA's share of returns from Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF) assets – \$58 million (FY21 YTD – \$112 million).

b. For FY22 YTD, excludes \$4 million of gain from revenue-hedging forward currency contracts (FY21 YTD - \$8 million of loss).

Table 4: Condensed Balance Sheet*In millions of U.S. dollars*

As of	December 31, 2021	June 30, 2021	Decrease	Increase
Assets				
Due from banks	\$ 684	\$ 496		188
Investments	35,725	37,376	(1,651)	
Net loans outstanding ^a	177,148	177,779	(631)	
Derivative assets, net	222	249	(27)	
Other assets	5,944	3,424		2,520
Total assets	\$ 219,723	\$ 219,324		399
Liabilities				
Borrowings	\$ 31,766	\$ 28,314		3,452
Derivative liabilities, net	345	408	(63)	
Other liabilities	8,873	9,726	(853)	
Equity	178,739	180,876	(2,137)	
Total liabilities and equity	\$ 219,723	\$ 219,324		399

a. The fair value of IDA loans was \$163,476 million as of December 31, 2021 (\$164,606 million – June 30, 2021).

Equity

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

Table 5: Changes in Equity*In millions of U.S. dollars*

Equity as of June 30, 2021	\$ 180,876
Change during the period:	
Subscriptions and contributions paid-in	1,171
Nonnegotiable, noninterest-bearing demand obligations	62
Change in Accumulated deficit	(430)
Change in Accumulated other comprehensive (loss)	(2,940)
Total change	\$ (2,137)
Equity as of December 31, 2021	\$ 178,739

Results from Lending Activities

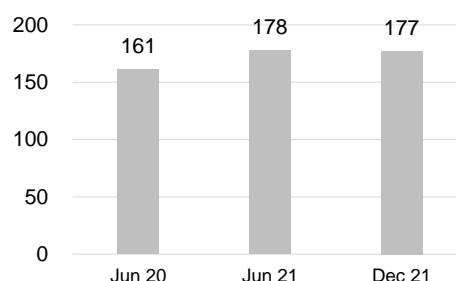
Loan Portfolio and Grant Activity

As of December 31, 2021, the net loans outstanding (after accumulated provision for losses on loans) was \$177.1 billion, lower by \$0.6 billion compared with June 30, 2021. The decrease was mainly due to currency translation losses of \$3.5 billion, consistent with the 1.9% depreciation of the SDR against the U.S. dollar during the period, offset by \$2.8 billion in net loan disbursements.

As of December 31, 2021, 90% of IDA's total loans outstanding were denominated in SDR. For the regional presentation of total loans outstanding, see Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note D – Loans and Other Exposures – Table D6.

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

Net Loans outstanding as of June 30, 2021	\$	177,779
Change during the period:		
Gross loan disbursements		6,199
Loan repayments		(3,381)
Change in accumulated provision for loan losses ^a		28
Currency translation adjustments		(3,458)
Other ^b		(19)
Total change	\$	(631)
Net Loans outstanding as of December 31, 2021	\$	177,148

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

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

b. Represents deferred loan origination costs of \$4 million, and HIPC Debt relief provided of \$15 million.

During FY22 YTD, net loan commitments were \$2.4 billion lower, compared with the same period in FY21, mainly due to high levels of financing in FY21 YTD in the earlier stages of the COVID-19 pandemic.

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

For the six months ended December 31,	2021	% of total	2020	% of total	Variance
Eastern and Southern Africa	\$ 1,655	25 %	\$ 2,199	24 %	\$ (544)
Western and Central Africa	3,829	57	3,991	44	(162)
East Asia and Pacific	63	1	154	2	(91)
Europe and Central Asia	306	5	384	4	(78)
Latin America and the Caribbean	44	1	229	3	(185)
Middle East and North Africa	80	1	5	*	75
South Asia	700	10	2,088	23	(1,388)
Total	\$ 6,677	100 %	\$ 9,050	100 %	\$ (2,373)
of which Guarantees	\$ -		\$ -		\$ -

* Indicates percentage less than 0.5%.

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

For the six months ended December 31,	2021	% of total	2020	% of total	Variance
Eastern and Southern Africa	\$ 2,658	56 %	\$ 2,038	45 %	\$ 620
Western and Central Africa	1,580	33	1,349	30	231
East Asia and Pacific	154	3	60	1	94
Europe and Central Asia	90	2	206	4	(116)
Latin America and the Caribbean	75	2	72	2	3
Middle East and North Africa	170	4	329	7	(159)
South Asia	-	-	507	11	(507)
Total	\$ 4,727	100 %	\$ 4,561	100 %	\$ 166

* Indicates percentage less than 0.5%.

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

During FY22 YTD, gross disbursements were lower by 11% compared with the same period in FY21. The higher gross disbursements in FY21 YTD were mainly driven by the increase in emergency funding in response to the COVID-19 pandemic.

Table 9: Gross Disbursements of Loans and Grants by Region*In millions of U.S. dollars*

For the six months ended December 31,	2021			2020			Variance
	Loans ^a	Grants ^b	Total	Loans ^a	Grants ^b	Total	
Eastern and Southern Africa	\$ 1,240	\$ 873	\$ 2,113	\$ 2,049	\$ 1,002	\$ 3,051	\$ (938)
Western and Central Africa	1,936	837	2,773	1,873	1,003	2,876	(103)
East Asia and Pacific	768	54	822	642	73	715	107
Europe and Central Asia	432	63	495	559	77	636	(141)
Latin America and the Caribbean	224	87	311	167	55	222	89
Middle East and North Africa	47	272	319	42	120	162	157
South Asia	1,537	186	1,723	1,649	343	1,992	(269)
Total	\$ 6,184	\$ 2,372	\$ 8,556	\$ 6,981	\$ 2,673	\$ 9,654	\$ (1,098)

*a. Excludes PSW related disbursements - \$15 million (FY21 YTD - \$3 million).**b. Excludes Project Preparation Advances (PPA).*

As of December 31, 2021, 60% of IDA's loans were on regular terms (75 basis points SDR equivalent service charge), see Table 10. For a summary of financial terms for IDA's lending products, effective July 1, 2021, refer to IDA's MD&A for the fiscal year ended June 30, 2021, Section V: Development Activities, Products and Programs.

The increase in IDA's revenue from loans in FY22 YTD compared to FY21 YTD was primarily due to the higher average balance of loans outstanding.

Table 10: Revenue and Balances by Product Category*In millions of U.S. dollars*

Category	Balance as of December 31,		Interest revenue on loans ^a	
	2021	2020	For the six months ended December 31,	
			2021	2020
Loans				
Concessional				
Regular	\$ 108,404	\$ 109,281	\$ 417	\$ 398
Blend	65,347	62,673	475	420
Hard ^b	1,397	1,425	24	24
Non-concessional ^c	5,677	3,957	52	40
Others ^d	24	8	*	*
Total	\$ 180,849	\$ 177,344	\$ 968	\$ 882

*a. Excludes interest rate swap expenses related to loan hedges - \$1 million in FY22 YTD (\$1 million - FY21 YTD).**b. Prior to July 1, 2017, IDA offered Hard-Term loans to Blend Countries (excluding Small Island Economies). Hard-term loans are no longer offered.**c. Excludes \$12 million of commitment charges earned in FY22 YTD on undisbursed balances of non-concessional loans (\$9 million in FY21 YTD).**d. Represents loans under the PSW.*** Indicates amount less than \$0.5 million.*

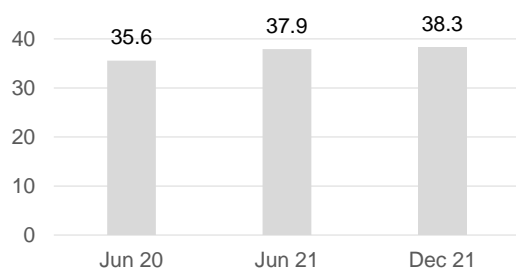
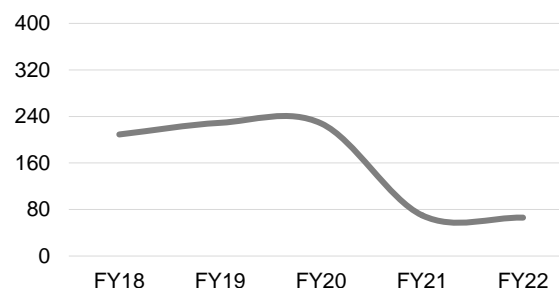
Results from Investing Activities

Investment Portfolio

IDA's net investment portfolio increased to \$38.3 billion as of December 31, 2021, from \$37.9 billion as of June 30, 2021. The increase was primarily due to the investment of proceeds from net new debt issuances, offset by net loan and grant disbursements and translation adjustment losses.

Investment interest revenue, net of derivatives

During FY22 YTD, IDA's net investment revenue was \$66 million, a marginal decrease compared with the same period in FY21.

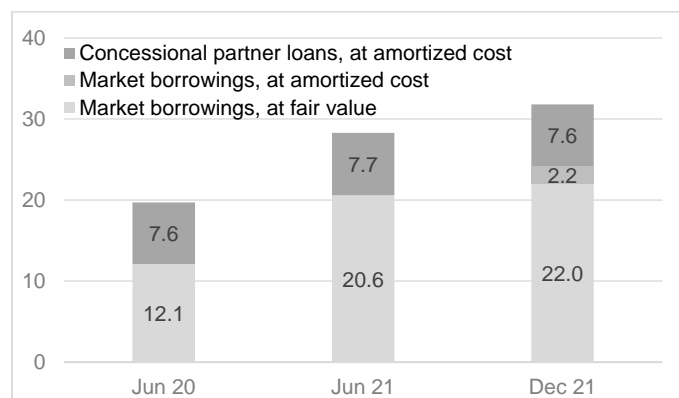
Figure 3: Net Investment Portfolio*In billions of U.S. dollars***Figure 4: YTD Investment interest revenue, net of derivatives***In millions of U.S. dollars*

Results from Borrowing Activities (excluding associated derivatives)

As of December 31, 2021, market borrowings recorded at fair value were \$22.0 billion, an increase of \$1.4 billion compared to June 30, 2021 (\$20.6 billion). The increase was mainly driven by net new issuances of Medium and Long-term instruments during the period. See Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note E – Borrowings.

As of December 31, 2021, the market borrowings at amortized cost were \$2.2 billion. See Section V – Risk Management and Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note E – Borrowings.

Concessional partner loans from members, recorded at amortized cost were \$7.6 billion as of December 31, 2021 (\$7.7 billion - June 30, 2021). As part of IDA19, two members have agreed to provide IDA with concessional partner loans totaling \$1.1 billion. As of December 31, 2021, these two members had signed concessional partner loan agreements with IDA for a total of \$0.7 billion.

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

Transfers from Affiliated Organizations

Since 1964, IBRD has made transfers to IDA out of its net income, upon approval by the Board of Governors. Under a formula-based approach for IBRD's income support to IDA, the amount of income transfer recommended for IDA is a function of IBRD's financial results. On October 14, 2021, IBRD's Board of Governors approved a transfer from FY21 allocable income of \$274 million to IDA which was received by IDA on October 25, 2021.

Net Non-Interest Expenses

As shown in Table 11, IDA's net non-interest expenses primarily comprised of administrative expenses, net of revenue from externally-funded activities. IBRD and IDA's administrative budget is a single resource envelope that funds the combined work programs of IBRD and IDA. The allocation of administrative expenses between IBRD and IDA is based on an agreed cost and revenue sharing methodology, approved by their Boards, which is primarily driven by the relative level of activities relating to lending, knowledge services and other services between the two institutions.

The administrative expenses shown in the table below include costs related to IDA-executed trust funds and other externally funded activities.

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

IDA's net non-interest expenses were \$705 million in FY22 YTD, compared to \$785 million in FY21 YTD. The key driver was the decrease in pension costs, primarily driven by the higher asset returns in FY21, which resulted in lower amortization of unrecognized actuarial losses in FY22.

IDA's net non-interest expenses for adjusted net income purposes were \$744 million in FY22 YTD, compared to \$671 million in FY21 YTD. The increase was primarily due to higher staff, consultant, and travel costs in FY22.

Table 11: Net Non-Interest Expenses

In millions of U.S. dollars

For the six months ended December 31,	2021	2020	Variance
Administrative expenses:			
Staff costs	\$ 593	\$ 557	\$ 36
Travel	18	4	14
Consultant and contractual services	215	195	20
Pension and other post-retirement benefits	98	249	(151)
Communications and technology	40	33	7
Premises and equipment	65	68	(3)
Other expenses	20	20	-
Total administrative expenses	\$ 1,049	\$ 1,126	\$ (77)
Contributions to special programs ^a	17	18	(1)
Revenue from externally funded activities:			
Reimbursable revenue - IDA executed trust funds	(253)	(239)	(14)
Other revenue	(108)	(120)	12
Total revenue from externally funded activities	\$ (361)	\$ (359)	\$ (2)
Total Net Non-Interest Expenses (Table 3) - GAAP basis	\$ 705	\$ 785	\$ (80)
Adjustments to arrive at Net non-interest expenses - Adjusted Net Income basis			
Pension and Externally Financed Output (EFO) adjustments ^b	39	(114)	153
Net non-interest expenses - Adjusted Net Income basis	\$ 744	\$ 671	\$ 73

a. Included in Non-interest expenses – Other in the Condensed Statement of Income.

b. Adjustments are included in the Pension and other adjustments line in Table 3.

During FY22 YTD, IDA's net other expenses were \$15 million compared to \$38 million of net other revenue in FY21 YTD. PPA cancellations and refinancing of PPA grants previously approved exceeded grant expenses in FY21 YTD, generating net other revenue. Refinanced PPA grants are included in the loan provided to the borrower, and correspondingly, prior grant expenses are reversed.

Table 12: Other (Expenses) Revenue, net

In millions of U.S. dollars

For the six months ended December 31,	2021	2020	Variance
PPA grants and others	\$ (39)	\$ 22	\$ (61)
Guarantee fees	12	7	5
Commitment charges	12	9	3
Other (Expenses) Revenue, net (Table 3)	\$ (15)	\$ 38	\$ (53)

Provision for losses on loans and other exposures

In FY22 YTD, IDA recorded a provision for losses on loans and other exposures of \$134 million as compared to \$249 million in FY21 YTD. The provisions in FY22 YTD and FY21 YTD were primarily due to the increase in exposures, with a greater increase in FY21. See Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note D – Loans and Other Exposures – Table D3.

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

During FY22 YTD, IDA's investments-trading portfolio had unrealized mark-to-market gains of \$21 million, excluding positive returns from IDA's share of PEBP earnings, mainly due to cross-currency management strategies (\$28 million of unrealized mark-to-market losses in FY21 YTD).

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

During FY22 YTD, the non-trading portfolios had \$87 million of net unrealized mark-to-market losses (\$395 million of net unrealized mark-to-market gains in FY21 YTD). The FY22 YTD mark-to-market losses were primarily from the derivatives held for the CVP, due to the decrease in interest rates for long tenors during the period.

Table 13: Unrealized Mark-to-Market gains (losses) on non-trading portfolios, net

In millions of U.S. dollars

For the six months ended December 31,	2021	2020	Variance
Asset-liability management	\$ (88)	\$ 386	\$ (474)
Investment portfolio	(5)	(4)	(1)
Other ^a	6	13	(7)
Total	\$ (87)	\$ 395	\$ (482)

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

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

Non-functional currency translation adjustment gains or losses represent unrealized exchange rate gains or losses resulting from the hedging of exchange rate risk related to future donor contributions, 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 (Section V: Risk Management). During FY22 YTD, translation adjustment gains on non-functional currencies were \$207 million, primarily driven by the depreciation of the majority of the non-functional currencies against the U.S. dollar, IDA's reporting currency. In comparison, the translation adjustment losses in FY21 YTD were \$499 million due to the appreciation of the majority of the non-functional currencies against the U.S. dollar.

Section V: Risk Management

Risk Governance

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

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

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

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

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

Risk Oversight and Coverage

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

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

Management of IDA's Risks

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

COVID-19 pandemic

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

Due to the ongoing COVID-19 pandemic, IDA continues to monitor the developments and to manage the risks associated with all its portfolios.

As of December 31, 2021, IDA had sufficient resources to meet its liquidity requirements and continues to have access to capital market resources. IDA continues to maintain a robust liquidity position and flexibility to access the necessary

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

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

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

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

Capital Adequacy

IDA uses a solvency-based capital adequacy model, which mandates that IDA hold capital for credit risk, market risk and operational risk covering all activities and assets on its books. The main measure of capital adequacy is Deployable Strategic Capital (DSC), a non-GAAP measure, which is the capital available to support future commitments, over and above the current portfolio. IDA is required, by the Board, to keep the DSC at levels greater than or equal to zero percent. The DSC is calculated as the amount by which Total Resources Available (TRA) exceed Total Resources Required (TRR), plus a Conservation Buffer (CB). The TRA consists of IDA's existing equity plus accumulated provision for loan losses and other exposures. The TRR is the minimum capital required to cover expected and unexpected losses, (under a stressed but still plausible downside scenario), in connection with all of IDA's currently existing operations and assets. Within the TRR, there is also a capital allowance to reflect losses that result from valuing IDA's concessional loan portfolio in present value terms using market interest rates. This allowance is calculated using a stressed interest rate to account for a potential future rise in market interest rates. Beginning in June 2021, as part of the DSC framework refinement, TRR now includes capital requirements to account for development grants which are approved but not yet expensed to address the delay in expense recognition for grants made as a result of the implementation of a related accounting standard update. It also takes into consideration the capital adequacy protection provided by long-term fixed rate borrowings against changes in market interest rates. The CB is an extra buffer in the amount of 10 percent of TRA.

As of December 31, 2021, the DSC was 29.1%, lower by 1.3 percentage points compared with June 30, 2021 (30.4%). The decrease in the ratio was mainly due to lower TRA and a higher TRR. The decrease in TRA was primarily driven by the decline in equity as a result of the currency translation adjustment losses as the SDR depreciated against the U.S. dollar. The increase in TRR was primarily due to higher capital requirements for conditional development grants not expensed. See Table 14.

In addition to the DSC framework, IDA has policies in place to ensure alignment of its lending and borrowing activities. Included in these policies are asset coverage requirements, where management monitors asset and liquidity levels to ensure IDA's ability to satisfy all its borrowing and commitment obligations. See IDA's MD&A for the fiscal year ended June 30, 2021, Section IX: Risk Management.

Table 14: Deployable Strategic Capital Ratio

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

As of	December 31, 2021		June 30, 2021		Variance
Total Resources Available (TRA)	\$	183.7	\$	185.7	\$ (2.0)
Total Resources Required (TRR)		111.9		110.6	1.3
Conservation Buffer (CB)		18.4		18.6	(0.2)
Deployable Strategic Capital (DSC = TRA-TRR-CB)	\$	53.4	\$	56.5	\$ (3.1)
Deployable Strategic Capital as a percentage of TRA		29.1%		30.4%	-1.3%

Asset/Liability Management (ALM)

On July 1, 2021, IDA implemented an interim ALM policy which, under specific criteria, allows funding fixed rate loans with long-term fixed rate market debt and CPLs (both reported at amortized cost), as part of IDA's interest rate

risk management to match debt characteristics with that of the loan portfolio. For more details, see Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note E: Borrowings.

Capital Value Protection Program

In FY20, as part of IDA's ALM policies, IDA executed pay fixed, receive floating forward-starting swaps with a notional of \$15.0 billion under a Board-approved Capital Value Protection Program. The objective of the program is to partially reduce the sensitivity of IDA's capital adequacy model to changes in long-term interest rates and allow for more resources to be available for lending under the capital adequacy framework. For more details, see Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note F: Derivative Instruments.

Management of Credit and Market Risks

Credit Risk

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

Country Credit Risk

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

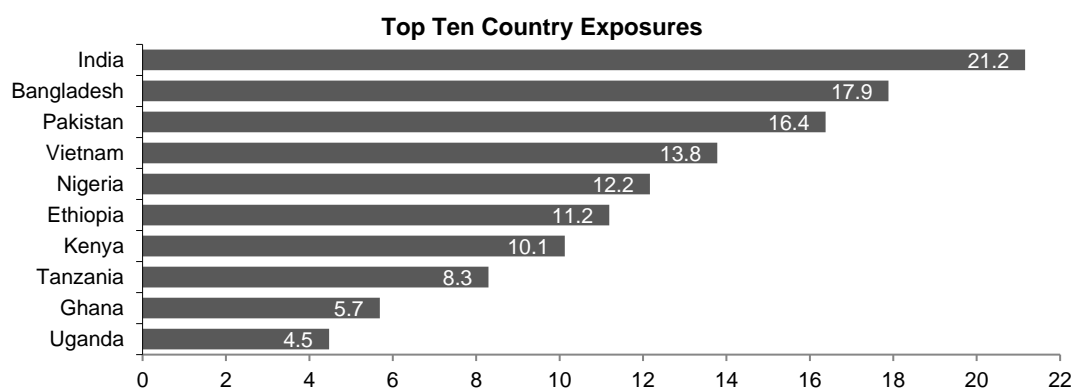
IDA regularly assesses the country credit risk of all its borrowers. IDA produces credit risk ratings for all its borrowing countries, which reflect country economic, financial, and political circumstances, and also considers environmental, social and governance (ESG) risk factors. Based on these risk ratings, to manage IDA's overall portfolio risk, the allocation outcomes of the PBA and other mechanisms are reviewed to ensure that they are compatible with the Deployable Strategic Capital Framework and Single Borrower Limit (SBL).

For FY22, the SBL has been set at \$45.2 billion (25% of \$180.9 billion of equity as of June 30, 2021). Currently, the maximum country exposure levels compatible with IDA's overall capital adequacy target are lower than the SBL for all IDA-borrowing countries. As a consequence, the SBL is not currently a constraining factor.

As of December 31, 2021, the ten countries with the highest exposures accounted for 66% of IDA's total exposure (Figure 6). IDA's largest exposure to a single borrowing country, India, was \$21.2 billion as of December 31, 2021. Monitoring these exposures relative to the SBL requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

Figure 6: Country Exposures as of December 31, 2021

In billions of U.S. dollars



Expected Losses, Overdue Payments and Non-Performing Loans

When a borrower fails to make payments on any principal, interest, or other charges due to IDA, IDA may suspend disbursements immediately on all loans and grants to that borrower. IDA's current practice is to exercise this option using a graduated approach. These practices also apply to member countries eligible to borrow from both IDA and IBRD, and whose payments on IBRD loans may become overdue. It is IDA's practice not to reschedule service

charges, interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of December 31, 2021, none of the IDA borrowing countries in the accrual portfolio had overdue payments beyond 90 days.

As an exception to the practices set forth for treatment of overdue payments, IDA has provided financing to countries with overdue payments, in very specific situations. For further details, refer to IDA's MD&A for the fiscal year ended June 30, 2021, Section IX: Risk Management.

Accumulated Provision for Losses on Loans and Other Exposures

As of December 31, 2021, IDA had \$180.8 billion of loans outstanding, of which loans in nonaccrual status represent 0.5%. IDA's total provision for losses on loans and other exposures was \$4.9 billion, which represents a provisioning rate of 1.9% of the underlying exposures as of December 31, 2021 (\$4.9 billion as of June 30, 2021, 2.0% of the underlying exposure). See Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note D – Loans and Other Exposures.

Commercial Counterparty Credit Risk Exposure

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

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

The credit quality of IDA's investment portfolio remains in the upper end of the credit spectrum with 65% of the portfolio rated AA or above as of December 31, 2021, reflecting IDA's continued preference for highly-rated securities and counterparties across all categories of financial instruments.

Total commercial counterparty credit exposure, net of collateral held, was \$36.0 billion as of December 31, 2021. For the contractual value, notional amounts, and related credit risk exposure amounts by instrument, see Notes to the Condensed Quarterly Financial Statements for the period ended December 31, 2021, Note F: Derivative Instruments.

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

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

As of December 31, 2021						
Counterparty Rating ^a	Sovereigns		Non-Sovereigns		Net Swap Exposure	Total Exposure % of Total
AAA	\$	8,587	\$	3,755	\$ -	\$ 12,342 34 %
AA		2,304		8,583	88	10,975 31
A		7,995		4,565	133	12,693 35
Total	\$	18,886	\$	16,903	\$ 221	\$ 36,010 100 %

As of June 30, 2021						
Counterparty Rating ^a	Sovereigns		Non-Sovereigns		Net Swap Exposure	Total Exposure % of Total
AAA	\$	9,345	\$	6,023	\$ -	\$ 15,368 41 %
AA		2,519		7,438	179	10,136 27
A		7,571		4,378	68	12,017 32
Total	\$	19,435	\$	17,839	\$ 247	\$ 37,521 100 %

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

Credit and Debit Valuation Adjustments

Most outstanding derivative positions are transacted over-the-counter, and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a Credit Valuation Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a Debit Valuation Adjustment (DVA) to reflect its own credit risk. As of December 31, 2021, IDA's Condensed Balance Sheet included a CVA of \$2 million and a DVA of \$6 million on outstanding derivatives.

Market Risk

IDA is exposed to changes in interest and exchange rates. The introduction of market debt financing into IDA's business model from FY18 presents additional exposures. The impending discontinuance of London Interbank Offered Rate (LIBOR) and the transition to alternative reference rates also presents a risk to IDA's business activities.

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

Interest Rate Risk

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

As of December 31, 2021, IDA's investment-trading portfolio (liquid asset portfolio) had a duration of four months. Low and negative fixed interest rates present a challenge for the investment of the liquid asset portfolio.

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

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

Alternative Reference Rates

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

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

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

Despite the extension of the publication of certain U.S. dollar LIBOR rates to June 30, 2023, the regulators' guidance remains that LIBOR should not be used for new contracts after 2021. In July 2021, the Commodity Futures Trading Commission's Market Risk Advisory Committee (MRAC) adopted a market best practice known as SOFR First, a four phased plan to switch derivative trading conventions from LIBOR to Secured Overnight Financing Rate (SOFR) for USD derivative instruments. The first three phases of transitioning trading conventions from LIBOR to SOFR

were fully implemented as of December 31, 2021. The fourth and last phase of SOFR First will involve exchange-traded derivatives with the timing to be determined. Also, in July 2021, the Alternative Reference Rates Committee (ARRC) formally recommended CME Group's forward-looking term rate for SOFR, for use in markets where transitioning from LIBOR to an overnight rate has been difficult. The forward-looking term rate for SOFR is based on transactions in the SOFR derivatives markets. The ARRC recommended these rates for legacy loans and bond instruments but not for the vast majority of the derivative instruments.

In consideration of the regulatory guidance and in preparation for the global markets' transition away from LIBOR, IDA has taken the necessary steps to facilitate a smooth and orderly transition of its financial instruments effected by alternative reference rates.

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. IDA has been actively working through this transition from multiple perspectives: lending, funding, accounting, operations, information technology, liquidity investing, risk and legal, considering the portfolio of existing loans and other instruments that use LIBOR as a benchmark.

Most of IDA's loans are on fixed rate concessional terms. Therefore, the impact of the LIBOR transition changes is limited. For IDA's LIBOR based non-concessional and hard-term loans, in FY20, the Board endorsed an omnibus amendment process with borrowers for certain existing loan agreements to address inadequate fallback provisions for LIBOR replacement, allowing IDA to maintain the principles of fairness and equivalence for any replacement reference rate. The contract amendments enabled 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 permitted IDA to transition the interest rate to alternative reference rates when it is appropriate to do so. The majority of IDA loans were denominated in USD, EUR, GBP, and JPY as of December 31, 2021. IDA adopted the following alternative reference rates: SOFR for USD denominated loans, Euro Interbank Offered Rate (EURIBOR) for EUR denominated loans, Sterling Overnight Index Average (SONIA) for GBP denominated loans and Tokyo Overnight Average Rate (TONA) for JPY denominated loans. IDA made significant progress to ensure a smooth transition to alternative reference rates. Through the omnibus amendments and reference rate replacement notification process, the vast majority of its borrowers' loans were ready for transition by December 31, 2021.

Effective January 1, 2022, IDA offers new non-concessional loans with alternative reference rates and ceased to offer LIBOR based loans. The switch over of existing variable spread and non-USD fixed spread loans to alternative reference rates began in January 2022, at the loan reset dates. The remaining USD fixed spread loans will be transitioning beginning in July 2023, as the loans reset. Out of the total loans outstanding of \$180,849 million as of December 31, 2021, approximately 2% is subject to transition to alternative reference rates.

As of December 31, 2021, IDA's borrowing portfolio carries only fixed interest rates and is not subject to transition to alternative reference rates.

Out of the total derivative portfolio notional as of December 31, 2021, approximately 39% is subject to transition to alternative reference rates. For the vast majority of these, IDA either has sufficient provisions in the derivative agreements with its counterparties or has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol).

IDA will continue to work with key stakeholders, including internal subject matter experts, senior management, borrowers, industry groups and other market participants, to mitigate potential financial and operational risks to which IDA is exposed and to ensure an orderly transition to alternative reference rates. IDA is managing the transition prudently and in a cost-effective manner.

Exchange Rate Risk

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

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

The payable leg of the currency forward contracts economically hedging member equity contribution pledges is denominated in non-functional currencies. IDA pays the market counterparty in a non-SDR currency. Accordingly, appreciation (depreciation) of the non-SDR currencies against the U.S. dollar results in exchange rate losses (gains), which are reported in the Statement of Income. The translation adjustment on future inflows from members, even though they are not recorded in the balance sheet, is the economic offset to the translation adjustment on non-functional currencies of currency forward contracts.

Liquidity Risk

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

IDA's aggregate liquid asset holdings are kept above a specified Prudential Minimum to safeguard against cash flow interruptions. The Prudential Minimum is equal to 80% of 24 months of projected net outflows. For FY22, the Prudential Minimum has been set at \$19.3 billion. As of December 31, 2021, IDA had liquid assets of \$37.8 billion, which represented 196% 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 third-party vendor risks. IDA's approach to identifying and managing operational risk includes a dedicated program for these risks and a robust process that includes identifying, assessing, and prioritizing operational risks, monitoring, and reporting relevant key risk indicators, aggregating, and analyzing internal and external events, and identifying emerging risks that may affect business units and developing risk response and mitigating actions.

Section VI: Governance

Senior Management Changes

The following changes were effective January 1, 2022:

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

List of Tables, Figures and Box

Tables

Table 1: Cumulative Net Commitments under IDA19	8
Table 2: Utilization of PSW Commitments	9
Table 3: Condensed Statement of Income	10
Table 4: Condensed Balance Sheet	11
Table 5: Changes in Equity	11
Table 6: Net Loans Outstanding activity	12
Table 7: Net Commitments of Loans and Guarantees by Region	12
Table 8: Net Commitments of Grants by Region	12
Table 9: Gross Disbursements of Loans and Grants by Region	13
Table 10: Revenue and Balances by Product Category	13
Table 11: Net Non-Interest Expenses	15
Table 12: Other (Expenses) Revenue, net	15
Table 13: Unrealized Mark-to-Market gains (losses) on non-trading portfolios, net	16
Table 14: Deployable Strategic Capital Ratio	18
Table 15: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating	20

Figures

Figure 1: IDA's Financial Business Model	7
Figure 2: Net Loans Outstanding	12
Figure 3: Net Investment Portfolio	14
Figure 4: YTD Investment interest revenue, net of derivatives	14
Figure 5: Borrowings	14
Figure 6: Country Exposures as of December 31, 2021	19

Box

Box 1: Selected Financial Data	2
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INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

CONTENTS

December 31, 2021

CONDENSED QUARTERLY FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET	28
CONDENSED STATEMENT OF INCOME	30
CONDENSED STATEMENT OF COMPREHENSIVE INCOME	31
CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT	31
CONDENSED STATEMENT OF CASH FLOWS	32
NOTES TO CONDENSED QUARTERLY FINANCIAL STATEMENTS	33
INDEPENDENT AUDITOR'S REVIEW REPORT	55

CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	<i>December 31, 2021</i> <i>(Unaudited)</i>	<i>June 30, 2021</i> <i>(Unaudited)</i>
Assets		
Due from banks—Notes C and J		
Unrestricted cash	\$ 658	\$ 470
Restricted cash	26	26
	<u>684</u>	<u>496</u>
Investments (including securities transferred under repurchase or securities lending agreements of Nil—December 31, 2021; Nil—June 30, 2021) —Notes C, G and J	35,725	37,376
Derivative assets, net—Notes C, F, G and J	222	249
Receivable from affiliated organization—Note G	1,013	865
Loans outstanding—Notes D, G and J		
Total loans approved	249,316	251,676
Less: Undisbursed balance (including signed loan commitments of \$62,534 million—December 31, 2021; \$60,775 million—June 30, 2021)	(68,467)	(70,172)
Loans outstanding	<u>180,849</u>	<u>181,504</u>
Less: Accumulated provision for loan losses	(3,690)	(3,718)
Deferred loan income	(11)	(7)
Net loans outstanding	<u>177,148</u>	<u>177,779</u>
Other assets—Notes C, D and G	4,931	2,559
Total assets	<u><u>\$ 219,723</u></u>	<u><u>\$ 219,324</u></u>

	<i>December 31, 2021</i> <i>(Unaudited)</i>	<i>June 30, 2021</i> <i>(Unaudited)</i>
Liabilities		
Borrowings—Notes E and J		
Market borrowings, at fair value	\$ 21,960	\$ 20,555
Market borrowings, at amortized cost	2,255	-
Concessional partner loans, at amortized cost	7,551	7,759
	<u>31,766</u>	<u>28,314</u>
Derivative liabilities, net—Notes C, F, G and J	345	408
Payable for development grants—Note H	5,825	6,820
Payable to affiliated organization—Note G	564	561
Other liabilities—Notes C, D and G	2,484	2,345
Total liabilities	<u>40,984</u>	<u>38,448</u>
Equity		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	292,458	292,534
Less:		
Subscriptions and contributions receivable	(36,991)	(38,240)
Cumulative discounts/ acceleration credits on subscriptions and contributions	(3,844)	(3,842)
Subscriptions and contributions paid-in	<u>251,623</u>	<u>250,452</u>
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(11,370)	(11,432)
Deferred amounts to maintain value of currency holdings	(244)	(244)
Accumulated deficit (Statement of Changes in Accumulated Deficit)	(59,986)	(59,556)
Accumulated other comprehensive (loss) income—Note I	(1,284)	1,656
Total equity	<u>178,739</u>	<u>180,876</u>
Total liabilities and equity	<u>\$ 219,723</u>	<u>\$ 219,324</u>

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

CONDENSED STATEMENT OF INCOME

Expressed in millions of U.S. dollars

	Three Months Ended December 31, (Unaudited)		Six Months Ended December 31, (Unaudited)	
	2021	2020	2021	2020
Interest revenue				
Loans, net—Note D	\$ 486	\$ 444	\$ 967	\$ 881
Investments, net—Notes C and G	33	33	66	70
Asset-liability management derivatives, net	-	(4)	-	(9)
Borrowing expenses, net—Note E	(50)	(48)	(96)	(97)
Interest revenue, net of borrowing expenses	<u>469</u>	<u>425</u>	<u>937</u>	<u>845</u>
Provision for losses on loans and other exposures, charge— Note D	(34)	(127)	(134)	(249)
Non-interest revenue				
Revenue from externally funded activities—Note G	212	206	361	359
Commitment charges—Note D	6	5	12	9
Other	8	4	12	7
Total	<u>226</u>	<u>215</u>	<u>385</u>	<u>375</u>
Non-interest expenses				
Administrative—Note G	(555)	(576)	(1,049)	(1,126)
Other	(41)	(6)	(56)	4
Total	<u>(596)</u>	<u>(582)</u>	<u>(1,105)</u>	<u>(1,122)</u>
Transfers from affiliated organizations and others—Note G	274	-	274	-
Development grants—Note H	(643)	(423)	(986)	(932)
Non-functional currency translation adjustment gains (losses), net	39	(494)	207	(499)
Unrealized mark-to-market gains on Investments-Trading portfolio, net—Notes F and J	64	65	79	84
Unrealized mark-to-market (losses) gains on non-trading portfolios, net—Note J	(149)	266	(87)	395
Net loss	<u>\$ (350)</u>	<u>\$ (655)</u>	<u>\$ (430)</u>	<u>\$ (1,103)</u>

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of U.S. dollars

	<i>Three Months Ended December 31, (Unaudited)</i>		<i>Six Months Ended December 31, (Unaudited)</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Net loss	\$ (350)	\$ (655)	\$ (430)	\$ (1,103)
Other comprehensive (loss) income —Note I				
Currency translation adjustments on functional currencies	(1,049)	3,429	(2,891)	7,249
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	(18)	(16)	(49)	(32)
Comprehensive (loss) income	<u>\$ (1,417)</u>	<u>\$ 2,758</u>	<u>\$ (3,370)</u>	<u>\$ 6,114</u>

CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	<i>Six Months Ended December 31, (Unaudited)</i>	
	<i>2021</i>	<i>2020</i>
Accumulated Deficit at beginning of the fiscal year	\$ (59,556)	\$ (58,321)
Cumulative effect of a change in accounting principle—Notes A and D	-	(802)
Adjusted Accumulated Deficit at beginning of the fiscal year	<u>\$ (59,556)</u>	<u>\$ (59,123)</u>
Net loss	(430)	(1,103)
Accumulated deficit at end of the period	<u>\$ (59,986)</u>	<u>\$ (60,226)</u>

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

CONDENSED STATEMENT OF CASH FLOWS

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited)	
	2021	2020
Cash flows from investing activities		
Loans		
Disbursements	\$ (6,199)	\$ (6,984)
Principal repayments	3,381	2,712
Non-trading securities—Investments		
Repayments	61	64
Net cash used in investing activities	(2,757)	(4,208)
Cash flows from financing activities		
Members' subscriptions and contributions	1,232	1,359
Medium and long-term borrowings		
New issues	4,733	3,974
Retirements	(47)	(48)
Short-term borrowings (original maturities greater than 90 days)		
New issues	2,831	3,750
Retirements	(4,236)	(6,491)
Net short-term borrowings (original maturities less than 90 days)	1,162	2,668
Net derivatives-borrowings	1	25
Net cash provided by financing activities	5,676	5,237
Cash flows from operating activities		
Net loss	(430)	(1,103)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for losses on loans and other exposures, net—charge	134	249
Non-functional currency translation adjustment (gains) losses, net	(207)	499
Unrealized mark-to-market losses (gains) on non-trading portfolios, net	87	(395)
Other non-interest expenses (income), net	39	(22)
Amortization of borrowing costs	50	48
Changes in:		
Net Investment portfolio	995	1,595
Other assets and liabilities	(3,399)	(1,879)
Net cash used in operating activities	(2,731)	(1,008)
Effect of exchange rate changes on unrestricted and restricted cash	-	48
Net increase in unrestricted and restricted cash	188	69
Unrestricted and restricted cash at beginning of the fiscal year	496	674
Unrestricted and restricted cash at end of the period	\$ 684	\$ 743
Supplemental disclosure		
(Decrease) increase in ending balances resulting from exchange rate fluctuations:		
Loans outstanding	\$ (3,458)	\$ 7,697
Investment portfolio	(535)	1,540
Derivatives—Asset-liability management	502	(1,065)
Borrowings	(761)	964
Principal repayments written off under Heavily Indebted Poor Countries (HIPC)		
Debt Initiative	15	5
Interest paid on borrowing portfolio	45	63

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

NOTES TO CONDENSED QUARTERLY FINANCIAL STATEMENTS

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Basis of Preparation

These unaudited condensed quarterly financial statements and notes should be read in conjunction with the June 30, 2021 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2021 audited financial statements has not been audited. In the opinion of management, the condensed quarterly financial statements reflect all adjustments necessary for a fair presentation of IDA's financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

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

These financial statements were issued on February 11, 2022 which was also the date through which IDA's management evaluated subsequent events.

Accounting and Reporting Developments

Accounting Standards Under Evaluation:

In November 2021, the Financial Accounting Standards Board (FASB) issued the Accounting Standard Update (ASU) 2021-10, *Disclosure by Business Entities about Government Assistance*, which requires entities to make annual disclosure about certain government assistance they received. This ASU is effective for annual periods beginning after December 15, 2021, with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

Fair Value Election on Borrowings

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

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS

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

Table B1: Subscriptions and contributions paid-in

In millions of U.S. dollars

	<i>December 31, 2021</i>	<i>June 30, 2021</i>
Beginning of the fiscal year	\$ 250,452	\$ 241,343
Cash contributions received	364	3,442
Demand obligations received	1,161	4,901
Translation adjustment	(354)	766
End of the period/fiscal year	<u>\$ 251,623</u>	<u>\$ 250,452</u>

During the six months ended December 31, 2021, IDA encashed demand obligations totaling \$868 million.

Membership

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

NOTE C—INVESTMENTS

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

As of December 31, 2021, IDA's Investments were mainly comprised of government and agency obligations (63%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of December 31, 2021, the largest holding of Investments-Trading with a single counterparty was Japanese government instruments (18%).

A summary of IDA's Investments is as follows:

Table C1: Investments-composition

In millions of U.S. dollars

	<i>December 31, 2021</i>	<i>June 30, 2021</i>
Trading		
Government and agency obligations	\$ 22,685	\$ 25,277
Time deposits	12,346	11,460
Asset-backed securities (ABS)	274	152
	<u>\$ 35,305</u>	<u>\$ 36,889</u>
Non-trading		
Debt securities	420	487
Total	<u><u>\$ 35,725</u></u>	<u><u>\$ 37,376</u></u>

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

Table C2: Net investment portfolio position

In millions of U.S. dollars

	<i>December 31, 2021</i>	<i>June 30, 2021</i>
Investments		
Trading	\$ 35,305	\$ 36,889
Non-trading	420	487
Total	<u>35,725</u>	<u>37,376</u>
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received ^a	(41)	-
Derivative Assets		
Currency swaps and currency forward contracts	272	167
Interest rate swaps	-	-
Total	<u>272</u>	<u>167</u>
Derivative Liabilities		
Currency swaps and currency forward contracts	(126)	(65)
Interest rate swaps	(5)	(17)
Total	<u>(131)</u>	<u>(82)</u>
Cash held in investment portfolio ^b	547	426
Receivable from investment securities traded and other assets ^c	1,908	107
Payable for investment securities purchased ^d	(29)	(73)
Net Investment Portfolio	<u><u>\$ 38,251</u></u>	<u><u>\$ 37,921</u></u>

a. Includes \$41 million of cash collateral received from counterparties under derivative agreements (Nil - June 30, 2021).

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

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

d. This amount is included in Other liabilities on the Condensed Balance Sheet. As of December 31, 2021, there were no short sales (Nil - June 30, 2021).

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

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

Table C3: Maturity structure of non-trading investment portfolio

In millions of U.S. dollars

<i>Maturity</i>	<i>December 31, 2021</i>	<i>June 30, 2021</i>
Less than 1 year	\$ 105	\$ 113
Between		
1 - 2 years	86	96
2 - 3 years	68	77
3 - 4 years	55	62
4 - 5 years	13	34
Thereafter	84	90
Total	\$ 411	\$ 472

Commercial Credit Risk

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

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

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

The following table is a summary of the collateral received by IDA related to swap transactions:

Table C4: Collateral Received

In millions of U.S. dollars

	<i>December 31, 2021</i>	<i>June 30, 2021</i>
Collateral received		
Cash	\$ 41	\$ -
Securities	2	-
Total collateral received	\$ 43	\$ -
Collateral permitted to be repledged	\$ 43	\$ -
Amount of collateral repledged	-	-
Amount of Cash Collateral invested	41	-

As of December 31, 2021, and June 30, 2021, there were no liabilities relating to securities transferred under repurchase or securities lending agreements and no securities purchased under resale agreements.

NOTE D—LOANS AND OTHER EXPOSURES

IDA's loans and other exposures are generally made to, or guaranteed by, member countries of IDA. Loans are carried at amortized cost. Other exposures include: Deferred Drawdown Options (DDO), irrevocable commitments and guarantees. Based on IDA's internal credit quality indicators, the majority of the loans outstanding are in the Medium and High-risk classes.

IDA excludes the interest and service charges receivable balance from the amortized cost basis and the related disclosures as permitted by U.S. GAAP. As of December 31, 2021, accrued interest income on loans of \$510 million (\$502 million—June 30, 2021), are presented in Other assets on the Condensed Balance Sheet.

Credit Quality of Sovereign Loans

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

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

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

An assessment was also performed to determine whether a qualitative adjustment was needed on the loan loss provision as of December 31, 2021, including consideration of the COVID-19 pandemic. Management concluded that a qualitative adjustment beyond the regular application of IDA's loan loss provision framework was not warranted.

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

The following tables provide an aging analysis of loans outstanding:

Table D1: Loans-Aging structure

In millions of U.S. dollars

<i>Days past due</i>	<i>December 31, 2021</i>						<i>Current</i>	<i>Total</i>
	<i>Up to 45</i>	<i>46-60</i>	<i>61-90</i>	<i>91-180</i>	<i>Over 180</i>	<i>Total Past Due</i>		
Risk Class								
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510	\$ 510
Medium	-	-	-	-	-	-	22,101	22,101
High	15	1	-	-	-	16	157,308 ^a	157,324
Loans in accrual status	15	1	-	-	-	16	179,919	179,935
Loans in nonaccrual status	7	-	4	9	410	430	484	914
Total	\$ 22	\$ 1	\$ 4	\$ 9	\$ 410	\$ 446	\$ 180,403	\$ 180,849

Table D1.1:

In millions of U.S. dollars

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

a. Includes Private Sector Window (PSW) related loans of \$24 million (\$10 million-June 30, 2021).

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

Table D2: Loan portfolio vintage disclosure

In millions of U.S. dollars

Risk Class	December 31, 2021							Loans	
	Fiscal Year of origination						CAT DDOs	CAT DDOs	Outstanding as
	2022	2021	2020	2019	2018	Prior Years	disbursed and revolving	Converted to Term Loans	of December 31, 2021
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510	\$ -	\$ -	\$ 510
Medium	111	399	558	252	72	20,709	-	-	22,101
High	866	5,900	6,754	8,664	9,427	125,336	190	187	157,324
Loans in accrual status	977	6,299	7,312	8,916	9,499	146,555	190	187	179,935
Loans in nonaccrual status	-	-	-	-	-	914	-	-	914
Total	\$ 977	\$ 6,299	\$ 7,312	\$ 8,916	\$ 9,499	\$ 147,469	\$ 190	\$ 187	\$ 180,849

Table D2.1:

In millions of U.S. dollars

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

The amount of Catastrophe Deferred Drawdown Option (CAT DDO) outstanding and revolving converted to term loans during the three months and six months ended December 31, 2021 was nil and \$187 million, respectively.

Accumulated Provision for Losses on Loans and Other Exposures

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

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

During the six months ended December 31, 2021 and the fiscal year ended June 30, 2021, there were no loans written off under the MDRI.

The balance of the accumulated provision as of July 1, 2020 was increased by an \$802 million transition adjustment recorded upon the adoption of ASU No. 2016-13 - *Financial Instruments—Credit Losses* (ASC 326). The transition adjustment corresponds to the difference between the accumulated provision calculated under the previous “incurred loss” model and the current expected credit loss (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, 2021				
	<i>Loans outstanding</i>	<i>Loan commitments</i>	<i>Debt relief under HIPC/MDRI</i>	<i>Other^a</i>	<i>Total</i>
Accumulated provision, beginning of the fiscal year	\$ 2,946	\$ 1,054	\$ 772	\$ 120	\$ 4,892
Provision, net - charge (release)	52	63	(1)	20	134
Loans written off under:					
Prepayments	-	-	-	-	-
HIPC/MDRI	-	-	(15) ^b	-	(15)
Translation adjustment	(57)	(24)	(7)	(2)	(90)
Accumulated provision, end of the period	<u>\$ 2,941</u>	<u>\$ 1,093</u>	<u>\$ 749</u>	<u>\$ 138</u>	<u>\$ 4,921</u>
Including accumulated provision for losses on:					
Loans in accrual status	\$ 2,693		\$ 464		\$ 3,157
Loans in nonaccrual status	248		285		533
Total	<u>\$ 2,941</u>		<u>\$ 749</u>		<u>\$ 3,690</u>
Loans:					
Loans in accrual status					\$ 179,935
Loans in nonaccrual status					914
Loans outstanding					<u>\$ 180,849</u>

Table D3.1:

In millions of U.S. dollars

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

a. These amounts primarily relate to outstanding guarantees

b. Represents debt service reduction under HIPC

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

Overdue Amounts

As of December 31, 2021, there were no new principal or charges under sovereign loans in accrual status which were overdue by more than three months.

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

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

Table D4: Loans in nonaccrual status

In millions of U.S. dollars

Borrower	Nonaccrual since	Recorded investment ^a	Average recorded investment ^b	Principal Outstanding	Provision for debt relief	Provision for loan losses ^b	Overdue amounts	
							Principal	Charges
Eritrea	March 2012	\$ 437	\$ 441	\$ 437	\$ 285	\$ 16	\$ 109	\$ 34
Syrian Arab Republic	June 2012	14	14	14	-	1	13	1
Zimbabwe	October 2000	463	467	463	-	231	308	68
Total - December 31, 2021		\$ 914	\$ 922	\$ 914	\$ 285	\$ 248	\$ 430	\$ 103
Total - June 30, 2021		\$ 932	\$ 932	\$ 932	\$ 287	\$ 254	\$ 419	\$ 102

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

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

Table D5: Service charge revenue not recognized

In millions of U.S. dollars

	Three months ended December 31,		Six months ended December 31,	
	2021	2020	2021	2020
Service charge revenue not recognized as a result of loans being in nonaccrual status	\$ 1	\$ 4	\$ 3	\$ 8

During the six months ended December 31, 2021 and 2020, no loans were placed into nonaccrual status.

During the three and six months ended December 31, 2021, service charge revenue recognized on loans in nonaccrual status was less than \$0.5 million (Nil – three months and six months ended December 31, 2020).

Guarantees

Guarantees of \$2,424 million were outstanding as of December 31, 2021 (\$2,513 million—June 30, 2021). This amount includes \$499 million relating to the PSW (\$484 million—June 30, 2021). The outstanding amount of guarantees represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees and is not included on the Condensed Balance Sheet. The guarantees issued by IDA have original maturities ranging between 2 and 22 years and expire in decreasing amounts through 2043.

As of December 31, 2021, liabilities related to IDA's obligations under guarantees included the obligation to stand ready of \$151 million (\$138 million—June 30, 2021), and the accumulated provision for guarantee losses of \$123 million (\$109 million—June 30, 2021). These have been included in Other liabilities on the Condensed Balance Sheet.

During the six months ended December 31, 2021 and 2020, no guarantees provided by IDA to sovereign or sub-sovereign borrowers were called. During the six months ended December 31, 2021, none of the IDA-PSW Blended Finance Facility guarantees under the Small Loan Guarantee Program pursuant to the risk-sharing agreement between IDA and IFC were called (less than \$0.5 million—six months ended December 31, 2020).

Concentration Risk

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the six months ended December 31, 2021, loan revenue of \$120 million and \$119 million from two countries, were each in excess of ten percent of total loan revenue.

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

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

Region	As of and for the six months ended December 31,			
	2021		2020	
	Service and Interest Charges ^b	Loans Outstanding	Service and Interest Charges ^b	Loans Outstanding
South Asia	\$ 360	\$ 63,111	\$ 333	\$ 62,602
Eastern and Southern Africa	218	48,443	191	47,406
Western and Central Africa	184	35,580	156	32,968
East Asia and Pacific	117	20,066	113	20,630
Europe and Central Asia	56	7,836	59	7,989
Latin America and the Caribbean	23	3,379	20	3,152
Middle East and North Africa	10	2,410	10	2,589
Others ^a	-	24	-	8
Total	<u>\$ 968</u>	<u>\$ 180,849</u>	<u>\$ 882</u>	<u>\$ 177,344</u>

a. Represents loans under the PSW.

b. Excludes \$1 million of interest rate swap expenses related to loan hedges (\$1 million—six months ended December 31, 2020)

NOTE E—BORROWINGS

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

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

As of December 31, 2021, and June 30, 2021, instruments in IDA's borrowing portfolio measured at fair value were classified as Level 2, within the fair value hierarchy. The fair value of these instruments are as follows (for details on principal due upon maturity, see Note J—Fair Value Disclosures):

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

In millions of U.S. dollars		
	December 31, 2021	June 30, 2021
Market borrowings	\$ 21,960	\$ 20,555
Currency swaps, net	75	(97)
Interest rate swaps, net	371	118
Total at fair value	<u>\$ 22,406</u>	<u>\$ 20,576</u>

Table E2: Market borrowings outstanding, at amortized cost*In millions of U.S dollars*

	<i>Market borrowings, at amortized cost outstanding</i>		
	<i>Principal at face value</i>	<i>Net unamortized premium (discount)</i>	<i>Total</i>
December 31, 2021	\$ 2,264	\$ (9)	\$ 2,255
June 30, 2021	\$ -	\$ -	\$ -

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

	<i>Concessional Partner Loans outstanding</i>		
	<i>Principal at face value</i>	<i>Net unamortized discount</i>	<i>Total</i>
December 31, 2021	\$ 9,211	\$ (1,660)	\$ 7,551
June 30, 2021	\$ 9,495	\$ (1,736)	\$ 7,759

NOTE F—DERIVATIVE INSTRUMENTS

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

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

Table F1: Use of derivatives in various financial portfolios

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

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

Offsetting assets and liabilities

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

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

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

<i>December 31, 2021</i>						
	<i>Derivative Assets</i>			<i>Derivative Liabilities</i>		
	<i>Gross Amounts</i>	<i>Gross Amounts Offset</i>	<i>Net Amounts</i>	<i>Gross Amounts</i>	<i>Gross Amounts Offset</i>	<i>Net Amounts</i>
Interest rate swaps	\$ 716	\$ (604)	\$ 112	\$ 2,465	\$ (1,920)	\$ 545
Currency swaps ^a	19,320	(18,612)	708	10,619	(10,257)	362
Total	<u>\$ 20,036</u>	<u>\$ (19,216)</u>	<u>\$ 820</u>	<u>\$ 13,084</u>	<u>\$ (12,177)</u>	<u>\$ 907</u>
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 557 ^b			\$ 562 ^c
Cash collateral received			41			
Net derivative positions on the Balance Sheet			<u>\$ 222</u>			<u>\$ 345</u>
Less:						
Securities collateral received			2			
Net derivative exposure after collateral			<u>\$ 220</u>			

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

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

*a. Includes currency forward contracts.**b. Includes \$2 million Credit Value Adjustment (CVA) (\$2 million-June 30, 2021).**c. Includes \$6 million Debit Value Adjustment (DVA) (\$6 million-June 30, 2021).*

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

Table F3: Credit risk exposure of the derivative instruments

In millions of U.S. dollars

	<i>December 31, 2021</i>		
	<i>Interest rate swaps</i>	<i>Currency swaps (including currency forward contracts)</i>	<i>Total</i>
Investments - Trading	\$ -	\$ 272	\$ 272
Asset/liability management	45	413	458
Borrowings	52	23	75
Other ^a	15	-	15
Total Exposure	\$ 112	\$ 708	\$ 820

Table F3.1

In millions of U.S. dollars

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

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

The volume of derivative contracts is measured using the U.S. dollar equivalent notional balance. The notional balance represents the face value or reference value on which the calculations of payments on the derivative instrument are determined. At December 31, 2021, the notional amounts of IDA's derivative contracts outstanding were as follows: interest rate swaps \$34,913 million (\$33,432 million as of June 30, 2021), and currency swaps \$31,687 million (\$30,349 million as of June 30, 2021). There were no long or short positions of other derivatives (Nil—June 30, 2021).

Collateral: Under almost all of its ISDA Master Agreements, IDA is not required to post collateral as long as it maintains liquidity holdings at predetermined levels that are a proxy for a triple-A credit rating. After becoming a rated entity, IDA has started to enter into derivative agreements with commercial counterparties in which IDA is not required to post collateral as long as it maintains a triple-A rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position as of December 31, 2021 is \$351 million (\$414 million—June 30, 2021). As of December 31, 2021, IDA was not required to post any collateral in accordance with the relevant agreements.

If the credit-risk related contingent features underlying these agreements were triggered to the extent that IDA would be required to post collateral as of December 31, 2021, the amount of collateral that would need to be posted would be \$8 million (\$25 million—June 30, 2021). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of \$351 million as of December 31, 2021 (\$414 million—June 30, 2021).

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

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

In millions of U.S. dollars

<i>Type of instrument</i>	<i>Reported as</i>	<i>Three Months Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Interest rate swaps	Unrealized mark-to-market (losses) gains on non-trading portfolios, net	\$ (280)	\$ 204	\$ (337)	\$ 383
Currency swaps and currency forward contracts		(37)	31	(65)	(28)
Total		<u>\$ (317)</u>	<u>\$ 235</u>	<u>\$ (402)</u>	<u>\$ 355</u>

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

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

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

In millions of U.S. dollars

<i>Type of instrument^a</i>	<i>Reported as</i>	<i>Three Months Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
		<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Fixed income (including related derivatives)	Unrealized mark-to-market gains on Investment- Trading portfolios, net	<u>\$ 64</u>	<u>\$ 65</u>	<u>\$ 79</u>	<u>\$ 84</u>

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

NOTE G—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

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

On October 14, 2021, IBRD's Board of Governors approved a transfer of \$274 million to IDA. This transfer was received on October 25, 2021. During the fiscal year ended June 30, 2021, IBRD's Board of Governors approved a transfer of \$331 million on January 25, 2021. This transfer was received on February 1, 2021.

Transfers and Grants

Cumulative transfers and grants made to IDA as of December 31, 2021 were \$20,476 million (\$20,202 million—June 30, 2021). Details by transferor are as follows:

Table G1: Cumulative transfers and grants

In millions of U.S. dollars

<i>Transfers from</i>	<i>Beginning of the fiscal year</i>	<i>Transfers during the period</i>	<i>End of period</i>
Total	\$ 20,202	\$ 274	\$ 20,476
Of which transfers from:			
IBRD	16,087	274	16,361
IFC	3,885	-	3,885

Receivables and Payables

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

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

In millions of U.S. dollars

	December 31, 2021			June 30, 2021		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services, net ^a	\$ (210)	\$ -	\$ (210)	\$ (268)	\$ -	\$ (268)
Derivative Transactions						
Derivative assets, net	22	-	22	19	6	25
Derivative liabilities, net	(34)	(7)	(41)	(27)	(2)	(29)
PSW- Blended Finance Facility ^b	-	48	48	-	41	41
Pension and Other Postretirement Benefits	659	-	659	572	-	572
Investments	-	420	420	-	487	487
	<u>\$ 437</u>	<u>\$ 461</u>	<u>\$ 898</u>	<u>\$ 296</u>	<u>\$ 532</u>	<u>\$ 828</u>

a. Includes \$354 million as of December 31, 2021 (\$293 million-June 30, 2021) receivable from IBRD for IDA's share of investments associated with Post-Retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.

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

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

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

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

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

For the three and six months ended December 31, 2021, IDA's share of joint administrative expenses and contributions to special programs totaled \$421 million and \$813 million, respectively (\$450 million and \$905 million - three and six months ended December 31, 2020, respectively).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the three and six months ended December 31, 2021 totaling \$61 million and \$108 million, respectively (\$63 million and \$120 million—three and six months ended December 31, 2020, respectively).

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

Table G3: Fee revenue from affiliated organizations

In millions of U.S. dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Fees charged to IFC	\$ 21	\$ 18	\$ 38	\$ 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, 2021, IDA's share of benefit costs relating to all three plans totaled \$50 million and \$98 million, respectively (\$123 million and \$249 million—three and six months ended December 31, 2020, 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: IDA enters into currency forward contracts with IBRD acting as the intermediary with the market, primarily to convert donors' expected contributions in national currencies under the Sixteenth and Seventeenth replenishments of IDA's resources into the five currencies of the Special Drawing Rights (SDR) basket.

Investments – Non-trading

During the fiscal year ended June 30, 2015, IDA purchased a debt security issued by IFC for a principal amount of \$1,179 million, amortizing over a period of 25 years. The investment carries a fixed interest rate of 1.84% and has a weighted average maturity of 3 years. As of December 31, 2021, the principal amount due on the debt security was \$411 million, (\$472 million—June 30, 2021), and it had a fair value of \$420 million, (\$487 million—June 30, 2021). The investment is reported under Investments on the Condensed Balance Sheet. During the three and six months ended December 31, 2021, IDA recognized interest income of \$2 million and \$4 million, respectively from this investment (\$2 million and \$5 million - three and six months ended December 31, 2020 respectively).

Private Sector Window (PSW)

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

The following tables provide a summary of all PSW related transactions under which IDA has an exposure as of December 31, 2021:

Table G4: Summary of PSW-related transactions

In millions of U.S. dollars						
Facility	Notional		Net Asset/ (Liability) position	Description	Location on the Condensed Balance Sheet	
Local Currency Facility	\$119	\$	\$(7)	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	\$221	\$	\$35	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	\$278	\$	\$50	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
	\$48		Not applicable	Funding for IFC's PSW equity investment	Other assets	
	24		4	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

<i>In millions of U.S. dollars</i>			
	<i>December 31, 2021</i>		<i>June 30, 2021</i>
Balance, beginning of the fiscal year	\$	6,820	\$ 9,141
Disbursements (including PPA grant activity) ^a		(787)	(2,417)
Cancellations		(88)	(235)
Translation adjustment		(120)	331
Balance, end of the period/ fiscal year	\$	5,825	\$ 6,820

a. Project Preparation Advances (PPA)

A summary of the development grant expenses is presented below:

Table H2: Grant activity

In millions of U.S dollars

	<i>Three Months Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Conditional Development grants disbursed ^a	\$ 1,033	\$ 736	\$ 1,585	\$ 1,459
Cancellations	(72)	(13)	(88)	(125)
Disbursement of grant advances not yet expensed ^b	(543)	(352)	(845)	(472)
Grant advances meeting expense condition ^c	225	52	334	70
Grant Expenses	<u>\$ 643</u>	<u>\$ 423</u>	<u>\$ 986</u>	<u>\$ 932</u>
Grants Approved	<u>\$ 3,594</u>	<u>\$ 2,054</u>	<u>\$ 4,682</u>	<u>\$ 4,634</u>

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

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

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

As of December 31, 2021, the cumulative amount of conditional grants approved but not yet expensed is \$17,541 million.

NOTE I—ACCUMULATED OTHER COMPREHENSIVE INCOME

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

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

Table I1: Changes in AOCI

In millions of U.S dollars

	<i>Six Months Ended December 31,</i>	
	<i>2021</i>	<i>2020</i>
Balance, beginning of the fiscal year	\$ 1,656	\$ (3,927)
Currency translation adjustments on functional currencies	(2,891)	7,249
DVA on Fair Value option elected liabilities	(49)	(32)
Balance, end of the period	<u>\$ (1,284)</u>	<u>\$ 3,290</u>

NOTE J— FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of December 31, 2021, and June 30, 2021, IDA had no financial assets or liabilities measured at fair value on a non-recurring basis.

Due from Banks

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

Loans and Loan commitments

There were no loans carried at fair value as of December 31, 2021 and June 30, 2021. IDA's loans and loan commitments would be classified as Level 3 within the fair value hierarchy.

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

Investment securities

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

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

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

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

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

Borrowings

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

As of December 31, 2021, and June 30, 2021, borrowings measured at amortized cost would be classified as Level 2 within the fair value hierarchy.

Derivative instruments

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

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

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

Valuation adjustments on fair value option elected liabilities

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

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

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

In millions of U.S dollars

	<i>December 31, 2021</i>		<i>June 30, 2021</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Assets				
Due from banks	\$ 684	\$ 684	\$ 496	\$ 496
Investments (including securities transferred under repurchase or securities lending agreements)	35,725	35,725	37,376	37,376
Net loans outstanding	177,148	163,476	177,779	164,606
Derivative assets, net	222	222	249	249
Liabilities				
Borrowings				
Market borrowings, at fair value	21,960	21,960	20,555	20,555
Market borrowings, at amortized cost	2,255	2,199	-	-
Concessional partner loans	7,551	9,662	7,759	9,516
Derivative liabilities, net	345	345	408	408

As of December 31, 2021, IDA's signed loan commitments were \$62.5 billion (\$60.8 billion – June 30, 2021) and had a fair value of \$(4.9) billion (\$(5.4) billion – June 30, 2021).

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

Table J2: Fair value hierarchy of IDA's assets and liabilities

In millions of U.S. dollars

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of December 31, 2021</i>			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	\$ 9,505	\$ 13,180	\$ -	\$ 22,685
Time deposits	488	11,858	-	12,346
ABS	-	274	-	274
Total Investments—Trading	9,993	25,312	-	35,305
Investments—Non-trading (at fair value)	-	420	-	420
Total Investments	\$ 9,993	\$ 25,732	\$ -	\$ 35,725
Derivative assets:				
Currency swaps and currency forward contracts	\$ -	\$ 708	\$ -	\$ 708
Interest rate swaps	-	112	-	112
	\$ -	\$ 820	\$ -	\$ 820
Less:				
Amounts subject to legally enforceable master netting agreements ^a				557
Cash collateral received				41
Derivative assets, net				\$ 222
Liabilities:				
Market Borrowings, at fair value	\$ -	\$ 21,960	\$ -	\$ 21,960
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ -	\$ 362	\$ -	\$ 362
Interest rate swaps	-	545	-	545
	\$ -	\$ 907	\$ -	\$ 907
Less:				
Amounts subject to legally enforceable master netting agreements ^b				562
Derivative liabilities, net				\$ 345

a. Includes \$2 million CVA.

b. Includes \$6 million DVA.

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

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

*a. These include swaptions, exchange traded options, futures contracts and TBA securities.**b. Includes \$2 million CVA.**c. Includes \$6 million DVA.*

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

Table J3: Investment portfolio-Non-trading securities*In millions of U.S. dollars*

	<i>Fair value</i>	<i>Principal amount due</i>	<i>Difference</i>
December 31, 2021	\$ 420	\$ 411	\$ 9
June 30, 2021	\$ 487	\$ 472	\$ 15

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

Table J4: Market Borrowings reported at fair value and contractual principal balance

In millions of U.S. dollars

	<i>Fair Value</i>	<i>Principal Due Upon Maturity</i>	<i>Difference</i>
December 31, 2021	\$21,960	\$22,335	\$(375)
June 30, 2021	\$20,555	\$20,659	\$(104)

Valuation adjustments on fair value option elected liabilities

During the six months ended December 31, 2021, IDA recorded unrealized mark-to-market losses of \$49 million (\$32 million losses— six months ended December 31, 2020) in Other Comprehensive Income, in relation to the changes in its own credit (DVA) on fair value option elected liabilities (market borrowings carried at fair value).

As of December 31, 2021, IDA's Condensed Balance Sheet included a DVA of \$105 million cumulative loss (\$56 million cumulative loss—June 30, 2021) in Accumulated other comprehensive income, associated with the changes in IDA's own credit for its market borrowings reported at fair value.

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

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

In millions of U.S. dollars

	<i>Three Months Ended December 31, 2021</i>			<i>Six Months Ended December 31, 2021</i>		
		<i>Unrealized gains (losses) excluding realized amounts ^a</i>	<i>Unrealized gains (losses)</i>		<i>Unrealized gains (losses) excluding realized amounts ^a</i>	<i>Unrealized gains (losses)</i>
	<i>Realized gains (losses)</i>			<i>Realized gains (losses)</i>		
Investments, Trading—Note F	\$ 110	\$ (46)	\$ 64	\$ 173	\$ (94)	\$ 79
Non-trading portfolios, net						
Asset-liability management—Note F	-	(146)	(146)	-	(88)	(88)
Investment portfolio—Note C	-	(3)	(3)	-	(5)	(5)
Borrowing portfolio—Note E	-	(1)	(1)	-	10	10
Other ^b	-	1	1	-	(4)	(4)
Total	\$ -	\$ (149)	\$ (149)	\$ -	\$ (87)	\$ (87)

Table J5.1:

In millions of U.S. dollars

	<i>Three Months Ended December 31, 2020</i>			<i>Six Months Ended December 31, 2020</i>		
		<i>Unrealized gains (losses) excluding realized amounts ^a</i>	<i>Unrealized gains (losses)</i>		<i>Unrealized gains (losses) excluding realized amounts ^a</i>	<i>Unrealized gains (losses)</i>
	<i>Realized gains (losses)</i>			<i>Realized gains (losses)</i>		
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)
Borrowing portfolio—Note E	-	7	7	-	14	14
Other ^b	-	1	1	-	(1)	(1)
Total	\$ -	\$ 266	\$ 266	\$ -	\$ 395	\$ 395

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

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

NOTE K—CONTINGENCIES

Due to the ongoing COVID-19 pandemic, IDA faces additional credit, market and operational risks. 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 within existing financial policies and limits.

From time to time, IDA may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. The outcome of any existing legal action, in which IDA has been named as a defendant or co-defendant, as of and for the six months ended December 31, 2021, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.

INDEPENDENT AUDITOR'S REVIEW REPORT



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INDEPENDENT AUDITOR'S REVIEW REPORT

President and Board of Executive Directors
International Development Association:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed balance sheet of the International Development Association ("IDA") as of December 31, 2021, and the related condensed statements of income, and comprehensive income for the three-month and six-month periods ended December 31, 2021 and 2020, and the condensed statements of changes in accumulated deficit, and cash flows for the six-month periods ended December 31, 2021 and 2020, and the related notes (collectively referred to as the "interim financial information").

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

Basis for Review Results

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

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Balance Sheet as of June 30, 2021

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of June 30, 2021, and the related statements of income, comprehensive income, changes in accumulated deficit, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated

August 6, 2021. In our opinion, the accompanying condensed balance sheet of IDA as of June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte & Touche LLP

February 11, 2022