International Development Association

Management's Discussion & Analysis
and
Condensed Quarterly Financial Statements
December 31, 2018
(Unaudited)

International Development Association (IDA)

Management's Discussion and Analysis

December 31, 2018

Contents

This Management's Discussion & Analysis (MD&A) discusses the results of the International Development Association's (IDA) financial performance for the six month period ended December 31, 2018 (FY19 YTD). This document should be read in conjunction with IDA's financial statements and MD&A issued for the fiscal year ended June 30, 2018 (FY18). IDA undertakes no obligation to update any forward-looking statements. IDA produces publicly available information relating to its development operations' results and corporate performance, which can be found in the World Bank Corporate Scorecard and Sustainability Review.

Box 1 provides IDA's selected financial data as of and for the six months ended December 31, 2018 and December 31, 2017 (FY18 YTD), as well as for the fiscal years ended June 30, 2015-2018.

Box 1: Selected Financial Data

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

	As of and for the six months ended December 31,		As of and for the Fiscal Years ended June 30,			
	2018	2017	2018	2017	2016	2015
Lending Highlights (Section IV)						
Loans, Grants and Guarantees						
Commitments[a]	$ 9,306	$ 8,711	$ 24,010	$ 19,513	$ 16,171	$ 18,966
Gross disbursements	7,608	6,187	14,383	12,718	13,191	12,905
Net disbursements	4,999	3,715	9,290	8,154	8,806	8,820
Balance Sheet (Section IV)						
Total assets	$ 201,591	$ 201,831	$ 206,330	$ 197,041	$ 180,475	$ 178,685
Net investment portfolio	30,109	29,324	33,735	29,673	29,908	28,418
Net loans outstanding	147,184	143,671	145,656	138,351	132,825	126,760
Borrowings	7,316	4,330	7,305	3,660	2,906	2,150
Total equity	161,079	161,240	163,945	158,476	154,700	147,149
Income Statement (Section IV)						
Interest revenue, net of borrowing expenses	$ 838	$ 813	$ 1,647	$ 1,521	$ 1,453	$ 1,435
Transfers from affiliated organizations and others	251	123	203	599	990	993
Development grants	(3,194)	(2,529)	(4,969)	(2,577)	(1,232)	(2,319)
Net (loss) income	(2,555)	(2,621)	(5,231)	(2,296)	371	(731)
Capital Adequacy (Section V)						
Deployable strategic capital ratio	36.2%	37.4%	37.4%	37.2%	NA	NA

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

Section I: Executive Summary

Goals and the 2030 Development Agenda

With its many years of experience and its depth of knowledge in the international development arena, IDA plays a key role in achieving the World Bank Group's (WBG[1]) overarching goals of ending extreme poverty by 2030 and promoting shared prosperity in a sustainable manner[2], and its three priorities of sustainable and inclusive growth, investment in human capital, and strengthening resilience. These goals and priorities reflect and support the international community's development agenda set for 2030, which include the Sustainable Development Goals (SDGs).

The Forward Look: A Vision for the World Bank Group in 2030, describes how the WBG will deliver on its twin goals and its three priorities. The Forward Look rests on four pillars: serving all clients; mobilizing resources for development; leading on global issues; and improving the business model.

The Eighteenth Replenishment of IDA (IDA18) represents an innovative policy and financing package for FY18 through FY20. The IDA18 financing framework represents a fundamental shift in IDA's approach to mobilizing finance since it combines contributions from members with market debt, thereby allowing IDA to provide US$75 billion[3] in financing for its clients. IDA18 is integral to the progress IDA is making toward implementing the Forward Look strategy.

Financial Results and Portfolio Performance

Equity and Capital Adequacy

As of December 31, 2018, IDA's reported equity was $161.1 billion, a decrease of $2.8 billion from June 30, 2018. The decrease was primarily due to the reported net loss and negative currency translation adjustments during the period, partially offset by cash received from members for subscriptions and contributions. The net loss was primarily driven by the impact of development grants provided to IDA's eligible members. See Section IV: Financial Results.

$161.1 billion
Total Equity

IDA's deployable strategic capital (DSC) ratio was 36.2% as of December 31, 2018, above the zero percent policy minimum. IDA's capital continues to be adequate to support its operations. See Section V: Risk Management.

36.2%
DSC

Lending Operations

IDA had $9.3 billion of commitments in FY19 YTD, of which $6 billion were loan and guarantee commitments. The remaining $3.3 billion were grant commitments, which are recorded as an expense in IDA's Statement of Income, net of grant cancellations.

IDA's net loans outstanding increased by $1.5 billion, to $147.2 billion as of December 31, 2018, from $145.7 billion as of June 30, 2018. The key driver of the increase was the $3.2 billion of net loan disbursements during the period.

$147.2 billion
Net Loans Outstanding

$3.3 billion
Grant Commitments

---

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

[2] *By decreasing the percentage of people living on less than $1.90 a day to no more than 3% by 2030 and improving the income growth of the bottom 40% in each country.*

[3] *U.S. dollar amounts are based on an IDA18 reference rate of USD/SDR 1.40207. The U.S. dollar amounts are provided for illustrative purposes only, as IDA's balance sheet is predominantly managed in Special Drawing Rights (SDR).*

Net Investment Portfolio

IDA's investments remain concentrated in the upper end of the credit spectrum, with 62% rated AA or above (See **Table 13)**, reflecting IDA's objective of principal protection and resulting preference for high quality investments. As of December 31, 2018, the net investment portfolio was $30.1 billion, a decrease of $3.6 billion compared with June 30, 2018, primarily due to net disbursements of loans and grants.

$30.1 billion
Net Investment Portfolio

Borrowing Portfolio

IDA raised $1.5 billion in fixed-rate market debt in April, 2018, in its first issuance in the international capital markets. The issuance was denominated in U.S. dollars and has a five-year maturity.

$1.5 billion
Market Borrowings

As of December 31, 2018, total borrowings from members - Concessional Partner Loans (CPLs) - were $5.8 billion, largely unchanged compared with June 30, 2018.

$5.8 billion
CPLs

Net Income

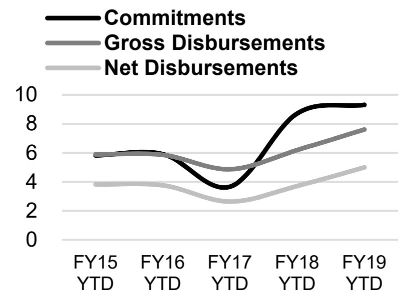
For FY19 YTD, IDA reported a net loss of $2.6 billion, which was primarily driven by the impact of $3.3 billion of grants provided to IDA's eligible members. Grants are financed by contributions from members. These contributions carry voting rights and are therefore recorded as equity and not reflected in the Statement of Income.

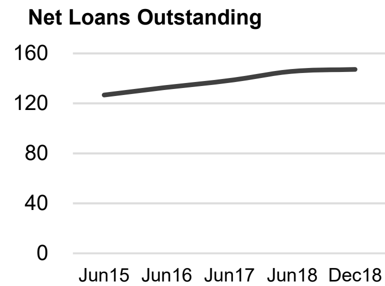
$2.6 billion
Net loss

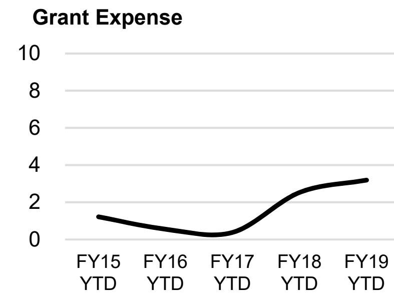
Key Performance Indicators

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

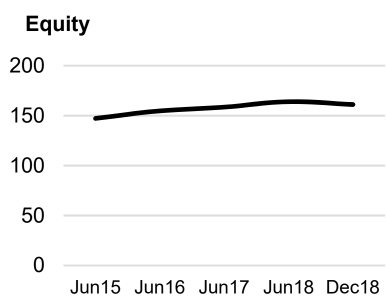
Lending – During the first six months of FY19, IDA committed $9.3 billion to help its eligible member countries to finance their development needs. Since IDA's loans are primarily in SDR, their reported balance is affected by the appreciation/depreciation of the SDR against the U.S. dollar.

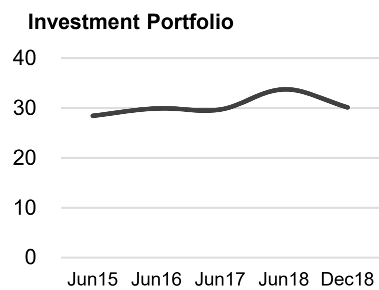


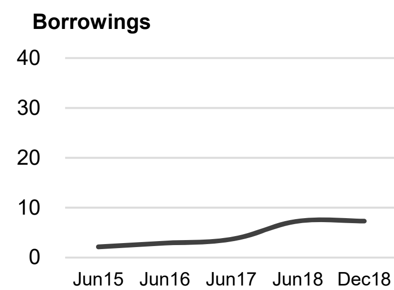




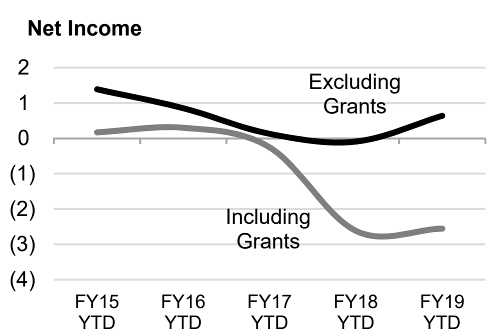
Equity, Liquidity & Borrowings – Each successive replenishment has increased the amount of equity available to finance IDA's operations. Since IDA's resources are managed primarily in SDR, the reported balance of IDA's equity is affected by the appreciation/depreciation of the SDR against the U.S. dollar,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

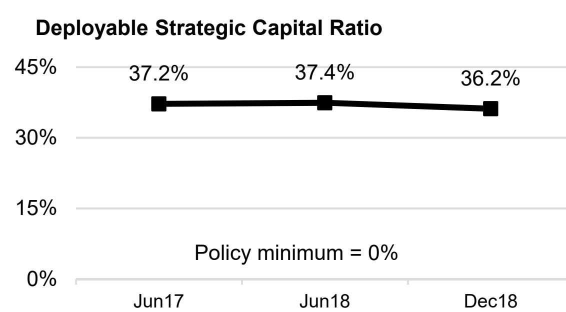






Financial Results & Capital Adequacy – IDA's reported net losses are primarily driven by its grant activity, as previously discussed. Given the long duration of IDA's investment portfolio, which is carried at fair value, results can also be affected by unrealized mark-to-market gains and losses due to movements in the relevant yield curves. IDA's main measure for capital adequacy, the DSC, has decreased by 1.2% compared with June 30, 2018. The DSC measures the amount of capital available to support future commitments above the current loan portfolio.





Section II: Overview

Owned by its 173 members[4], IDA, a triple-A rated entity and one of the five institutions of the WBG, has been providing financing and knowledge services to many of the world's developing countries for more than 58 years. While its main business activity is extending loans to its eligible member countries, by operating across a wide range of country clients, IDA maintains a depth of development knowledge, uses its convening power to advance the global public goods agenda, and coordinates responses to regional and global challenges. IDA leverages 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.

Financial Business Model

IDA has financed its operations over the years with its own equity, including periodic additions to equity provided by member countries as part of the replenishment process. In order to make the most efficient use of the strong equity base that has been built up over the decades, IDA has included market debt in its business model starting from FY18. By prudently leveraging its equity and blending market debt with additional equity contributions from members, IDA has increased its financial efficiency, and scaled up its financing to support the escalating demand for its resources to deliver on the following priorities:

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

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

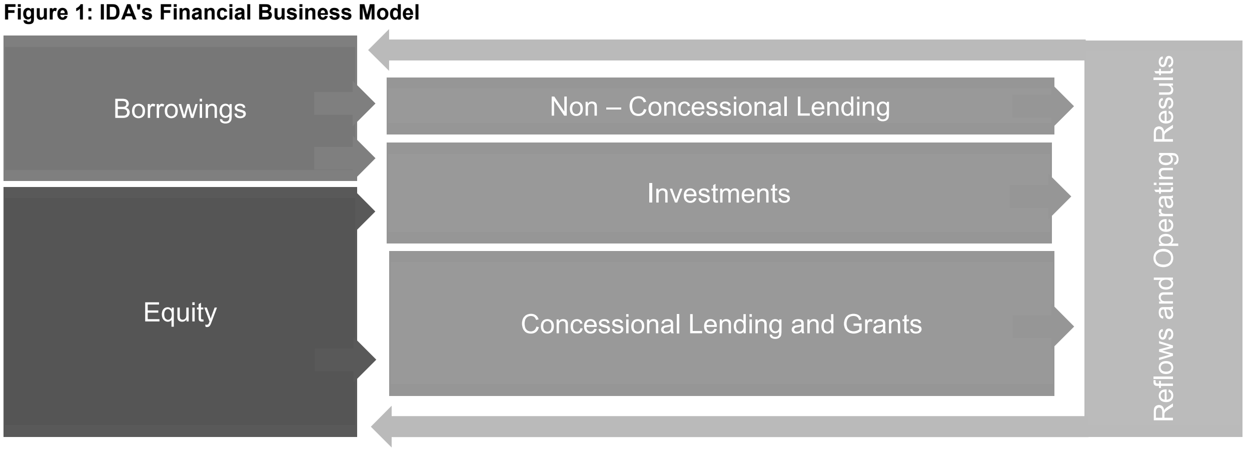
Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), referred to in this document as the "reported basis". IDA's functional currencies are the SDR and its component currencies of U.S. dollar, Euro, Japanese Yen, Pound Sterling and Chinese Renminbi. For the convenience of its members and other users, IDA's financial statements are reported in U.S. dollars.

Fair Value Results

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

Figure 1: IDA's Financial Business Model



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

Section III: IDA's Financial Resources

IDA18 Funding

IDA's Commitment Authority, the resource envelope available for financing lending and grant commitments made during the three-year replenishment period, is based on the long-term outlook of IDA's financial sustainability. This takes into account the amount of member contributions and the concessionality of the proposed financing to borrowers, market conditions, and capital adequacy requirements. For the three-year funding cycle of IDA18, the agreed resource envelope totals $75 billion, including $27 billion of member contributions.

Allocation of IDA18 Resources

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

Cumulative commitments under IDA18 for concessional lending, as of December 31, 2018, amounted to $30.7 billion, of which $22.4 billion was in the form of loans and guarantees, and $8.3 billion in the form of grants. Included in these commitments were $7.7 billion to countries identified as being in situations of fragility, conflict and violence.

Non-Concessional lending comprises loans and guarantees whose terms are aligned with those of IBRD's flexible loans and guarantees. As of December 31, 2018, commitments for non-concessional financing were $2.6 billion.

A $2.5 billion IFC-MIGA Private Sector Window (PSW) has been created in IDA18, with the goal of mobilizing private sector investment in the IDA-only countries and IDA-eligible Fragile and Conflict-affected States. For further details, see Section III: IDA's Financial Resources of the MD&A for the fiscal year ended June 30, 2018. As of December 31, 2018, instruments totaling $191 million had been approved under the PSW, for which $73 million of the window has been utilized, comprised of:

- $44 million for guarantees
- $0.2 million in exposure through the funding of IFC's PSW related equity investments.
- $29 million for derivatives.

Section IV: Financial Results

Summary of Financial Results

IDA had a net loss of $2,555 million in FY19 YTD compared with a net loss of $2,621 million in FY18 YTD. The net loss in both periods was driven by grant activity.

These grants are funded by member contributions, which carry voting rights and are therefore recorded in equity as subscriptions and contributions.

Table 1: Condensed Statement of Income

In millions of U.S. dollars

For the six months ended December 31,	2018	2017	Variance
Interest Revenue			
Loans	$ 714	$ 669	$ 45
Investments, net	229	209	20
Borrowings, net	(105)	(65)	(40)
Interest Revenue, net of borrowing expenses	**838**	**813**	**25**
Provision for losses on loans and other exposures	(94)	(74)	(20)
Other expenses, net (Table 10)	20	(25)	45
Net non-interest expenses (Table 9)	(728)	(741)	13
Transfers from affiliated organizations and others	251	123	128
Non-functional currency translation adjustment gains (losses), net	77	(172)	249
Unrealized mark-to-market gains (losses) on investments-trading portfolio, net	71	(35)	106
Unrealized mark-to-market gains on non-trading portfolios, net	204	19	185
Development Grants	(3,194)	(2,529)	(665)
Net Loss	**$ (2,555)**	**$ (2,621)**	**$ 66**

Table 2: Condensed Balance Sheet

In millions of U.S. dollars

As of	December 31, 2018	June 30, 2018	Variance
Assets			
Due from Banks	$ 529	$ 523	$ 6
Investments	30,921	36,075	(5,154)
Net loans outstanding	147,184	145,656	1,528
Receivable from derivatives	20,970	21,914	(944)
Other assets	1,987	2,162	(175)
Total assets	**$ 201,591**	**$ 206,330**	**$ (4,739)**
Liabilities			
Borrowings	$ 7,316	$ 7,305	$ 11
Payable for derivatives	20,650	21,958	(1,308)
Other liabilities	12,546	13,122	(576)
Equity	161,079	163,945	(2,866)
Total liabilities and equity	**$ 201,591**	**$ 206,330**	**$ (4,739)**

Total Assets

As of December 31, 2018, total assets were $201.6 billion, a decrease of $4.7 billion from June 30, 2018. The decrease was primarily driven by a decrease in investments. The net investment portfolio was $30.1 billion as of December 31, 2018, lower by $3.6 billion as compared to June 30, 2018, mainly due to net outflows for loan and grant disbursements.

As of December 31, 2018, while the amounts receivable and payable for derivatives were $21.0 billion and $20.7 billion respectively, IDA's net derivative exposure after master-netting agreements and collateral was $363 million, a $113 million increase as compared with June 30, 2018. See Notes to the Condensed Quarterly Financial Statements, Note E: Derivative Instruments.

Equity

IDA's equity was $161.1 billion as of December 31, 2018, a $2.8 billion decrease compared to June 30, 2018. The decrease was primarily due to:

- $2.6 billion of net loss incurred during the period. The net loss primarily reflects the impact of IDA's grant expenses during the period, and,
- $1.7 billion of negative currency translation adjustments from the depreciation of the SDR against the U.S. dollar, partially offset by
- $1.4 billion of cash received from members for subscriptions and contributions.

Table 3: Changes in Equity
In millions of U.S. dollars

Equity balance as of June 30, 2018	$	163,945
Subscriptions and contributions paid-in		3,123
Nonnegotiable, noninterest-bearing demand obligations		(1,737)
Accumulated deficit		(2,555)
Accumulated other comprehensive loss		(1,697)
Total activity	$	(2,866)
Equity balance as of December 31, 2018	$	161,079

Loan Portfolio and Grant Activity

As of December 31, 2018, IDA's net loans outstanding were $147.2 billion, $1.5 billion higher compared with June 30, 2018. The increase was mainly due to $3.2 billion in net positive loan disbursements partially offset by negative currency translation adjustments of $1.6 billion, consistent with the 1.1% depreciation of the SDR against the U.S. dollar during the period. As of December 31, 2018, 95% of IDA's total loans outstanding were denominated in SDR.

Loans Outstanding

Loans outstanding as of December 31, 2018, were $151.6 billion. Of this amount, the Africa and South Asia regions accounted for 78%. See **Table 4** for details.

Table 4: Loans Outstanding by Region

In millions of U.S. dollars

As of		December 31, 2018	% of total			June 30, 2018	% of total			Variance
Africa	$	61,302	40	%	$	59,220	39	%	$	2,082
East Asia and Pacific		19,534	13			19,638	13			(104)
Europe and Central Asia		7,812	5			7,389	5			423
Latin America and the Caribbean		2,657	2			2,605	2			52
Middle East and North Africa		2,776	2			2,891	2			(115)
South Asia		57,527	38			58,285	39			(758)
Total	**$**	**151,608**	**100**	**%**	**$**	**150,028**	**100**	**%**	**$**	**1,580**

Commitments

In the first six months of FY19, IDA had new commitments totaling $9.3 billion ($6 billion of loans and guarantees and $3.3 billion of grants). These commitments primarily supported operations in the Equitable Growth, Finance & Institutions, and Infrastructure clusters. The operations were largely concentrated in Macroeconomics, Trade and Investment related projects.

The Africa and South Asia regions together accounted for 94% of the FY19 YTD commitments of loans and guarantees (See **Table 5**).

Commitments of loans in FY19 YTD were $5,821 million, a decrease of $369 million (6%) compared with FY18 YTD ($6,190 million). The net decrease in FY19 YTD loan commitments was primarily due to a $1.4 billion decrease in Program-for-Results lending, offset by a $1.1 billion increase in investment project financing. The regional distribution of FY19 YTD commitments was consistent with FY18 YTD.

Commitments of guarantees in FY19 YTD were $228 million, an increase of $225 million compared with FY18 YTD ($3 million). All of the guarantees related to the Africa region.

Grant commitments in FY19 YTD increased by 29% ($739 million) compared with FY18 YTD (See **Table 6**). The grant commitments in both periods were primarily in the Africa region.

Table 5: Commitments of Loans and Guarantees by Region

In millions of U.S. dollars

For the six months ended December 31,	2018	% of total	2017	% of total	Variance
Africa	$ 3,618	60 %	$ 3,673	59 %	$ (55)
East Asia and Pacific	166	3	185	3	(19)
Europe and Central Asia	149	2	71	1	78
Latin America and the Caribbean	59	1	-	-	59
Middle East and North Africa	30	*	-	-	30
South Asia	2,027	34	2,264	37	(237)
Total	**$ 6,049**	**100** %	**$ 6,193**	**100** %	**$ (144)**

** denotes less than 0.5%*

Table 6: Commitments of Grants by Region

In millions of U.S. dollars

For the six months ended December 31,	2018	% of total	2017	% of total	Variance
Africa	$ 2,517	77 %	$ 2,035	81 %	$ 482
East Asia and Pacific	181	6	53	2	128
Europe and Central Asia	48	1	55	2	(7)
Latin America and the Caribbean	20	1	-	-	20
Middle East and North Africa	145	4	350	14	(205)
South Asia	346	11	25	1	321
Total	**$ 3,257**	**100** %	**$ 2,518**	**100** %	**$ 739**

IDA's loans generally disburse within five to ten years for investment project financing and one to three years for development policy financing, therefore, each year's disbursements also include amounts relating to commitments made in earlier years (See **Table 7**)

Table 7: Gross Disbursements of Loans and Grants by Region

In millions of U.S. dollars

	2018			2017		
For the six months ended December 31,	Loans	Grants[a]	Total	Loans	Grants[a]	Total
Africa	$ 3,071	1,309	4,380	$ 2,778	999	3,777
East Asia and Pacific	669	62	731	590	41	631
Europe and Central Asia	724	66	790	154	27	181
Latin America and the Caribbean	117	83	200	64	49	113
Middle East and North Africa	21	62	83	38	245	283
South Asia	1,226	198	1,424	1,036	166	1,202
Total	**$ 5,828**	**1,780**	**7,608**	**$ 4,660**	**1,527**	**6,187**

a. Excludes Project Preparation Advances (PPA).

As of December 31, 2018, 62% of IDA's loans were on regular terms (75bps SDR equivalent service charge), see **Table 8**. For a summary of financial terms for IDA's lending products, effective July 1, 2018, refer to Section V: Development Activities, Products and Programs of IDA's MD&A for the fiscal year ended June 30, 2018.

During the first six months of FY19, IDA earned interest revenue of $166 million and service charge revenue of $548 million, an increase of $29 million and $16 million, respectively, compared with the same period in FY18. These increases were driven by the increased volume of loans.

Table 8: Loan Balances and Revenue by Category

In millions of U.S. dollars

	Balance as of December 31,		Interest revenue (For the six months ended December 31,)		Service charge revenue (For the six months ended December 31,)	
Category	2018	2017	2018	2017	2018	2017
Loans						
Concessional						
Regular	$ 94,595	$ 91,015	$ 7	$ 8	$ 340	$ 325
Blend	54,454	54,786	120	104	203	202
Hard	1,310	1,295	19	19	5	5
Non-concessional						
Transitional support	601	270	10	3	-	-
Scale-up Facility [a]	648	268	10	3	-	-
Total	**$ 151,608**	**$ 147,634**	**$ 166**	**$ 137**	**$ 548**	**$ 532**

a. $6 million of commitment charges were earned in FY19 YTD under the Scale-up Facility ($3 million in FY18 YTD)

Investment Portfolio

IDA's net investment portfolio was $30.1 billion as of December 31, 2018, a decrease of $3.6 billion compared with June 30, 2018. The key drivers during the period were:

- The outflow of $7.6 billion in loan and grant disbursements,
- The inflow of $2.6 billion in the form of loan repayments and prepayments, and
- The inflow of $1.4 billion relating to member contributions.

Borrowing Portfolio

As part of IDA18, five members have agreed to provide IDA with concessional loans totaling $5.2 billion. As of December 31, 2018, IDA has signed concessional loan agreements totaling $5 billion, of which $2.1 billion was received as debt proceeds. As of December 31, 2018, total borrowings from members under IDA17 and IDA18 were $5.8 billion.

In FY18, for the first time, IDA issued $1.5 billion of debt in the international capital markets. This debt was denominated in U.S. dollars and has a maturity of five years. As part of IDA's asset-liability management strategy, IDA also entered into derivatives to convert the fixed rate bond into a floating rate instrument. See Notes to the Condensed Quarterly Financial Statements, Note D: Borrowings.

Transfers from Affiliated Organizations

On October 12, 2018, IBRD's Board of Governors approved a transfer of $248 million to IDA, bringing the cumulative transfers to $15,497 million. This transfer was received on October 23, 2018.

Net Non-Interest Expenses

As shown in **Table 9**, IDA's net non-interest expenses primarily comprise administrative expenses, net of revenue from externally funded activities. IBRD and IDA's administrative budget is a single resource envelope that funds the combined work programs of IBRD and IDA. The allocation of administrative expenses between IBRD and IDA is based on an agreed cost and revenue sharing methodology, approved by their Boards, which is primarily driven by the relative level of activities relating to lending, knowledge services, and other services between the two institutions. The staff costs and consultant and contractual services shown in the table below include costs related to IDA-executed trust funds, which are recovered through revenue from externally funded activities.

IDA's net non-interest expenses were $728 million for FY19 YTD, a $13 million decrease compared with FY18 YTD. The key drivers of the decrease related to the increase in revenue from externally funded activities partially offset by the increase in costs allocated to IDA under the cost sharing methodology, due to the increase in client engagement activities associated with IDA18. See **Table 9** for a comparison of the main sources of Administrative expenses and revenue from externally funded activities between FY19 YTD and FY18 YTD.

Table 9: Net Non-Interest Expenses

In millions of U.S. dollars

For the six months ended December 31,	2018	2017	Variance
Administrative expenses:			
Staff costs	$ 528	$ 499	$ 29
Travel	83	78	5
Consultant and contractual services	172	165	7
Pension and other post-retirement benefits	152	161	(9)
Communications and technology	29	28	1
Equipment and buildings	71	67	4
Other expenses	20	27	(7)
Total administrative expenses	$ 1,055	$ 1,025	$ 30
Contributions to special programs	20	19	1
Revenue from externally funded activities:			
Reimbursable revenue - IDA executed trust funds	(205)	(186)	(19)
Other revenue	(142)	(117)	(25)
Total revenue from externally funded activities	$ (347)	$ (303)	$ (44)
Net Non-Interest Expenses (Table 1)	**$ 728**	**$ 741**	**$ (13)**

During FY19 YTD, IDA's net other expenses decreased by $45 million. The main driver was the PPA grant activity, including cancellations and refinancing of PPA grants previously approved.

Table 10: Other expenses, net

In millions of U.S. dollars

For the six months ended December 31,	2018	2017	Variance
Other (primarily PPA grants)	$ (8)	$ 32	$ (40)
Guarantee fees	(6)	(4)	(2)
Commitment charges	(6)	(3)	(3)
Other expenses, net (Table 1)	**$ (20)**	**$ 25**	**$ (45)**

Section V: Risk Management

Risk Governance

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

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

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

i. Business units are responsible for directly managing risks in their respective functional areas,

ii. The Vice President and WBG Chief Risk Officer (CRO) provides direction, challenge, and oversight over financial and operational risk activities, and

iii. Internal Audit provides independent oversight.

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

Risk Oversight and Coverage

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

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

Summary and 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 activities. The primary financial risk to IDA is the country credit risk inherent in its loan and guarantee portfolio. IDA is also exposed to risks in its liquid asset and derivative portfolios, where the major risks are interest rate, exchange rate, commercial counterparty, and liquidity risks. IDA's operational risk management framework is based on a structured and uniform approach to identify, assess and monitor key operational risks across business units.

Capital Adequacy

IDA uses a solvency-based capital adequacy model, which mandates that IDA holds capital for credit risk, market risk and operational risk covering all activities and assets on its books. The main measure of capital adequacy is the Deployable Strategic Capital (DSC), which is the capital available to support future commitments, over and above the current portfolio. IDA is required, by the Board, to keep the DSC at levels greater than or equal to zero percent. The DSC is calculated as the amount by which Total Resources Available (TRA) exceed Total Resources Required (TRR), plus a Conservation Buffer (CB). The TRA consists of IDA's existing equity plus its outstanding loan loss reserve. The TRR is the minimum capital required to cover expected and unexpected losses in connection with all of IDA's currently existing operations and assets. It also includes a capital allowance to reflect losses that result from valuing IDA's concessional loan portfolio in present value terms using market interest rates. The CB is an extra buffer in the amount of 10 percent of TRA. As of December 31, 2018, the DSC was 36.2%, lower compared with June 30, 2018. The 1.2% decrease in the DSC ratio was mainly due to the decrease in IDA's equity as of December 31, 2018, see **Table 11**.

Table 11: Deployable Strategic Capital Ratio

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

As of	December 31, 2018		June 30, 2018	
Total Resources Available (TRA)	$	165.5	$	168.3
Total Resources Required (TRR)[a]		89.1		88.5
Conservation Buffer (CB)		16.5		16.8
Deployable Strategic Capital (DSC = TRA-TRR-CB)	$	59.9	$	63.0
Deployable Strategic Capital as a percentage of TRA		**36.2%**		**37.4%**

a. TRR will be increased for the $2.5 billion allocated to the PSW as it is utilized.

In addition to the DSC framework, IDA has policies in place to ensure alignment of its lending and borrowing activities. These policies have informed the prudent capital adequacy and liquidity risk management policies. Included in these policies are asset coverage requirements, where Management will monitor asset and liquidity levels to ensure IDA's ability to satisfy all its borrowing and commitment obligations. See Section IX: Risk Management of IDA's June 30, 2018 MD&A.

Management of Credit and Market Risks

Credit Risk

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

Country credit risk

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

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

For FY19, the SBL has been set at $41 billion (25% of $164 billion of equity as of June 30, 2018). Currently, the maximum country exposure levels compatible with IDA's overall capital adequacy target are lower than the SBL for all IDA-borrowing countries. As a consequence, the SBL is not currently a constraining factor.

Probable Losses, Overdue Payments and Non-Performing Loans

When a borrower fails to make payments on any principal, interest or other charges due to IDA, IDA may suspend disbursements immediately on all loans and grants to that borrower. IDA's current practice is to exercise this option using a graduated approach. These practices also apply to member countries eligible to borrow from both IDA and IBRD, and whose payments on IBRD loans may become overdue. It is IDA's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of December 31, 2018, no borrowing countries in IDA's accrual portfolio had overdue payments beyond 90 days.

As of December 31, 2018, approximately 1.7% of IDA's loans were in nonaccrual status, unchanged from June 30, 2018. See Notes to the Condensed Quarterly Financial Statements, Note F: Loans and Other Exposures.

Table 12 provides details of the top five borrowers with the largest loan outstanding balances as of December 31, 2018. These borrowers represented 48% of loans outstanding as of that date.

Table 12: Top Five Borrowers with the Largest Outstanding Balance

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

Country	Total	India	Bangladesh	Pakistan	Vietnam	Nigeria	Others
Eligibility		IBRD	IDA only	Blend	IBRD	Blend	
Loans Outstanding	$ 151,608	$ 23,069	$ 14,501	$ 13,795	$ 12,908	$ 8,433	$ 78,902
% of Total Loans Outstanding	100	15	10	9	8	6	52
Weighted Average Maturity (Years)	12.2	5.6	13.8	11.4	13.0	14.5	13.6
Loans outstanding by terms							
Concessional							
Regular	94,595	4,574	14,497	870	7,581	5,296	61,777
Blend	54,454	17,440	-	12,267	5,055	3,137	16,555
Hard	1,310	454	-	457	266	-	133
Non-concessional							
Scale-up Facility	648	-	4	201	6	-	437
Transitional support	601	601	-	-	-	-	-
Undisbursed balance	$ 59,896	$ 4,360	$ 7,923	$ 3,468	$ 4,433	$ 6,295	$ 33,417

Commercial Counterparty Credit Risk Exposure

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

As a result of IDA's use of mark-to-market collateral arrangements for swap transactions, its residual commercial counterparty credit risk exposure is concentrated in the investment portfolio, in instruments issued by sovereign governments and non-sovereign holdings (including Agencies, Asset-backed securities, Corporates, and Time Deposits). (**Table 13**).

The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 62% of the portfolio rated AA or above as of December 31, 2018, 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 $30.5 billion as of December 31, 2018.

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

Table 13: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

In millions of U.S. dollars

As of	December 31, 2018				June 30, 2018			
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Total Exposure	% of Total	Sovereigns	Non-Sovereigns	Total Exposure	% of Total
AAA	$ 4,697	$ 6,017	**$ 10,714**	35	$ 6,586	$ 5,003	**$ 11,589**	32
AA	1,900	6,336	**8,236**	27	2,659	6,861	**9,520**	27
A	8,302	3,212	**11,514**	38	9,752	4,783	**14,535**	41
BBB or below	29	1	**30**	*	30	3	**33**	*
Total	**$ 14,928**	**$ 15,566**	**$ 30,494**	**100**	**$ 19,027**	**$ 16,650**	**$ 35,677**	**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.*

** Denotes less than 0.5%.*

Interest Rate Risk

Given IDA's lengthy disbursement profile, the duration of IDA's assets is relatively long. This long duration, combined with volatility in market interest rates, would result in significant year-on-year variability in the fair value of equity. However, since the loan portfolio is not reported at fair value under U.S. GAAP, the impact of this variability on IDA's Balance Sheet is not fully evident. **Table 14** provides a fair value estimate of IDA's financial assets and liabilities.

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

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

As of December 31, 2018, IDA's investment-trading portfolio (liquid asset portfolio) had a duration of slightly below 2 years. During FY19 YTD, this portfolio experienced unrealized mark-to-market gains of $71 million as compared with unrealized mark-to-market losses of $35 million in FY18 YTD, as a result of the decrease in the yield curves of the major currencies in FY19 YTD.

Under IDA18, the investment-trading portfolio was adjusted to reflect the new financing model. The portfolio has transitioned from the previous tranche structure to a sub-portfolio structure which is comprised of a Stable portfolio, Discretionary portfolio and an Operational portfolio.

Exchange Rate Risk

Changes in exchange rates affect the capital adequacy of IDA when the currency of the equity or debt funding the loan portfolio is different from that of the loan exposure. Accordingly, the aim of IDA's exchange rate risk management is the protection of IDA's financial capacity, as measured by the capital adequacy framework.

IDA uses currency forward contracts to convert members' encashments 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 (currencies other than SDR and its component currencies). Accordingly, appreciation (depreciation) of these currencies against the U.S. dollar results in exchange rate losses (gains), which are reported in the Statement of Income. The economic offset to the recorded translation adjustment on non-functional currencies of currency forward is the translation adjustment on future inflows from members.

The translation adjustment gain on non-functional currencies of $77 million in FY19 YTD was economically offset by the effect of foreign exchange movements on the future inflows from members, which was a loss of $92 million in FY19 YTD. In comparison, in FY18 YTD, the translation adjustment loss on these currencies amounted to $172 million which was economically offset by the effect of foreign exchange movements on the future inflows from members, which was a gain of $191 million in FY18 YTD.

The difference between the reported translation adjustments and the effect of foreign exchange movements on the economic offsets, primarily represent the effect of foreign exchange movements on equity contributions that are not economically hedged due to their relatively small contribution amount or the unpredictability of the expected payment date. These residual equity contributions are hedged using a currency correlation methodology under the overall currency management framework.

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 FY19, the prudential minimum has been set at $15.9 billion. As of December 31, 2018, IDA's eligible liquidity assets were 135% 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 risks which are inherent in its activities. IDA is exposed to a range of operational risks including physical security, staff health and safety, business continuity, external vendor risks and, data and cyber security. IDA's approach to managing operational risk includes assessing, monitoring and reporting risks, identifying emerging risks through research and analysis of internal and external events, and developing appropriate risk response and mitigating actions.

Section VI: Fair Value Analysis

Fair Value Analysis and Results

Fair value reflects the most current and complete expectation and estimation of the value of assets and liabilities. It aids comparability and can be useful in decision-making. On a reported basis, IDA's loans and borrowings from its members, in the form of concessional partner loans, are carried at amortized cost, while all instruments in its investment portfolio (trading and non-trading) and existing market debt and related derivatives are carried at fair value. While IDA intends to hold its loans and borrowings to maturity, a fair value estimate of IDA's financial assets and liabilities along with their respective carrying values is presented in **Table 14**.

The fair value of these instruments is affected by changes in market variables such as interest rates, exchange rates, and credit risk. Management uses fair value to assess the performance of the investment-trading portfolio, and to manage various market risks, including interest rate risk and commercial counterparty credit risk. **Table 14** shows that IDA's equity on a fair value basis ($133.3 billion) is less than on a carrying value basis ($161.1 billion). This is primarily due to the $27 billion negative fair value adjustment on IDA's net loans outstanding. This negative fair value adjustment arises due to the concessional nature of IDA's loans; IDA's contractual lending rates are below market rates for the given maturity of its loans and risk profile of the borrowers.

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

Fair Value of Financial Instruments

Through FY18, all fair value adjustments were recognized through the Statement of Income. Under new guidance published by the Financial Accounting Standards Board (FASB), effective July 1, 2018, fair value adjustments relating to changes in IDA's own credit for financial liabilities measured under the fair value option are reported in Other Comprehensive Income. See Notes to the Condensed Quarterly Financial Statements, Note A: Summary of Significant Accounting and Related Policies. For the six months ended December 31, 2018, IDA recorded a Debit Valuation Adjustment (DVA) of $2 million in Other Comprehensive Income, associated with the changes in own credit for financial liabilities measured under the fair value option.

Most outstanding derivative positions are transacted over-the-counter and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a Credit Value Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a DVA to reflect its own credit risk. For the six months ended December 31, 2018, IDA recorded a CVA and DVA, on outstanding derivatives, of less than $1 million each.

Loan Portfolio

As of December 31, 2018, there was a negative $27 billion fair value adjustment on IDA's net loans outstanding bringing the fair value to $120.2 billion. This compares with a $27.1 billion adjustment as of June 30, 2018, bringing the fair value to $118.5 billion. The $0.1 billion variance in the adjustment was driven by the positive impact of the decrease in SDR interest rates, which was significantly offset by the impact of changes in the CDS credit spreads of certain borrowers.

Borrowings

The fair value of borrowings from members marginally decreased from $6.7 billion as of June 30, 2018 to $6.6 billion as of December 31, 2018. The decrease was primarily driven by the exchange rate movements during the period.

Table 14: Fair Value Estimates and Reported Basis Value

In millions of U.S. dollars

As of	December 31, 2018		June 30, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Due from Banks	$ 529	$ 529	$ 523	$ 523
Investments (including securities purchased under resale agreements)	30,921	30,921	36,075	36,075
Net Loans Outstanding	147,184	120,189	145,656	118,508
Derivative Assets				
Investments	5,372	5,372	6,198	6,198
Other Asset-Liability Management	15,590	15,590	15,715	15,715
Borrowings	8	8	1	1
Receivable from affiliated organization	808	808	816	816
Other assets	1,179	1,179	1,346	1,346
Total	**$ 201,591**	**$ 174,596**	**$ 206,330**	**$ 179,182**
Liabilities				
Borrowings				
Concessional partner loans	$ 5,806	$ 6,602	$ 5,811	$ 6,660
Market Borrowings	1,510	1,510	1,494	1,494
Securities sold/lent under repurchase agreements/securities lending agreements, and payable for cash collateral received	927	927	2,543	2,543
Derivate Liabilities				
Investments	5,416	5,416	6,198	6,198
Other Asset-Liability Management	15,234	15,234	15,745	15,745
Borrowings	-	-	15	15
Payable for grants	10,056	10,056	8,743	8,743
Payable to affiliated organization	467	467	479	479
Other liabilities	1,096	1,096	1,357	1,357
Total Liabilities	**$ 40,512**	**$ 41,308**	**$ 42,385**	**$ 43,234**
Equity	**$ 161,079**	**$ 133,288**	**$ 163,945**	**$ 135,948**
Total Liabilities and Equity	**$ 201,591**	**$ 174,596**	**$ 206,330**	**$ 179,182**

Section VII: Governance

External Auditors

The external auditor is appointed to a five-year term, with a limit of two consecutive terms, and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board. FY18 was the final year of KPMG LLP's second term as IDA's external auditor. Deloitte has been appointed as IDA's external auditor for a five-year term commencing in FY19.

Senior Management Changes

Effective December 1, 2018 Arunma Oteh retired as Vice President and Treasurer of IDA. Jingdong Hua was appointed as Vice President and Treasurer of IDA, effective January 1, 2019.

Effective December 3, 2018, Joaquim Levy retired as Managing Director and WBG Chief Financial Officer (MDCFO).

Effective February 1, 2019:

- Jim Yong Kim resigned as the President of the World Bank Group. The Executive Directors have started the process for selecting the next President and appointed Kristalina Georgieva, Chief Executive Officer, as the interim World Bank Group President.
- Bernard Lauwers accepted a special assignment with the office of the Chief Executive Officer, and Jorge Familiar was appointed as the new Vice President and World Bank Group Controller. Bernard Lauwers will also be the acting MDCFO until the selection of a new MDCFO is concluded.
- Akihiko Nishio has been appointed as Vice President, Development Finance (DFi), succeeding Axel Van Trotsenburg who has been appointed as the new Vice President for Latin America & Caribbean region.

List of Tables, Figures and Boxes

Tables

Figures

Boxes

This page left intentionally blank

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

CONTENTS
December 31, 2018

CONDENSED QUARTERLY FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	December 31, 2018 (Unaudited)	June 30, 2018 (Unaudited)
Assets		
Due from banks—Notes C and K		
Unrestricted cash	$ 503	$ 495
Restricted cash	26	28
	529	523
Investments (including securities transferred under repurchase or securities lending agreements of $925 million—December 31, 2018; $2,321 million—June 30, 2018) —Notes C, G and K	30,902	36,056
Securities purchased under resale agreements—Notes C and K	19	19
Derivative assets		
Asset-liability management—Notes E, G and K	15,590	15,715
Borrowings—Notes D, E and K	8	1
Investments—Notes C, E and K	5,372	6,198
	20,970	21,914
Receivable from affiliated organizations—Note G	808	816
Loans outstanding—Notes F and K		
Total loans	211,504	211,271
Less: undisbursed balance	(59,896)	(61,243)
Loans outstanding	151,608	150,028
Less: Accumulated provision for losses on loans	(4,432)	(4,383)
Add: Deferred loans origination costs	8	11
Net loans outstanding	147,184	145,656
Other assets—Notes C, F and G	1,179	1,346
Total assets	$ 201,591	$ 206,330

	December 31, 2018 (Unaudited)	June 30, 2018 (Unaudited)
Liabilities		
Borrowings—Notes D and K	$	$
Concessional partner loans (at amortized cost)	5,806	5,811
Market borrowings (at fair value)	1,510	1,494
	7,316	7,305
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and K	927	2,543
Derivative liabilities		
Asset-liability management—Notes E, G and K	15,234	15,745
Borrowings—Notes D, E and K	-	15
Investments—Notes C, E and K	5,416	6,198
	20,650	21,958
Payable for development grants—Note H	10,056	8,743
Payable to affiliated organizations—Note G	467	479
Other liabilities—Notes C and F	1,096	1,357
Total liabilities	40,512	42,385
Equity		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	267,919	268,710
Less:		
Subscriptions and contributions receivable	(35,679)	(39,596)
Cumulative discounts/ acceleration credits on subscriptions and contributions	(3,656)	(3,653)
Subscriptions and contributions paid-in	228,584	225,461
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(11,777)	(10,040)
Deferred amounts to maintain value of currency holdings	(244)	(244)
Accumulated deficit (Statement of Changes in Accumulated Deficit)	(53,112)	(50,557)
Accumulated other comprehensive loss—Note J	(2,372)	(675)
Total equity	161,079	163,945
Total liabilities and equity	$ 201,591	$ 206,330

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)*	
	2018	*2017*	*2018*	*2017*
Interest revenue				
Loans, net—Note F	$ 358	$ 337	$ 714	$ 669
Investments, net—Notes C and G	114	103	229	209
Borrowings, net—Notes C and D	(52)	(33)	(105)	(65)
Interest revenue, net of borrowing expenses	420	407	838	813
Provision for losses on loans and other exposures—Note F	(69)	(46)	(94)	(74)
Non-interest revenue				
Revenue from externally funded activities—Note G	221	186	347	303
Commitment charges—Note F	3	2	6	3
Other	3	2	6	4
Total	227	190	359	310
Non-interest expenses				
Administrative—Notes G and I	(568)	(560)	(1,055)	(1,025)
Contributions to special programs—Note G	(20)	(1)	(20)	(19)
Other	2	(12)	8	(32)
Total	(586)	(573)	(1,067)	(1,076)
Transfers from affiliated organizations and others—Notes G and H	251	123	251	123
Development grants—Note H	(1,944)	(1,205)	(3,194)	(2,529)
Non-functional currency translation adjustment gains (losses), net	89	(7)	77	(172)
Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net—Notes E and K	128	(50)	71	(35)
Unrealized mark-to-market gains (losses) on non-trading portfolios, net				
Asset-liability management—Notes E and K	161	(32)	191	26
Borrowings, net—Notes D, E and K	3	-	3	-
Investments—Note K	12	(7)	10	(7)
Total	176	(39)	204	19
Net loss	**$** (1,308)	**$** (1,200)	**$** (2,555)	**$** (2,621)

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of U.S. dollars

	Three Months Ended December 31, (Unaudited)		*Six Months Ended December 31, (Unaudited)*	
	2018	*2017*	*2018*	*2017*
Net loss	$ (1,308)	$ (1,200)	$ (2,555)	$ (2,621)
Other comprehensive (loss) income—Note J				
Currency translation adjustments on functional currencies	(442)	1,172	(1,699)	3,347
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	2	-	2	-
Comprehensive (loss) income	$ (1,748)	$ (28)	$ (4,252)	$ 726

CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited)	
	2018	*2017*
Accumulated deficit at beginning of the fiscal year	$ (50,557)	$ (45,326)
Net loss for the period	(2,555)	(2,621)
Accumulated deficit at end of the period	$ (53,112)	$ (47,947)

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)	
	2018	*2017*
Cash flows from investing activities		
Loans		
Disbursements	$ (5,828)	$ (4,660)
Principal repayments	2,609	2,472
Non-trading securities—Investments		
Principal payments received	61	66
Net cash used in investing activities	(3,158)	(2,122)
Cash flows from financing activities		
Members' subscriptions and contributions	1,386	2,036
Medium and long-term borrowings (new Issues)	-	600
Net derivatives-borrowings	(1)	-
Net cash provided by financing activities	1,385	2,636
Cash flows from operating activities		
Net loss	(2,555)	(2,621)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for losses on loans and other exposures	94	74
Non-functional currency translation adjustment (gains) losses, net	(77)	172
Unrealized mark-to-market gains on non-trading portfolios, net	(204)	(19)
Other non-interest expenses	(8)	32
Amortization of borrowing costs	38	22
Changes in:		
Investments—Trading, net	3,031	657
Other assets and liabilities	1,458	930
Net cash provided by (used in) operating activities	1,777	(753)
Effect of exchange rate changes on unrestricted and restricted cash	2	-
Net increase (decrease) in unrestricted and restricted cash Note—A	6	(239)
Unrestricted and restricted cash at beginning of the fiscal year	523	455
Unrestricted and restricted cash at end of the period	$ 529	$ 216
Supplemental disclosure		
(Decrease) increase in ending balances resulting from exchange rate fluctuations:		
Loans outstanding	$ (1,633)	$ 3,267
Investment portfolio	(353)	589
Derivatives—Asset-liability management	195	(421)
Borrowings	(42)	48
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	5	5
Interest paid on borrowings	45	25

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, 2018 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2018 audited financial statements has not been audited. In the opinion of management, the condensed quarterly financial statements reflect all adjustments necessary for a fair presentation of IDA's financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

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

These financial statements were approved for issue on February [ ], 2019 which was also the date through which IDA's management evaluated subsequent events.

Accounting and Reporting Developments

Evaluated Accounting Standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and subsequent related amendments. The ASUs provide a common framework for revenue recognition for U.S. GAAP and supersede most of the existing revenue recognition guidance in U.S. GAAP. For IDA, the ASU became effective from the quarter ended September 30, 2018.

IDA primarily earns revenue from financial instruments, which is not within the scope of the ASU. In Addition, IDA has a revenue sharing arrangement with IBRD that is not in the scope of the ASU. The ASU did not have an impact on IDA's financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU makes targeted amendments to existing guidance on recognition and measurement of financial instruments that primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The new guidance requires that changes in the fair value of financial liabilities measured under the fair value option that are attributable to instrument-specific credit risk are reported in Other Comprehensive Income. The ASU became effective for IDA from the quarter ended September 30, 2018. Given the immateriality of the amounts, no transition adjustment was recorded to reclassify amounts relating to IDA's own credit on fair value option elected liabilities, previously included in Accumulated deficit, to Accumulated other comprehensive loss. The adoption of the ASU also required changes to the Condensed Statement of Comprehensive Income, Note D - Borrowings and Note J –Accumulated Other Comprehensive Income.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The ASU provides classification guidance on eight specific cash flow classification issues for which U.S. GAAP did not provide guidance. For IDA, the ASU became effective from the quarter ended September 30, 2018. This ASU has no impact on IDA's financial statements as of December 31, 2018.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted cash*. The ASU requires that the amounts of restricted cash and cash equivalents are included in the total of cash and cash equivalents at the beginning and end of the period in the Statement of Cash Flows. For IDA, the ASU became effective from the quarter ended September 30, 2018. Given the immateriality of the amounts subject to reclassification under the ASU, IDA has applied the requirements prospectively from the quarter ended September 30, 2018.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which applies to all entities that receive or make contributions, clarifies and improves current guidance about whether a transfer of assets should be accounted for as a contribution or an exchange transaction, and provides additional guidance about how to determine whether a contribution is conditional. For contributions received, the ASU became effective from the quarter ended September 30, 2018. IDA has evaluated the ASU and determined that the guidance on contributions received has no impact on its financial statements. IDA is currently evaluating the impact of the portion of the ASU applicable to contributions made, that will be effective from the quarter ending September 30, 2019.

Accounting Standards Under Evaluation:

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

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

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS, AND MEMBERSHIP

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

In millions of U.S dollars

	December 31, 2018	*June 30, 2018*
Beginning of the fiscal year	$ 225,461	$ 215,403
Cash contributions received	68	4,849
Demand obligations received	3,192	5,171
Translation adjustment	(137)	38
End of the period/fiscal year	$ 228,584	$ 225,461

During the six months ended December 31, 2018, IDA encashed demand obligations totaling $1,318 million.

NOTE C—INVESTMENTS

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

The majority of IDA's Investments comprised government and agency obligations (76%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of December 31, 2018, Japanese government instruments represented the largest holding of a single counterparty and amounted to 19% of Investments Trading.

A summary of IDA's Investments is as follows:

In millions of U.S. dollars

	December 31, 2018	June 30, 2018
Trading		
Government and agency obligations	$ 23,353	$ 27,702
Time deposits	5,830	6,875
Asset-backed securities (ABS)	959	667
	$ 30,142	$ 35,244
Non-trading (at fair value)		
Debt securities	760	812
Total	$ 30,902	$ 36,056

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

In millions of U.S. dollars

	December 31, 2018	*June 30, 2018*
Investments		
Trading	$ 30,142	$ 35,244
Non-trading (at fair value) - Note G	760	812
Total	30,902	36,056
Securities purchased under resale agreements	19	19
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(927)	(2,543)
Derivative Assets		
Currency forward contracts	3,653	3,789
Currency swaps	1,707	2,401
Interest rate swaps	6	6
Swaptions, exchange traded options and futures contracts	-	*
Other [a]	6	2
Total	5,372	6,198
Derivative Liabilities		
Currency forward contracts	(3,690)	(3,771)
Currency swaps	(1,712)	(2,417)
Interest rate swaps	(12)	(10)
Swaptions, exchange traded options and futures contracts	(2)	(*)
Other [a]	-	(*)
Total	(5,416)	(6,198)
Cash held in investment portfolio [b]	304	482
Receivable from investment securities traded [c]	30	277
Payable for investment securities purchased [d]	(175)	(556)
Net Investment Portfolio	$ 30,109	$ 33,735

a. These relate to To-Be-Announced (TBA) Securities.
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.
** Indicates amount less than $0.5 million.*

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

As of December 31, 2018, there were short sales totaling $19 million ($19 million—June 30, 2018) included in Other liabilities on the Condensed Balance Sheet.

Fair Value Disclosures

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

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 9,766	$ 13,587	$ -	$ 23,353
Time deposits	812	5,018	-	5,830
ABS	-	959	-	959
Total Investments—Trading	10,578	19,564	-	30,142
Investments—Non-trading (at fair value)	-	760	-	760
Securities purchased under resale agreements	-	19	-	19
Derivative assets				
Currency forward contracts	-	3,653	-	3,653
Currency swaps	-	1,707	-	1,707
Interest rate swaps	-	6	-	6
Swaptions, exchange traded options and futures contracts	-	-	-	-
Other [a]	-	6	-	6
Total Derivative assets—Investments	-	5,372	-	5,372
Total	$ 10,578	$ 25,715	$ -	$ 36,293
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$ -	$ 918	$ -	$ 918
Derivative liabilities				
Currency forward contracts	-	3,690	-	3,690
Currency swaps	-	1,712	-	1,712
Interest rate swaps	-	12	-	12
Swaptions, exchange traded options and futures contracts	2	-	-	2
Other [a]	-	-	-	-
Total Derivative liabilities—Investments	2	5,414	-	5,416
Total	$ 2	$ 6,332	$ -	$ 6,334

a. These relate to TBA securities.
b. Excludes amount payable for cash collateral received ($9 million).

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 12,541	$ 15,161	$ -	$ 27,702
Time deposits	299	6,576	-	6,875
ABS	-	667	-	667
Total Investments—Trading	12,840	22,404	-	35,244
Investments—Non-trading (at fair value)	-	812	-	812
Securities purchased under resale agreements	-	19	-	19
Derivative assets				
Currency forward contracts	-	3,789	-	3,789
Currency swaps	-	2,401	-	2,401
Interest rate swaps	-	6	-	6
Swaptions, exchange traded options and futures contracts	-	*	-	*
Other [a]	-	2	-	2
Total Derivative assets—Investments	-	6,198	-	6,198
Total	$ 12,840	$ 29,433	$ -	$ 42,273
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements [b]	$ -	$ 2,541	$ -	$ 2,541
Derivative liabilities				
Currency forward contracts	-	3,771	-	3,771
Currency swaps	-	2,417	-	2,417
Interest rate swaps	-	10	-	10
Swaptions, exchange traded options and futures contracts	-	*	-	*
Other [a]	-	*	-	*
Total Derivative liabilities—Investments	-	6,198	-	6,198
Total	$ -	$ 8,739	$ -	$ 8,739

a. These relate to TBA securities.

b. Excludes amount payable for cash collateral received relating to TBA securities ($2 million).

** Indicates amount less than $0.5 million.*

During the six months ended December 31, 2018 and for the fiscal year ended June 30, 2018, there were no securities transferred between Level 1 and Level 2 within the fair value hierarchy.

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

In millions of U.S dollars

	Fair value	Principal amount due	Difference
December 31, 2018	$ 760	$ 782	$ (22)
June 30, 2018	$ 812	$ 843	$ (31)

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

In millions of U.S dollars

Period	*December 31, 2018*	*June 30, 2018*
Less than 1 year	$ 122	$ 122
Between		
1 - 2 years	127	124
2 - 3 years	122	125
3 - 4 years	106	113
4 - 5 years	86	96
Thereafter	219	263
	$ 782	$ 843

Valuation Methods and Assumptions

Summarized below are the techniques applied in determining the fair values of investments.

Investment securities

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

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

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

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

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

Commercial Credit Risk

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

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

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

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

In millions of U.S. dollars

	December 31, 2018	June 30, 2018
Collateral received		
Cash	$ 6	$ -
Securities	-	-
Total collateral received	$ 6	$ -
Collateral permitted to be repledged	$ 6	$ -
Amount of collateral repledged	-	-

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

These transactions have been conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions. As of December 31, 2018, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements ($19 million—June 30, 2018).

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

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

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

In millions of U.S. dollars

	December 31, 2018	June 30, 2018	Financial Statement Presentation
Securities transferred under repurchase or securities lending agreements	$ 925	$ 2,321	Included under Investments - Trading on the Condensed Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$ 918	$ 2,541	Included under Securities Sold under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received on the Condensed Balance Sheet.

As of December 31, 2018, none of the liabilities relating to securities transferred under repurchase or securities lending agreements remained unsettled at that date ($226 million—June 30, 2018). Of this, no amounts represented replacement trades entered into in anticipation of maturing trades of a similar amount ($202 million—June 30, 2018).

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

In millions of U.S. dollars

	As of December 31, 2018		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	Up to 30 days	Total
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 918	$ -	$ 918
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	$ 918	$ -	$ 918

In millions of U.S.dollars

	As of June 30, 2018		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	Up to 30 days	Total
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 1,853	$ 688	$ 2,541
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	$ 1,853	$ 688	$ 2,541

In the case of resale agreements, IDA received collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IDA's balance sheet as the accounting criteria for treatment as a sale have not been met. As of December 31, 2018, none of the securities purchased under resale agreements remained unsettled on that date (Nil—June 30, 2018). For the securities purchased under resale agreements, IDA received securities with a fair value of $19 million ($19 million—June 30, 2018). Out of this amount, no securities had been transferred under repurchase or securities lending agreements (Nil—June 30, 2018).

NOTE D—BORROWINGS

IDA's borrowings comprise concessional partner loans made by IDA members and market borrowings.

Concessional partner loans are unsecured and unsubordinated fixed rate debt in SDR component currencies. IDA may prepay some or the entire outstanding amounts without penalty. These borrowings are carried and reported at amortized cost, and have original maturities of 25 and 40 years, with the final maturity being 2058. This does not include the effect of the amounts relating to proceeds received under the grant component of the concessional partner loan agreements, for which voting rights have been received. These amounts are reflected in equity.

In millions of U.S dollars

	Concessional Partner Loans outstanding		
	Principal at face value	Net unamortized premium (discount)	Total
December 31, 2018	$ 7,391	$ (1,585)	$ 5,806
June 30, 2018	$ 7,461	$ (1,650)	$ 5,811

During the fiscal year ended June 30, 2018, for the first time, IDA issued a bond in the international capital markets. This bond has a notional principal value of $1.5 billion and carries a fixed interest rate of 2.75%. It is denominated in USD and has a tenor of 5 years maturing in 2023. IDA has elected the fair value option for this instrument. As part of IDA's asset-liability management strategy, IDA also entered into derivative transactions to convert the fixed-rate bond into a floating-rate instrument.

As of December 31, 2018, all of the instruments in IDA's borrowing portfolio were classified as Level 2, within the fair value hierarchy.

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

Fair Value Disclosures

The table below presents the fair value of IDA's borrowings for disclosure purposes, along with their respective carrying amounts:

In millions of U.S. dollars

	December 31, 2018		*June 30, 2018*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Concessional partner loans	$ 5,806	$ 6,602	$ 5,811	$ 6,660
Market borrowings	1,510	1,510	1,494	1,494
	$ 7,316	$ 8,112	$ 7,305	$ 8,154

Valuation adjustments on fair value option elected liabilities

Starting July 1, 2018, changes in the fair value of IDA's financial liabilities, for which the fair value option has been elected, and that relate to IDA's own credit risk are recognized in Other comprehensive income (OCI) as a Debit Valuation Adjustment (DVA). The DVA on fair value option elected liabilities (IDA's market borrowings) is being measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IDA's cost of funding relative to LIBOR. As of December 31, 2018, IDA's Condensed Balance Sheet included a DVA of $2 million in Accumulated other comprehensive income, associated with the changes in IDA's own credit for its market borrowings.

The following table provides information on the unrealized mark-to-market gains or losses on market borrowings included in the Condensed Statement of Income as well as where those amounts are included in the Condensed Statement of Income:

In millions of U.S. dollars

	Three Months Ended December 31,		*Six Months Ended December 31,*	
Unrealized mark-to-market gains (losses)	*2018*	*2017*	*2018*	*2017*
Condensed Statement of Income				
Unrealized mark-to-market gains (losses) on non-trading portfolios, net	$ (28)	$ -	$ (18)	$ -

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

In millions of U.S. dollars

	Fair Value	*Principal Due Upon Maturity*	*Difference*
December 31, 2018	$ 8,112	$ 8,891	$ (779)
June 30, 2018	$ 8,154	$ 8,961	$ (807)

Valuation Methods and Assumptions

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

NOTE E—DERIVATIVE INSTRUMENTS

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

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

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

The presentation of IDA's derivatives is based on the manner in which they are settled. Interest rate swaps are settled on a net basis and are therefore presented on a net basis. Currency swaps are settled on a gross basis and are therefore presented on a gross basis.

The following table provides information on the fair value amounts and the location of the derivative instruments on the Balance Sheet:

In millions of U.S. dollars

	Condensed Balance Sheet Location			
	Derivative assets		*Derivative liabilities*	
	December 31, 2018	*June 30, 2018*	*December 31, 2018*	*June 30, 2018*
Derivatives not designated as hedging instruments				
Currency forward contracts	$ 18,511	$ 19,496	$ 18,206	$ 19,506
Currency swaps	2,439	2,409	2,429	2,426
Swaptions, exchange traded options and futures contracts	-	*	2	*
Interest rate swaps	14	7	13	26
Other [a]	6	2	-	*
Total Derivatives	$ 20,970	$ 21,914	$ 20,650	$ 21,958

a. These relate to TBA securities.

* *Indicates amount less than $0.5 million.*

Offsetting assets and liabilities

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

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

In millions of U.S. dollars

	As of December 31, 2018					
	Located on the Condensed Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	$ 395	$ (381)	$ 14	$ 203	$ (190)	$ 13
Currency swaps [a]	20,950	-	20,950	20,635	-	20,635
Other [b]	6	-	6	2	-	2
Total	$ 21,351	$ (381)	$ 20,970	$ 20,840	$ (190)	$ 20,650
Amounts subject to legally enforceable master netting agreements [c]			$ (20,598)			$ (20,598)
Net derivative positions at counterparty level before collateral			372			52
Less:						
Cash collateral received [d]			9			
Securities collateral receive[d]			-			
Net derivative exposure after collateral			$ 363			

a. Includes currency forward contracts.
b. These include swaptions exchange traded options, futures contracts and TBA securities.
c. Not offset on the Condensed Balance Sheet.
d. Does not include excess collateral received.

In millions of U.S. dollars

	As of June 30, 2018					
	Located on the Condensed Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	$ 236	$ (229)	$ 7	$ 396	$ (370)	$ 26
Currency swaps [a]	21,905	-	21,905	21,932	-	21,932
Other [b]	2	-	2	*	-	*
Total	$ 22,143	$ (229)	$ 21,914	$ 22,328	$ (370)	$ 21,958
Amounts subject to legally enforceable master netting agreements [c]			$ (21,662)			$ (21,662)
Net derivative positions at counterparty level before collateral			252			296
Less:						
Cash collateral received [d]			2			
Securities collateral received			-			
Net derivative exposure after collateral			$ 250			

a. Includes currency forward contracts.
b. These include swaptions exchange traded options, futures contracts and TBA securities.
c. Not offset on the Condensed Balance Sheet.
d. Does not include excess collateral received.
** Indicates amount less than $0.5 million.*

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

In millions of U.S. dollars

Type of contract	*December 31, 2018*	*June 30, 2018*
Investments - Trading		
Interest rate swaps		
Notional principal	$ 1,544	$ 978
Credit exposure	6	6
Currency swaps (including currency forward contracts)		
Credit exposure	32	68
Swaptions, exchange traded options, and futures contracts [a]		
Notional long position	3,410	4,442
Notional short position	4,349	5,201
Credit exposure	-	*
Other derivatives [b]		
Notional long position	757	518
Notional short position	-	8
Credit exposure	6	2
Asset-liability management		
Currency forward contracts (including currency swaps)		
Credit exposure	493	388
Interest rate swaps		
Notional principal	20	21
Credit exposure	-	-
Borrowings		
Interest rate swaps		
Notional principal	3,000	3,000
Credit exposure	8	1
Total credit exposure		
Interest rate swaps	14	7
Currency forward contracts (including currency swaps)	525	456
Swaptions, exchange traded options, and futures contracts [a]	-	*
Other derivatives [b]	6	2
Total	545	465

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

b. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

Under almost all of its International Swaps and Derivative Association (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, 2018 is $40 million ($298 million —June 30, 2018). As of December 31, 2018, 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, 2018, the amount of collateral would be $3 million ($62 million—June 30, 2018). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $40 million as of December 31, 2018 ($298 million—June 30, 2018).

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

In millions of U.S. dollars

		Gains (Losses)			
		Three Months Ended December 31,		Six Months Ended December 31,	
	Reported as	*2018*	*2017*	*2018*	*2017*
Derivatives not designated as hedging instruments and not held in a trading portfolio [a]					
Interest rate swaps	**Unrealized mark-to-market gains (losses) on non-trading portfolios, net**	31	-	21	-
Currency forward contracts and currency swaps		162	(32)	191	26
Total		$ 193	$ (32)	$ 212	$ 26

a. For alternative disclosures about trading derivatives, see the following table.

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

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

In millions of U.S. dollars

		Unrealized Gains (Losses)			
		Three Months Ended December 31,		Six Months Ended December 31,	
	Reported as	*2018*	*2017*	*2018*	*2017*
Type of instrument					
Fixed income (including related derivatives)	**Unrealized mark-to-market gains (losses) on Investment-Trading portfolios, net**	$ 128	$ (50)	$ 71	$ (35)

Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of December 31, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$ -	$ 3,653	$ -	$ 3,653
Currency swaps	-	1,707	-	1,707
Interest rate swaps	-	6	-	6
Swaptions, exchange traded options and futures contracts	-	-	-	-
Other [a]	-	6	-	6
	-	5,372	-	5,372
Asset-liability management				
Currency forward contracts	-	14,858	-	14,858
Currency swaps	-	732	-	732
Interest rate swaps	-	-	-	-
	-	15,590	-	15,590
Borrowings				
Interest rate swaps	-	8	-	8
Total derivative assets	$ -	$ 20,970	$ -	$ 20,970
Derivative liabilities:				
Investments				
Currency forward contracts	$ -	$ 3,690	$ -	$ 3,690
Currency swaps	-	1,712	-	1,712
Interest rate swaps	-	12	-	12
Swaptions, exchange traded options and futures contracts	2	-	-	2
Other [a]	-	-	-	-
	2	5,414	-	5,416
Asset-liability management				
Currency forward contracts	-	14,516	-	14,516
Currency swaps	-	717	-	717
Interest rate swaps	-	1	-	1
	-	15,234	-	15,234
Borrowings				
Interest rate swaps	-	-	-	-
Total derivative liabilities	$ 2	$ 20,648	$ -	$ 20,650

a. These relate to TBA securities.

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$ -	$ 3,789	$ -	$ 3,789
Currency swaps	-	2,401	-	2,401
Interest rate swaps	-	6	-	6
Swaptions, exchange traded options and futures contracts	-	*	-	*
Other [a]	-	2	-	2
	-	6,198	-	6,198
Asset-liability management				
Currency forward contracts	-	15,707	-	15,707
Currency swaps	-	8	-	8
Interest rate swaps	-	-	-	-
	-	15,715	-	15,715
Borrowings				
Interest rate swaps	-	1	-	1
Total derivative assets	$ -	$ 21,914	$ -	$ 21,914
Derivative liabilities:				
Investments				
Currency forward contracts	$ -	$ 3,771	$ -	$ 3,771
Currency swaps	-	2,417	-	2,417
Interest rate swaps	-	10	-	10
Swaptions, exchange traded options and futures contracts	-	*	-	*
Other [a]	-	*	-	*
	-	6,198	-	6,198
Asset-liability management				
Currency forward contracts	-	15,735	-	15,735
Currency swaps	-	9	-	9
Interest rate swaps	-	1	-	1
	-	15,745	-	15,745
Borrowings				
Interest rate swaps	-	15	-	15
Total derivative liabilities	$ -	$ 21,958	$ -	$ 21,958

a. These relate to TBA securities.
* *Indicates amount less than $0.5 million.*

Inter-level transfers

During the six months ended December 31, 2018 and December 31, 2017, there were no inter-level transfers for IDA's derivatives.

Valuation Methods and Assumptions

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

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

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

NOTE F—LOANS AND OTHER EXPOSURES

Loans and other exposures are generally made directly to member countries of IDA. Other exposures include irrevocable commitments, guarantees and repaying project preparation facilities. Loans are carried and reported at amortized cost. Of the total loans outstanding as of December 31, 2018, 91% were to the South Asia, Africa, and East Asia and Pacific regions combined.

Based on IDA's internal credit quality indicators, the majority of the loans outstanding are in the Medium and High-risk classes.

As of December 31, 2018 loans outstanding totaling $2,528 million (representing about 1.7% of the portfolio) from five borrowers, were in nonaccrual status.

Credit Quality of Sovereign Loans

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

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

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

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

The following tables provide an aging analysis of loans outstanding:

In millions of U.S. dollars

	December 31, 2018							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,737	$ 1,737
Medium	-	-	-	-	-	-	24,806	24,806
High	*	-	-	-	-	*	122,537	122,537
Loans in accrual status	*	-	-	-	-	*	149,080	149,080
Loans in nonaccrual status	12	1	5	22	1,276	1,316	1,212	2,528
Total	$ 12	$ 1	$ 5	$ 22	$ 1,276	$ 1,316	$ 150,292	$ 151,608

In millions of U.S. dollars

	June 30, 2018							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,065	$ 2,065
Medium	-	-	-	-	-	-	25,815	25,815
High	1	-	-	-	-	1	119,596	119,597
Loans in accrual status	1	-	-	-	-	1	147,476	147,477
Loans in nonaccrual status	11	2	5	23	1,241	1,282	1,269	2,551
Total	$ 12	$ 2	$ 5	$ 23	$ 1,241	$ 1,283	$ 148,745	$ 150,028

** Indicates amounts less than $0.5 million.*

Accumulated Provision for Losses on Loans and Other Exposures

Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA's exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses. Delays in receiving loan payments result in present value losses to IDA since it does not charge fees or additional interest on any overdue interest or charges. These present value losses are equal to the difference between the present value of payments of interest and charges, made according to the related instrument's contractual terms, and the present value of its expected future cash flows.

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

During the six months ended December 31, 2018 and the fiscal year ended June 30, 2018, there were no loans written off under the MDRI.

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

In millions of U.S. dollars

	December 31, 2018				June 30, 2018			
	Loans	Debt relief under HIPC/MDRI	Other	Total	Loans	Debt relief under HIPC/MDRI	Other	Total
Accumulated provision, beginning of the fiscal year	$ 2,439	$ 1,944	$ 56	$ 4,439	$ 1,913	$ 1,940	$ 25	$ 3,878
Provision, net [a]	87	-	7	94	510	7	31	548
Loans written off under:								
Prepayments	-	-	-	-	(3)	-	-	(3)
HIPC/MDRI	-	(5)	-	(5)	-	(10)	-	(10)
Translation adjustment	(26)	(7)	*	(33)	19	7	*	26
Accumulated provision, end of the period	$ 2,500	$ 1,932	$ 63	$ 4,495	$ 2,439	$ 1,944	$ 56	$ 4,439
Composed of accumulated provision for losses on:								
Loans in accrual status	$ 2,225	$ 111		$ 2,336	$ 2,160	$ 117		$ 2,277
Loans in nonaccrual status	275	1,821		2,096	279	1,827		2,106
Total	$ 2,500	$ 1,932		$ 4,432	$ 2,439	$ 1,944		$ 4,383
Loans:								
Loans in accrual status				$ 149,080				$ 147,477
Loans in nonaccrual status				2,528				2,551
Total				$ 151,608				$ 150,028

a. For the six months ended December 31, 2018, the accumulated provision includes provision for discount on prepayment of loans $3 million ($3 million-June 30, 2018).

** Indicates amounts less than $0.5 million.*

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

Overdue Amounts

As of December 31, 2018, there were no principal or charges for loans in accrual status which were overdue by more than three months.

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

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 [c]	Overdue amounts: Principal	Overdue amounts: Charges
Eritrea	March 2012	$ 434	$ 435	$ 434	$ 303	$ 24	$ 69	$ 24
Somalia	July 1991	413	413	413	402	2	253	87
Sudan	January 1994	1,206	1,207	1,206	1,116	16	743	220
Syrian Arab Republic	June 2012	14	14	14	-	2	9	1
Zimbabwe	October 2000	461	462	461	-	231	242	57
Total - December 31, 2018		$ 2,528	$ 2,531	$ 2,528	$ 1,821	$ 275	$ 1,316	$ 389
Total - June 30, 2018		$ 2,551	$ 2,576	$ 2,551	$ 1,827	$ 279	$ 1,282	$ 383

a. A loan loss provision has been recorded against each of the loans in nonaccrual status.
b. For December 31, 2018, represents the average for the six months ended that date (June 30, 2018 - represents the average for the fiscal year then ended).
c. Loan loss provisions are determined after taking into account accumulated provision for debt relief.

In millions of U.S. dollars

	Three months ended December 31, 2018	Three months ended December 31, 2017	Six months ended December 31, 2018	Six months ended December 31, 2017
Service charge revenue not recognized as a result of loans being in nonaccrual status	$ 4	$ 5	$ 9	$ 10

During the six months ended December 31, 2018 and December 31, 2017, no loans were placed into nonaccrual status.

During the three and six months ended December 31, 2018 and December 31, 2017, no service charge revenue was recognized on loans in nonaccrual status.

Guarantees

Guarantees of $1,951 million were outstanding as of December 31, 2018 ($1,808 million—June 30, 2018). This amount includes $44 million relating to the Private Sector Window (PSW) ($36 million—June 30, 2018). 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 6 and 22 years, and expire in decreasing amounts through 2036.

As of December 31, 2018, liabilities related to IDA's obligations under guarantees of $129 million ($123 million—June 30, 2018), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of $52 million ($47 million—June 30, 2018).

During the six months ended December 31, 2018 and December 31, 2017, no guarantees provided by IDA were called.

Segment Reporting

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

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the six months ended December 31, 2018, loan revenue from three countries of $124 million, $91 million and $72 million, respectively were in excess of 10% of total loan revenue.

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

In millions of U.S. dollars

	December 31, 2018		December 31, 2017	
Region	*Loans Outstanding*	*Service and Interest Charges*	*Loans Outstanding*	*Service and Interest Charges*
Africa	$ 61,302	$ 237	$ 56,748	$ 208
East Asia and Pacific	19,534	99	19,924	96
Europe and Central Asia	7,812	55	7,594	55
Latin America and the Caribbean	2,657	15	2,608	14
Middle East and North Africa	2,776	11	3,018	12
South Asia	57,527	297	57,742	284
Total	$ 151,608	$ 714	$ 147,634	$ 669

Fair Value Disclosures

IDA's loans are carried and reported at amortized cost. The table below presents the fair value of loans for disclosure purposes, along with their respective carrying amounts:

In millions of U.S dollars

	December 31, 2018		June 30, 2018	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net Loans Outstanding	$ 147,184	$ 120,189	$ 145,656	$ 118,508

IDA's loans would be classified as Level 3 within the fair value hierarchy.

NOTE G—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

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

Transfers and Grants

Cumulative transfers and grants made to IDA as of December 31, 2018 were $ 19,399 million ($19,148 million—June 30, 2018). Details by transferor are as follows:

In millions of U.S dollars

Transfers from	*Beginning of the fiscal year*	*Transfers during the period*	*End of period*
Total	$ 19,148	$ 251	$ 19,399
Of which from:			
IBRD	15,249	248	15,497
IFC	3,672	-	3,672

Receivables and Payables

As of December 31, 2018 and June 30, 2018, the total amounts receivable from or (payable to) affiliated organizations comprised:

In millions of U.S. dollars

	December 31, 2018			June 30, 2018		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services [a]	$ (300)	$ -	$ (300)	$ (339)	$ -	$ (339)
Derivative Transactions						
Receivable	4,358	28	4,386	4,531	8	4,539
Payable	(4,072)	(28)	(4,100)	(4,284)	(9)	(4,293)
PSW- Blended Finance Facility	-	*	*	-	-	-
Pension and Other Postretirement Benefits	641	-	641	676	-	676
Investments	-	760	760	-	812	812
	$ 627	$ 760	$ 1,387	$ 584	$ 811	$ 1,395

a. Includes $167 million as of December 31, 2018 ($140 million-June 30, 2018) receivable from IBRD for IDA's share of investments associated with Post-Retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.
** Indicates amounts less than $0.5 million.*

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

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

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

Administrative Services: The payable to IBRD represents IDA's share of joint administrative expenses, net of other revenue jointly earned. The allocation of expenses is based upon an agreed cost sharing formula, and amounts are settled quarterly. Beginning from the period ended September 30, 2016, the allocation of expenses jointly incurred by IBRD and IDA also includes Contributions to special programs.

For the three and six months ended December 31, 2018, IDA's share of joint administrative expenses totaled $458 million and $870 million, respectively ($445 million and $858 million—three and six months ended December 31, 2017).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the three and six months ended December 31, 2018 totaling $91 million and $142 million, respectively ($71 million and $118 million—three and six months ended December 31, 2017). The allocation of revenue is based upon an agreed revenue sharing formula, and amounts are settled quarterly.

For the three and six months ended December 31, 2018 and December 31, 2017, the amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue on the Condensed Statement of Income, as follows:

In millions of U.S dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Fees charged to IFC	$ 22	$ 18	$ 38	$ 32
Fees charged to MIGA	2	1	3	2

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

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

Investments

During the fiscal year ended June 30, 2015, IDA purchased a debt security issued by IFC for a principal amount of $1,179 million, amortizing over a period of 25 years. The investment carries a fixed interest rate of 1.84% and has a weighted average maturity of four years. As of December 31, 2018, the principal amount due on the debt security was $782 million, and it had a fair value of $760 million. The investment is reported under Investments in the Condensed Balance Sheet. During the three and six months ended December 31, 2018, IDA recognized interest income of $3 million and $7 million, respectively on this debt security ($5 million and $9 million —three and six months ended December 31, 2017 respectively).

PSW

As part of the IDA18 replenishment, IDA's Executive Directors approved the creation of a $2.5 billion IDA18 IFC-MIGA PSW to mobilize private sector investments in IDA-only countries and IDA-eligible Fragile and Conflict Affected States (FCS). Under the fee arrangement for the PSW, IDA will receive fee income for transactions executed under this window and will reimburse IFC and MIGA for the related costs incurred in administering these transactions. The following tables provide a summary of all PSW related transactions under which IDA has an exposure as of December 31, 2018:

In millions of U.S. dollars

Facility	Notional	Net Asset/ (Liability) position	Description	Balance Sheet Location
Local Currency Facility	29	(1)	Currency swaps with IFC to support local currency denominated loans	Derivative assets/ liabilities- Asset-liability management

In millions of U.S. dollars

Facility	Exposure	Accumulated Provision	Description	Balance Sheet Location
MIGA Guarantee Facility	36	4	Expanding the coverage of MIGA Political Risk Insurance (PRI) products through shared first-loss or risk participation similar to reinsurance	Off Balance Sheet item
Blended Finance Facility	8	1	Sharing the first loss to support IFC's Small Loan Guarantee Program in PSW eligible countries	Off Balance Sheet item
Blended Finance Facility	*	-	Funding of IFC's PSW related equity investment	Other assets

** Indicates amounts less than $0.5 million.*

NOTE H—DEVELOPMENT GRANTS

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

In millions of U.S dollars

	December 31, 2018	June 30, 2018
Balance, beginning of the fiscal year	$ 8,743	$ 6,583
Commitments	3,185	4,964 [a]
Disbursements (including PPA[b] grant activity)	(1,773)	(2,847)
Translation adjustment	(99)	43
Balance, end of the period/ fiscal year	$ 10,056	$ 8,743

a. Excludes $9 million PEF disbursements made from PEF Financial Intermediary Funds.
b. Project Preparation Advances (PPA).

For the fiscal years ending June 30, 2019 and the fiscal years ended June 30, 2018, the commitment charge rate on the undisbursed balances of IDA grants has been set at nil percent.

NOTE I—PENSION AND OTHER POSTRETIREMENT BENEFITS

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

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

During the three and six months ended December 31, 2018, IDA's share of IBRD's benefit costs relating to all three plans totaled $78 million and $152 million, respectively ($84 million and $161 million—three and six months ended December 31, 2017, respectively).

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

NOTE J—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income consists of net income (loss) and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income (loss). For IDA, comprehensive income (loss) is comprised of net income (loss) 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 income balances.

In millions of U.S dollars

	Six Months Ended December 31,	
	2018	*2017*
Balance, beginning of the fiscal year	$ (675)	$ (2,039)
Currency translation adjustments on functional currencies	(1,699)	3,347
DVA on Fair Value option elected liabilities	2	-
Balance, end of the period	$ (2,372)	$ 1,308

NOTE K—OTHER FAIR VALUE DISCLOSURES

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

In millions of U.S dollars

	December 31, 2018		*June 30, 2018*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from Banks	$ 529	$ 529	$ 523	$ 523
Investments (including securities purchased under resale agreements)	30,921	30,921	36,075	36,075
Net Loans Outstanding	147,184	120,189	145,656	118,508
Derivative Assets				
Asset-Liability Management	15,590	15,590	15,715	15,715
Borrowings	8	8	1	1
Investments	5,372	5,372	6,198	6,198
Liabilities				
Borrowings				
Concessional partner loans	5,806	6,602	5,811	6,660
Market borrowings	1,510	1,510	1,494	1,494
Securities sold/ lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	927	927	2,543	2,543
Derivative Liabilities				
Asset-Liability Management	15,234	15,234	15,745	15,745
Borrowings	-	-	15	15
Investments	5,416	5,416	6,198	6,198

Valuation Methods and Assumptions

As of December 31, 2018, and June 30, 2018, IDA had no financial assets or liabilities measured at fair value on a non–recurring basis.

For additional fair value disclosures regarding Investments, Borrowings, Derivative assets and liabilities and Loans, refer to Note C—Investments, Note D—Borrowings, Note E—Derivative Instruments and Note F—Loans and other exposures, respectively.

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

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

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

In millions of U.S. dollars

	Three Months Ended December 31, 2018			*Six Months Ended December 31, 2018*		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*	*Realized gains (losses)*	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments, Trading—Note E	$ (15)	$ 143	$ 128	$ (15)	$ 86	$ 71
Non-trading portfolios, net						
Asset-liability management—Note E	-	161	161	-	191	191
Borrowings, including derivatives—Notes D and E [a]	-	3	3 [b]	-	3	3
Investments—Note C	-	12	12	-	10	10
Total	$ -	$ 176	$ 176	$ -	$ 204	$ 204

In millions of U.S. dollars

	Three Months Ended December 31, 2017			*Six Months Ended December 31, 2017*		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*	*Realized gains (losses)*	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments, Trading—Note E	$ 2	$ (52)	$ (50)	$ (42)	$ 7	$ (35)
Non-trading portfolios, net						
Asset-liability management—Note E	-	(32)	(32)	-	26	26
Investments—Note C	-	(7)	(7)	-	(7)	(7)
Total	$ -	$ (39)	$ (39)	$ -	$ 19	$ 19

a. Adjusted to exclude amounts reclassified to realized gains/losses.
b. Includes $31 million and $21 million of unrealized mark-to-market gains related to derivatives associated with borrowings for three and six months ended December 31, 2018, respectively.

NOTE L—CONTINGENCIES

From time to time, IDA may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. The outcome of any existing legal action, in which IDA has been named as a defendant or co-defendant, as of and for the six months ended December 31, 2018, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.

Deloitte.

Deloitte & Touche LLP

7900 Tysons One Place
Suite 800
McLean, VA 22102
USA

Tel: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITORS' REVIEW REPORT

President and Board of Executive Directors
International Development Association:

We have reviewed the accompanying condensed balance sheet of the International Development Association ("IDA") as of December 31, 2018, and the related condensed statements of income and comprehensive income for the three-month and six-month periods ended December 31, 2018, and of changes in accumulated deficit and cash flows for the six-month period ended December 31, 2018 (the "interim financial information"). The condensed statements of income, and of comprehensive income, for the three-month and six-month periods ended December 31, 2017, and condensed statements of changes in accumulated deficit, and cash flows for the six-month period ended December 31, 2017, were reviewed by other auditors whose report dated February 12, 2018, stated that based on their review, they were not aware of any material modifications that should be made to those statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. The balance sheet of IDA as of June 30, 2018, and the related statements of income, comprehensive income, changes in accumulated deficit, and cash flows, for the year then ended (not presented herein), were audited by other auditors whose report dated August 9, 2018, expressed an unmodified opinion on those statements.

Management's Responsibility for the Interim Financial Information

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

Auditors' Responsibility

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

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the interim financial information as of December 31, 2018 and for the three-month and six-month periods ended December 31, 2018, for it to be in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 13, 2019