International Development Association

Management's Discussion & Analysis

and

Condensed Quarterly Financial Statements

December 31, 2012

(Unaudited)

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

CONTENTS

December 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CONDENSED QUARTERLY FINANCIAL STATEMENTS

Box 1: Selected Financial Data

In millions of US dollars, except ratios and return data in percentages and months	*As of and for the six months ended*		*Full Year*
	December 31, 2012	*December 31, 2011*	*June 30, 2012*
Development Operations (Section IV)			
Commitments of development credits, grants and guarantees	$ 6,826	$ 4,946	$ 14,753
Gross disbursements of development credits and grants	4,581	5,680	11,061
Net disbursements of development credits and grants	3,000	3,194[a]	7,037[a]
Balance Sheet (Section V)			
Total assets	$160,344	$154,409	$160,028
Net investment portfolio	26,019	23,037	26,333
of which core liquidity	8,807	8,270	9,698
Development credits outstanding	124,588	122,230	123,576
Payable for development grants	5,981	6,210	6,161
Subscriptions and contributions paid-in	178,903	169,968	175,587
Income Statement (Section IV)			
Income from development credits and guarantees	$ 460	$ 461	$ 914
Investment income, net	381	566	1,006
Transfers and grants from affiliated organizations and trust funds	612	857	858
Development grants	(643)	(908)	(2,062)
Net (loss) income	(93)	780	(210)
Funding Position (Section VI)			
Investment portfolio and unrestricted demand notes as a percentage of undisbursed commitments of credits and development grants payable	80%	80%	81%
Liquidity Position (Section VI)			
Months of average monthly gross disbursements covered by core liquidity	11	9	11

a. Net disbursements for the six months ended December 31, 2011 and for the year ended June 30, 2012 include $940 million of prepayments. The associated funds were received in June 2011 but were effective in July, 2011.

I. Introduction

This document should be read in conjunction with the International Development Association's (IDA) financial statements and management's discussion and analysis issued for the fiscal year ended June 30, 2012. IDA undertakes no obligation to update any forward looking statements. **Box1** provides IDA's selected financial data as of and for the six months ended December 31, 2012 and December 31, 2011 as well as the full year June 30, 2012.

II. Sources and Applications of Funds

IDA's lending, grant financing and guarantee activities are funded by donor and internal resources, and transfers and grants from affiliated organizations. These key activities are presented and discussed below.

Sources of Funds

***Donor Resources (Subscriptions and Contributions)**:* IDA finances its new commitments for development credits and development grants primarily through contributions from donors. The donor resources are in the form of subscriptions and contributions with assigned voting rights.

***Internal Resources**:* These comprise contractual principal repayments (including any accelerated repayments and voluntary prepayments), income from the investment portfolio, and interest income from Blend and Hard-term credits.

Transfers and Grants from affiliated organizations and trust funds: These are transfers from the International Bank for Reconstruction and Development's (IBRD) net income and grants from the International Finance Corporation's (IFC) retained earnings.

Applications of Funds

Disbursement of development credits and grants: Through its development operations**,** IDA's development credits, development grants and guarantees benefit the poorest members with the lowest credit ratings.

III. 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". Under the reported basis, IDA's Statement of Income does not reflect the true economic results of IDA due to a number of asymmetries. These include the following:

- The recording of development grants as charges to net income, while the associated funding resources are recorded as equity through members' subscriptions and contributions.
- The reporting of the translation adjustments on the non-special drawing rights currencies (non functional currencies) associated with IDA's currency forward contracts in the Statement of Income; for which the economic offset, represented by the translation adjustment on the future donor inflows being hedged, is not reported in the financial statements.
- The reporting in the Statement of Income of the unrealized mark-to-market gains/losses on the donor asset and liability tranche of the investment portfolio, for which the economic offset, represented by the change in the present value of the associated future net cash outflows reflected in the immunization strategy, is not reported in IDA's financial statements. The immunization strategy aims to align the duration of this tranche with the duration of the contractual future net cash outflows.
- Donor compensation received for forgone charges due to debt relief and grant financing, which funds part of the net administrative expenses, is recorded as equity through members' contributions.

IV. Statement of Activities Analysis

Given the asymmetries embedded in IDA's reported results, Management believes that a Statement of Activities (**Table 1**), better reflects the operating results of IDA. The Statement of Activities categorizes activities under two broad headings, namely: operating activities and risk management activities. It is designed to show the financial impact of IDA's operating and risk management activities.

Table 1 : Statement of Activities

Expressed in millions of U.S. dollars

For the six months ended December 31	2012	2011	Variance
Operating Activities			
Contributions and other support			
Members' subscriptions and contributions	$ 1,601	$ 1,828	$ (227)
Transfers and grants from affiliated organizations and trust funds	612	857	(245)
	2,213	2,685	(472)
Development operations			
Development credit disbursements	(3,666)	(4,411)	745
Principal repayments	1,581	1,504	77
Discount on prepaid development credits	-	(113)	113
Write-off on buy-down of development credits, net of proceeds	-	(3)	3
Development grant disbursements	(900)	(1,257)	357
Provision for debt relief and for losses on development credits and other exposures, net	(12)	20	(32)
	(2,997)	(4,260)	1,263
Investments			
Investment income, net	381	566	(185)
Administrative and other activities			
Service and interest Charges	460	461	(1)
Administrative expenses, net	(636)	(549)	(87)
Project Preparation Advances (PPA) grants/other	-	(2)	2
	(176)	(90)	(86)
Results from Operating Activities	(579)	(1,099)	520
Risk Management Activities			
Non-functional currency translation adjustment (losses)/gains, net	(201)	425	(626)
Translation adjustment on non-functional currency donor inflows gains/(losses), net	202	(442)	644
Fair value adjustment on non-trading portfolios, net	(54)	68	(122)
Results from Risk Management Activities	(53)	51	(104)
Results from Operating and Risk Management Activities	$ (632)	$ (1,048)	$ 416

Reconciliation to Reported Basis Net Income

Expressed in millions of U.S. dollars

For the six months ended December 31	2012	2011
Results from operating and risk management activities	$ (632)	$ (1,048)
Members' subscriptions and contributions	(1,601)	(1,828)
Development credit disbursements	3,666	4,411
Principal repayments	(1,581)	(1,504)
Proceeds from buydown of development credits	-	(42)
Development grant disbursements	900	1,257
Development grant commitments	(643)	(908)
Translation adjustment on non-functional donor inflows (losses)/gains, net	(202)	442
Reported Basis Net (Loss)/Income	$ (93)	$ 780

Overall Results from Operating and Risk Management Activities

The overall result from IDA's operating and risk management activities was negative $632 million for the six months ended December 31, 2012 (FY 2013 YTD). This primarily reflects the $2,997 million of net cash outflows for development operations, partially offset by $1,601 million of cash receipts relating to donor contributions, $612 million of transfers and grants from affiliated organizations and trust funds, and $381 million investment income, net.

Despite the negative results from operating and risk management activities, IDA's liquidity position as of December 31, 2012 was sufficient to cover approximately 11 months of average monthly gross disbursements, and remains within the historical range of 9 to 14 months.

IDA maintained a stable funding position of 80% at December 31, 2012 as compared to 81% at June 30, 2012. The funding gap will be primarily covered by future receipts of cash and demand notes already committed by donors. At all times, IDA enters into new commitments based on the commitment authority available. See **Section VIII** for further details on IDA's Commitment Authority.

Results from Operating Activities

The key drivers of IDA's results from operating activities are: (i) Contributions and Other Support, (ii) Development Operations, (iii) Investment Income, and (iv) Administrative Expenses. The impact of these activities on IDA's Results from Operating Activities for FY 2013 YTD, as compared with the six months ended December 31, 2011(FY 2012 YTD) are discussed below.

Contributions and Other Support

Transfers and Grants from Affiliated Organizations and Trust Funds

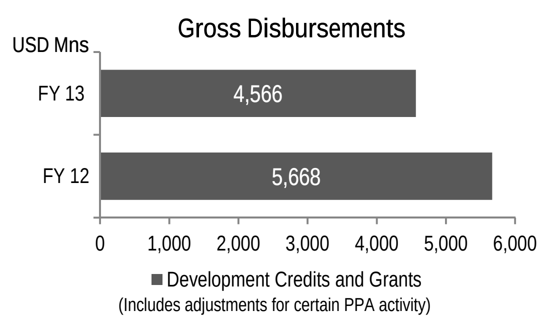
The decline of $245 million is due to the timing of the transfer of the IFC grant under IDA 16. In FY 2012, the transfer of the first installment, $330 million, occurred in December 2011. In contrast, the second installment of the grant from IFC of $340 million was received in January 2013.

Development Operations

Development Credit Disbursements

Gross disbursements of development credits during FY 2013 YTD were $3,666 million, which is a decrease of $745 million from FY 2012 YTD. In terms of regional focus, disbursements to South Asia and Africa accounted for $634 million of the decrease. Africa and the South Asian Region together accounted for 72% of the total gross disbursements during FY 2013 YTD.

Of the $3,666 million in development credit disbursements, 23% related to commitments made under IDA16, 43% under IDA15, 30% under IDA14 and the remaining 4% related to commitments made under earlier replenishments.



Development Grant Disbursements

The majority of the $357 million decrease in development grants disbursed between FY 2013 YTD and FY 2012 YTD is attributable to the Africa region.

Discount on Prepaid Development Credits

During FY 2012 YTD, the total amount prepaid by two IDA graduate members of $940 million, reflected the present value of the development credits as of the date of the prepayment, resulting in an aggregate discount of $113 million.

Investments

Investment Income

IDA's investment portfolio had a duration of approximately four years as of December 31, 2012. It has two components: the core liquidity and the donor asset and liability management components. The decrease of $185 million in investment income, of which $103 million relates to the donor asset and liability management component, was primarily driven by the lower unrealized mark-to-market gains experienced as a result of the more moderate decline in the yield curves for all major currencies during FY 2013 YTD as compared to FY 2012 YTD.

Administrative and Other Activities

Administrative Expenses, net

The increase of $87 million was primarily due to higher pension expenses during FY 2013 YTD compared to FY 2012 YTD.

Risk Management Activities

The key drivers of IDA's results from risk management activities are the unrealized mark to market adjustments on the currency forward contracts entered into to hedge the foreign currency exposure from future donor contributions.

IDA uses currency forward contracts to hedge those donor contributions that are denominated in non-functional currencies, into special drawing rights (SDR) basket currencies. There are certain non-functional currencies that are not being hedged with such contracts, due to the relatively small size of the contribution or the unpredictability of the expected payment date.

The liability positions of the currency forward contracts economically hedging donor pledges are composed of non-functional currencies. Appreciation (depreciation) of these currencies against the U.S. dollar results in translation adjustment losses (gains). The translation adjustment losses on non-functional currencies of $201 million in FY 2013 YTD were primarily due to the significant appreciation of the majority of the non-functional currencies against the U.S. dollar. In contrast, the significant depreciation of the non-functional currencies against the U.S. dollar during the same period in FY 2012 resulted in $425 million of translation adjustment gains. The translation adjustment on the economic offset to the currency forward contracts; the future inflows from donors, was a gain of $202 million during FY 2013 YTD and a loss of $442 million during FY 2012 YTD. The differences between the reported translation adjustments and the related economic offsets are marginal, and primarily represent the donor contributions in certain nonfunctional currencies that are not being hedged due to the reasons outlined above.

V. Balance Sheet Analysis

The principal components of IDA's balance sheet are development credits outstanding, investment assets net of liabilities, and subscriptions and contributions paid-in. Movements in these principal components between December 31, 2012 and June 30, 2012 are discussed further below.

Table 2: Condensed Balance Sheet

In millions of U.S. dollars

As of	December 31, 2012	June 30, 2012	Variance
Assets			
Investment assets, including related derivative assets	$ 31,282	$ 34,079	$(2,797)
Derivatives relating to asset-liability management	6,914	7,327	(413)
Receivables and other assets, including non-investment cash	1,786	1,769	17
Development credits outstanding	124,588	123,576	1,012
Accumulated provision for debt relief and losses on development credits	(4,226)	(6,723)	2,497
Total assets	$160,344	$160,028	$316
Liabilities and equity			
Liabilities and derivatives relating to investments	$ 5,263	$ 7,746	(2,483)
Derivatives relating to asset-liability management	7,265	7,714	(449)
Payables and other liabilities, including maintenance of value	6,651	6,788	(137)
Subscriptions and contributions paid-in	178,903	175,587	3,316
Demand obligations	(10,393)	(8,678)	(1,715)
Accumulated deficit	(39,399)	(39,306)	(93)
Accumulated other comprehensive income	12,054	10,177	1,877
Total liabilities and equity	$160,344	$160,028	$316

Development Credits Outstanding and Accumulated Provision for Debt Relief and Losses on Development Credits

Development credits outstanding increased by $1,012 million during FY 2013 YTD. This was primarily due to net positive disbursements of $2,085 million and positive translation adjustments of $1,483 million resulting from the 1.28% appreciation of the SDR against the US dollar. This was partially offset by the $2,554 million write off of development credits relating to Côte d'Ivoire and Guinea under the Multilateral Debt Relief Initiative (MDRI).

The $2,497 million decrease in the accumulated provision for debt relief and losses on development credits, was also primarily due to the write off of development credits relating to Côte d'Ivoire and Guinea under the Multilateral Debt Relief Initiative (MDRI).

Investment Assets, net of related Liabilities

The net investment portfolio decreased slightly from $26,333 million as of June 30, 2012 to $26,019 million as of December 31, 2012, reflecting the net results of IDA's cash related activities as follows:

Table 3: Changes in the net asset value of the investment portfolio
In millions of U.S. dollars

	December 31, 2012	June 30, 2012
Beginning of fiscal year	$26,333	$24,872
Net cash used in development activities	(2,085)	(5,567)
Net cash from contributions and other support	1,601	8,958
Net cash used in operating activities	(98)	(796)
Effects of exchange rates	264	(1,128)
Others	4	(6)
End of period/fiscal year	$26,019	$26,333

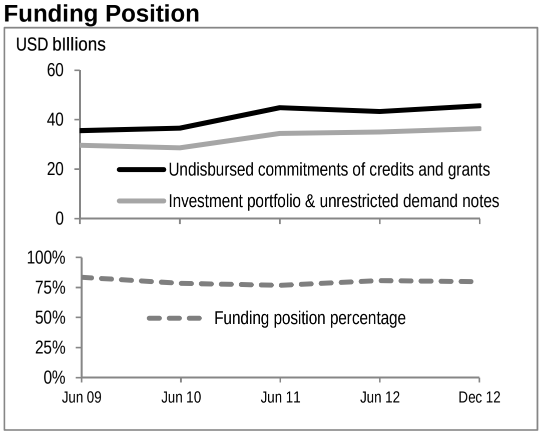
Subscriptions and Contributions

The $3,316 million increase in subscriptions and contributions paid-in, is primarily attributable to the receipt from members of $2,838 million of demand notes and $364 million of cash contributions.

VI. Funding and Liquidity Positions

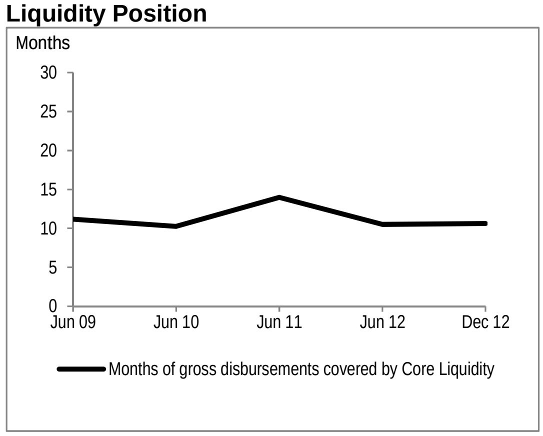
Management monitors IDA's funding and liquidity positions to assess IDA's ability to conduct its operations. Since IDA does not borrow from the capital markets, even though it is allowed to do so under its Articles of Agreement, it is important that it has sufficient funding resources and liquidity to meet its contractual obligations to disburse approved development credits and grants in a timely manner**.**

Funding Position



As of December 31, 2012, the investment portfolio and unrestricted demand notes covered 80% of all undisbursed commitments of development credits and grants, compared with 81% as at June 30, 2012. IDA's funding position has been relatively stable for the last 4 years, ranging from 74% to 81%.

Liquidity Position



As of December 31, 2012, core liquidity accounted for $8,807 million, comprising short-term and medium-term investments, and was sufficient to cover nearly 11 months of average monthly gross disbursements.

IDA's liquidity position has been relatively stable for the last 4 years, ranging from 9 to 14 months of average monthly gross disbursements since FY 2009.

VII. Commercial Counterparty Credit Risk

The effective management of commercial counterparty credit risk is vital to the success of IDA's investment and asset-liability management activities. The monitoring and managing of this risk is a continuous process due to changing market conditions. IDA's commercial counterparty credit risk is concentrated in investments in debt instruments issued by sovereign governments, agencies, corporate entities and banks, as shown in **Table 4**.

Table 4: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating
In millions of U.S. dollars

As of	December 31, 2012				June 30, 2012			
Counterparty Rating	Sovereigns	Agencies, Asset Backed Securities, Swaps, Corporates, Time Deposits	Total	% of Total	Sovereigns	Agencies, Asset Backed Securities, Swaps, Corporates, Time Deposits	Total	% of Total
AAA	$15,107	$3,188	$18,295	63%	$18,233	$3,259	$21,492	70%
AA	6,050	2,853	8,903	31	3,507	3,379	6,886	22
A	17	1,397	1,414	5	–	2,173	2,173	7
BBB or lower	172	84	256	1	–	81	81	*
Total	$21,346	$7,522	$28,868	100	$21,740	$8,892	$30,632	100

** Denotes less than 0.5%.*

IDA's total commercial credit exposure net of collateral was $28,868 million as of December 31, 2012. Of this amount, $11,559 million (40 %) related to countries in the eurozone; of which $10,970 million (95%) was rated AA or above, and none were rated below A.

VIII. IDA16 Commitment Authority

December 31, 2012 is the mid-point of the IDA16 replenishment period. Cumulative commitments made under IDA16 as of December 31, 2012 amounted to approximately 40% of the total IDA16 lending envelope of SDR 33.9 billion (U.S. dollar equivalent 52.1 billion).

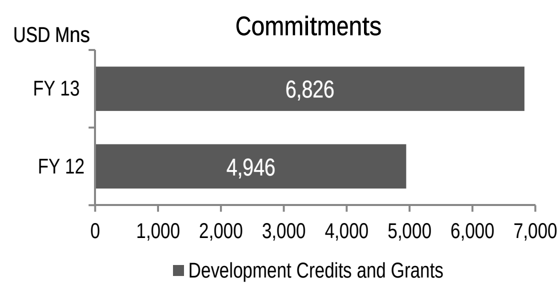
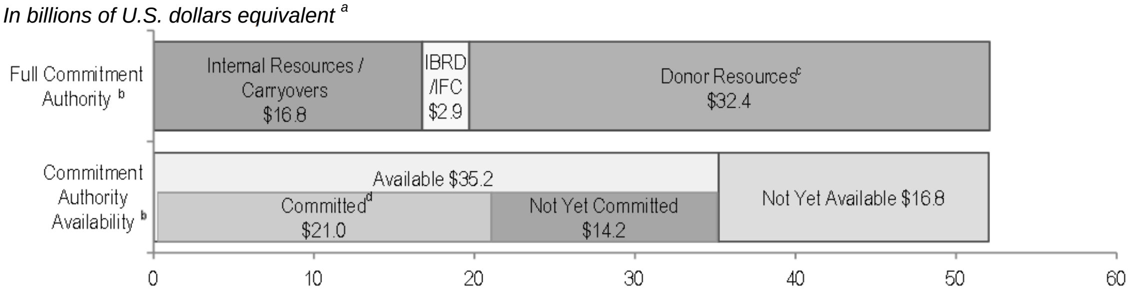


Chart 1 provides a breakdown of the principal sources making up the total lending envelope under the revised IDA16 Commitment Authority Framework and the extent to which these sources have been used for commitments of development credits, grants and guarantees through December 31, 2012.

Chart 1 : IDA16 Commitment Authority Status

In billions of U.S. dollars equivalent [a]



a. Commitment Authority is measured and monitored in SDR. The chart represents the U.S. dollar equivalent amounts based on USD/SDR exchange rate at December 31, 2012 for presentational purposes only. Actual commitments are recorded based on historical USD rates.
b. Amounts may not add due to rounding.
c. Includes U.S.dollar equivalent 5.4 billion of donor commitments for compensation of debt relief provided under MDRI.
d. IDA 16 replenishment guarantee commitments to date totaled $448 million, of which only 25% ($112 million) is used for the purposes of the Commitment Authority.

IX. Senior Management Changes

Effective July 1, 2012, Jim Yong Kim became the President of IDA.

Effective March 1, 2013, Bertrand Badre will become IDA's Managing Director, Finance and Chief Financial Officer (CFO). Charles McDonough, who has been the acting CFO from March 28, 2012, will continue to act as CFO through February 28, 2013.

Effective January 1, 2013, Mahmoud Mohieldin commenced the new role of President's Special Envoy on Millennium Development Goals and Financial Development.

Effective January 1, 2013, Pamela Cox assumed the position of Senior Vice President, Change Management.

CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	December 31, 2012 (Unaudited)	*June 30, 2012 (Unaudited)*
Assets		
Due from banks—Note C		
Unrestricted currencies	$ 130	$ 78
Currencies subject to restrictions	30	28
	160	106
Investments—Trading (including securities transferred under repurchase or securities lending agreements of $2,700 million—December 31, 2012; $2,691 million—June 30, 2012)—Note C	28,520	30,424
Securities purchased under resale agreements—Note C	266	441
Derivative assets—Notes C, D and F		
Investments	2,313	1,905
Asset-liability management	6,914	7,327
	9,227	9,232
Receivable from affiliated organization—Note F	953	1,006
Development credits outstanding—Note E		
Total development credits	164,199	160,720
Less: Undisbursed balance	39,611	37,144
Development credits outstanding	124,588	123,576
Less: Accumulated provision for debt relief and for losses on development credits	4,226	6,723
Plus: Deferred development credits origination costs	28	27
Net development credits outstanding	120,390	116,880
Other assets—Note C	828	1,939
Total assets	$160,344	$160,028
Liabilities		
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Note C	$ 2,779	$ 3,824
Derivative liabilities—Notes C, D and F		
Investments	2,344	1,898
Asset-liability management	7,265	7,714
	9,609	9,612
Payable for development grants—Note G	5,981	6,161
Payable to affiliated organization—Note F	337	375
Other liabilities—Notes C and E	706	2,510
Total liabilities	19,412	22,482
Equity		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	225,379	224,732
Less: Subscriptions and contributions receivable	43,814	46,571
Cumulative discounts on subscriptions and contributions	2,662	2,574
Subscriptions and contributions paid-in	178,903	175,587
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(10,393)	(8,678)
Deferred amounts to maintain value of currency holdings	(233)	(234)
Accumulated deficit (see Condensed Statement of Changes in Accumulated Deficit)	(39,399)	(39,306)
Accumulated other comprehensive income—Note I	12,054	10,177
Total equity	140,932	137,546
Total liabilities and equity	$160,344	$160,028

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)*	
	2012	*2011*	*2012*	*2011*
Income				
Development credits and guarantees—Note E	$ 232	$ 229	$ 460	$ 461
Investments—Trading, net—Notes C and D	102	148	385	571
Transfers and grants from affiliated organizations and trust funds—Note F	610	334	612	857
Other income—Note F	118	134	206	231
Total income	1,062	845	1,663	2,120
Expenses				
Administrative expenses—Notes F and H	446	419	842	780
Development grants—Note G	277	489	643	908
Interest expense on securities sold under repurchase agreements	2	1	4	5
Provision for debt relief and for losses on development credits and other exposures, net—(release) charge—Note E	(16)	(22)	12	(20)
Discount on prepaid development credits—Note E	—	—	—	113
Write-off on buydown of development credits—Note E	—	—	—	45
Non-functional currency translation adjustment losses (gains), net	11	63	201	(425)
Fair value adjustment on non-trading portfolios, net—Note D	20	(57)	54	(68)
Project Preparation Advances (PPA) grants/Other	(3)	(3)	—	2
Total expenses	737	890	1,756	1,340
Net Income (Loss)	$ 325	$ (45)	$ (93)	$ 780

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)*	
	2012	*2011*	*2012*	*2011*
Net income (loss)	$ 325	$ (45)	$ (93)	$ 780
Other comprehensive (loss) income —Note I				
Currency translation adjustments on functional currencies	(285)	(2,402)	1,877	(6,047)
Comprehensive income (loss)	$ 40	$(2,447)	$1,784	$(5,267)

CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited)	
	2012	*2011*
Accumulated deficit at beginning of the fiscal year	$(39,306)	$(39,096)
Net (loss) income for the period	(93)	780
Accumulated deficit at end of the period	$(39,399)	$(38,316)

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)	
	2012	*2011*
Cash flows from investing activities		
Development credits		
Disbursements	$(3,666)	$(4,411)
Principal repayments	1,581	1,504
Proceeds from buydown of development credits	—	42
Net cash used in investing activities	(2,085)	(2,865)
Cash flows from financing activities		
Members' subscriptions and contributions	1,601	1,828
Cash flows from operating activities		
Net (loss) income	(93)	780
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Provision for debt relief and for losses on development credits and other exposures, net—charge (release)	12	(20)
Non-functional currency translation adjustment losses (gains), net	201	(425)
Discount on prepaid development credits	—	113
Write-off on buydown of development credits	—	45
Fair value adjustment on non-trading portfolios, net	54	(68)
PPA grants/Other	—	2
Changes in:		
Investments—Trading, net	628	928
Other assets and liabilities	(271)	(314)
Net cash provided by operating activities	531	1,041
Effect of exchange rate changes on unrestricted cash	5	(3)
Net increase in unrestricted cash	52	1
Unrestricted cash at beginning of the fiscal year	78	20
Unrestricted cash at end of the period	$ 130	$ 21
Supplemental disclosure		
Increase (decrease) in ending balances resulting from exchange rate fluctuations		
Development credits outstanding	$ 1,483	$(4,822)
Investment portfolio	264	(910)
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	(3)	(2)
Development credits written off under Multilateral Debt Relief Initiative (MDRI)	(2,554)	–
Amounts received in prior year relating to current year's development credit prepayments	—	940
Buydown of Development credits — nominal value	—	87

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

Basis of Preparation

These unaudited condensed quarterly financial statements should be read in conjunction with the June 30, 2012 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2012 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 income and expenses during the reporting period. 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 debt relief and losses on development credits 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 [   ], 2013, which was also the date through which IDA's management evaluated subsequent events.

Accounting and Reporting Developments

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act seeks to reform the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities, and activities. The implementation of the Act is dependent on the development of various rules to clarify and interpret its requirements. Pending the development of these rules, no impact on IDA has been determined as of December 31, 2012. IDA continues to evaluate the potential future implications of the Act.

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2011-02, *Receivables: A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring.* The ASU clarifies criteria to be considered in evaluating whether a restructuring of a receivable constitutes a troubled debt restructuring and was effective for IDA from the quarter ended September 30, 2012. As it is IDA's practice not to restructure its development credits, this ASU did not have an impact on its financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* The ASU requires comprehensive income to be reported in either a single statement or in two consecutive statements. The ASU does not change which items are reported in other comprehensive income or existing requirements to reclassify items out of accumulated other comprehensive income to net income. Subsequently, in December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, which deferred certain reclassification provisions in ASU 2011-05. For IDA, the ASUs are effective for fiscal year ending after December 15, 2012, and interim and annual periods thereafter. The ASUs will not have an effect on IDA's financial statement as these are already in compliance with one of the options allowed under ASU 2011-05.

In August 2012, the FASB issued a proposed ASU, *Comprehensive Income (Topic 220): Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income*, which would require entities to present separately in the notes, tabular information about items that are reclassified out of each component of accumulated other comprehensive income. IDA is currently evaluating the impact of this proposed ASU on its financial statements.

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS, AND MEMBERSHIP

Subscriptions and Contributions: The movement in Subscriptions and Contributions Paid-in for the six months ended December 31, 2012, and for the fiscal year ended June 30, 2012, is summarized below:

In millions of U.S. dollars

	December 31, 2012	*June 30, 2012*
Beginning of the fiscal year	$175,587	$167,610
Cash contributions received	364	1,655
Demand obligations received	2,838	6,848
Translation adjustment	114	(526)
End of the period/fiscal year	$178,903	$175,587

During the six months ended December 31, 2012, IDA encashed demand obligations totaling $1,237 million.

NOTE C—INVESTMENTS

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

As of December 31, 2012, the majority of the Investments—Trading is comprised of government and agency obligations (82%), with almost all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy.

A summary of IDA's Investments—Trading at December 31, 2012 and June 30, 2012, is as follows:

In millions of U.S. dollars

	December 31, 2012	*June 30, 2012*
Investments—Trading		
Government and agency obligations	$23,457	$23,140
Time deposits	4,083	6,104
Asset-backed securities (ABS)	980	1,180
Total	$28,520	$30,424

IDA manages its investments on a net portfolio basis. The following tables summarize IDA's net portfolio position as of December 31, 2012 and June 30, 2012:

In millions of U.S. dollars

	December 31, 2012	*June 30, 2012*
Investments—Trading	$28,520	$30,424
Securities purchased under resale agreements	266	441
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(2,779)	(3,824)
Derivatives Assets		
Currency forward contracts	1,020	743
Currency swaps	1,291	1,159
Interest rate swaps	2	2
Other[a]	*	1
Total	2,313	1,905
Derivatives Liabilities		
Currency forward contracts	(1,029)	(747)
Currency swaps	(1,313)	(1,149)
Interest rate swaps	(2)	(2)
Other[a]	(*)	(*)
Total	(2,344)	(1,898)
Cash held in investment portfolio[b]	110	54
Receivable from investment securities traded[c]	73	1,255
Payable for investment securities purchased[d]	(140)	(2,024)
Net Investment Portfolio	$26,019	$26,333

a. These relate to Mortgage Backed Securities To-Be-Announced (TBA securities).
b. This amount is included in Unrestricted currencies 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 D—Derivative Instruments.

As of December 31, 2012, there were short sales totaling $30 million ($32 million—June 30, 2012) included in Other liabilities on the Condensed Balance Sheet.

For the three and six months ended December 31, 2012, IDA's income included $80 million of unrealized losses and $36 million of net unrealized gains in income (three and six months ended December 31, 2011—$54 million of unrealized losses and $179 million of unrealized gains, respectively).

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 as of December 31, 2012 and June 30, 2012:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of December 31, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments—Trading				
Government and agency obligations	$6,665	$16,792	$—	$23,457
Time deposits	151	3,932	—	4,083
ABS	—	975	5	980
Total Investments—Trading	6,816	21,699	5	28,520
Securities purchased under resale agreements	—	266	—	266
Derivative assets—Investments				
Currency forward contracts	—	1,020	—	1,020
Currency swaps	—	1,291	—	1,291
Interest rate swaps	—	2	—	2
Other[a]	—	*	—	*
	—	2,313	—	2,313
Total	$6,816	$24,278	$ 5	$31,099
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements	$—	$2,779	$—	$2,779
Derivative liabilities—Investments				
Currency forward contracts	—	1,029	—	1,029
Currency swaps	—	1,313	—	1,313
Interest rate swaps	—	2	—	2
Other[a]	—	*	—	*
	—	2,344	—	2,344
Total	$—	$5,123	$—	$5,123

a. *These relate to TBA securities*

* *Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments—Trading				
Government and agency obligations	$7,131	$16,009	$—	$23,140
Time deposits	997	5,107	—	6,104
ABS	—	1,176	4	1,180
Total Investments—Trading	8,128	22,292	4	30,424
Securities purchased under resale agreements	335	106	—	441
Derivative assets—Investments				
Currency forward contracts	—	743	—	743
Currency swaps	—	1,159	—	1,159
Interest rate swaps	—	2	—	2
Other[a]	—	1	—	1
	—	1,905	—	1,905
Total	$8,463	$24,303	$ 4	$32,770
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements	$ 97	$ 3,727	$—	$ 3,824
Derivative liabilities—Investments				
Currency forward contracts	—	747	—	747
Currency swaps	—	1,149	—	1,149
Interest rate swaps	—	2	—	2
Other[a]	—	*	—	*
	—	1,898	—	1,898
Total	$ 97	$ 5,625	$—	$ 5,722

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

Level 3 Financial Instruments

The following table provides a summary of changes in the fair value of IDA's Level 3 financial instruments relating to Investments—Trading during the three and six months ended December 31, 2012 and December 31, 2011:

In millions of U.S. dollars

	Level 3 Financial Instruments			
	Investments – Trading (ABS)			
	Three Months Ended December 31,		*Six Months Ended December 31,*	
	2012	*2011*	*2012*	*2011*
Beginning of the period/fiscal year	$ 5	$ 8	$4	$ 18
Total realized/unrealized gains (losses) in:				
Net income	1	2	1	1
Sales/Settlements	*	(1)	*	(2)
Transfers (out) in, net	(1)	(7)	*	(15)
End of the period	$ 5	$ 2	$5	$ 2

* *Indicates amount less than $0.5 million.*

The following table provides information on the unrealized gains or losses included in income for the three and six months ended December 31, 2012 and December 31, 2011, relating to IDA's Level 3 financial instruments still held as of those dates, as well as where those amounts are included in the Condensed Statement of Income.

In millions of U.S. dollars

	Level 3 Financial Instruments Still Held as of the reporting date			
Unrealized Gains (Losses)	*Investments – Trading (ABS)*			
Condensed Statement of Income Location	*Three Months Ended December 31,*		*Six Months Ended December 31,*	
	2012	*2011*	*2012*	*2011*
Investments—Trading, net	$	$*	$1	$*

* *Indicates amount less than $0.5 million.*

The fair value of Level 3 instruments in the investment portfolio is estimated using valuation models that incorporate observable market inputs and unobservable inputs. The significant unobservable inputs include constant prepayment rates, probability of default, and loss severity rate. The constant prepayment rate is an annualized expected rate of principal prepayment for a pool of ABS. The probability of default is an estimate of the expected likelihood of not collecting contractual amounts owed. Loss severity is the present value of lifetime losses (both interest and principal) as a percentage of the principal balance.

Significant increases (decreases) in the assumptions used for these inputs in isolation, would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rates.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments as of December 31, 2012 and June 30, 2012 and quantitative information regarding the significant unobservable inputs used:

In millions of U.S. dollars

	Fair value at				*Range (weighted average)*	
Portfolio	*December 31, 2012*	*June 30, 2012*	*Valuation Technique*	*Unobservable input*	*December 31, 2012*	*June 30, 2012*
Investments (ABS)	$5	$4	Discounted Cash Flow	Constant prepayment rate	0.0% to 15.0% (6.9%)	0.5% to 5.0% (4.5%)
				Probability of default	0.0% to 11.0% (2.1%)	0.0% to 8.0% (1.1%)
				Loss severity	0.0% to 100% (79.2 %)	0.0% to 100% (45.9%)

Inter-level transfers

The transfers from Level 2 to Level 3 reflect the unavailability of quoted prices for similar instruments resulting from a decreased volume of trading for these instruments. Conversely, transfers from Level 3 to Level 2 reflect the availability of quoted prices for similar instruments resulting from increased volume of trading for these instruments.

The table below provides the details of all gross inter-level transfers during the three and six months ended December 31, 2012 and December 31, 2011:

In millions of U.S. dollars

	Three Months Ended December 31, 2012			*Six Months Ended December 31, 2012*		
	Level 1	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
Investments-Trading						
ABS						
Transfers (out of) into	$—	$(1)	$1	$—	$(3)	$3
Transfers into (out of)	—	2	(2)	—	3	(3)
	$—	$ 1	$(1)	$—	$(*)	$ *

* *Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Three Months Ended December 31, 2011			*Six Months Ended December 31, 2011*		
	Level 1	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
Investments-Trading						
ABS						
Transfers into (out of)	$—	$7	$(7)	$—	$17	$(17)
Transfers (out of) into	—	—	—	—	(2)	2
	$—	$7	$(7)	$—	$15	$(15)

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 futures contracts and most government and agency securities.

For instruments for which market quotations are not available, fair values are determined based on 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 prepayment spreads. Where applicable, unobservable inputs such as constant prepayment rates, probability of default, and loss severity are used.

Unless quoted prices are available, given their short term nature, time deposits are reported at face value which approximates fair value.

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 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 derivatives agreements which contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. The reduction in exposure as a result of these netting provisions can vary as additional transactions are entered into under these agreements. The extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date.

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. 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.

The following is a summary of the carrying amount of the securities transferred under repurchase or securities lending agreements, and the related liabilities, as of December 31, 2012 and June 30, 2012:

In millions of U.S. dollars

	December 31, 2012	*June 30, 2012*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$2,700	$2,691	Included under Investments—Trading on the Condensed Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$2,728	$3,772	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, 2012, the liabilities relating to securities transferred under repurchase or securities lending agreements included $ Nil ($1,046 million—June 30, 2012) of repurchase agreement trades that had not settled at that date.

IDA receives collateral in connection with resale agreements. This collateral serves to mitigate IDA's exposure to credit risk. The collateral received is in the form of liquid securities and IDA 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 the Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of December 31, 2012, IDA had received securities with a fair value of $266 million ($442 million—June 30, 2012) in connection with resale agreements. Of this amount, securities totaling $51 million ($52 million—June 30, 2012) had been transferred under repurchase or securities lending agreements.

NOTE D—DERIVATIVE INSTRUMENTS

IDA uses derivative instruments in its investment portfolio and for asset-liability management purposes. All derivative instruments are classified as Level 2 for the purposes of fair value hierarchy classification.

The following table summarizes IDA's use of authorized 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 and futures contracts	Manage currency and interest rate risk in the portfolio
Other assets/liabilities	Currency forward contracts and currency swaps	Manage foreign exchange risks of future cash flows in non-Special Drawing Rights (SDR) component currencies
Other purposes:		
Client operations	Structured swaps	Assist clients in managing commodity output risks

Under its derivative agreement with IBRD, IDA is not required to post collateral as long as it maintains liquidity holdings at pre-determined levels that are a proxy for an AAA credit rating. As of December 31, 2012, having met the liquidity holdings requirement, IDA had not posted any collateral with IBRD.

The following tables provide information on the fair value amounts and the location of the derivative instruments on the Condensed Balance Sheet, as well as the notional amounts and credit risk exposures of those derivative instruments, as of December 31, 2012 and June 30, 2012:

Fair value amounts of the derivative instruments on the Condensed Balance Sheet:

In millions of U.S. dollars

	Derivative assets			*Derivative liabilities*		
	Condensed Balance Sheet Location	*December 31, 2012*	*June 30, 2012*	*Condensed Balance Sheet Location*	*December 31, 2012*	*June 30, 2012*
Derivatives not designated as hedging instruments						
Options, swaptions and Futures-Investments	Other assets	$ —	$ *	Other liabilities	$ 6	$ 1
Interest rate swaps	Derivative assets	2	2	Derivative liabilities	2	2
Currency forward contracts	Derivative assets	7,934	8,070	Derivative liabilities	8,294	8,461
Currency swaps	Derivative assets	1,291	1,159	Derivative liabilities	1,313	1,149
Other[a]	Derivative assets	*	1	Derivative liabilities	*	*
Total Derivatives		$9,227	$9,232		$9,615	$9,613

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

Notional amounts and credit risk exposure of the derivative instruments:
In millions of U.S. dollars

Type of contract	*December 31, 2012*	*June 30, 2012*
Investments—Trading		
Interest rate swaps		
Notional principal	$ 68	$ 60
Credit exposure	2	2
Currency swaps (including currency forward contracts)		
Credit exposure	17	28
Swaptions, exchange traded Options and Futures contracts[a]		
Notional long position	633	1,251
Notional short position	4,200	4,778
Credit exposure	—	2
Other[b]		
Notional long position	280	203
Notional short position	31	26
Credit exposure	*	1
Derivatives—Asset/liability management		
Currency forward contracts		
Credit exposure	64	57

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*

Amounts of gains and losses on the non-trading derivative instruments and their location in the Condensed Statement of Income during the three and six months ended December 31, 2012 and December 31, 2011 are as follows:

Derivatives not designated as hedging instruments and not held in a trading portfolio[a]
In millions of U.S. dollars

Type of Instrument	*Condensed Statement of Income Location*	*Three Months Ended December 31, Gains (Losses) 2012*	*Three Months Ended December 31, Gains (Losses) 2011*	*Six Months Ended December 31, Gains (Losses) 2012*	*Six Months Ended December 31, Gains (Losses) 2011*
Currency forward contracts and structured swaps	Fair value adjustment on non-trading portfolios, net	$(20)	$57	$(54)	$68

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

All instruments in IDA's investment portfolio are held for trading purposes. Within the investment portfolio, IDA holds highly rated fixed income instruments as well as derivatives. The investment 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 net investment portfolio (derivative and non-derivative instruments), and their location on the Condensed Statement of Income during the three and six months ended December 31, 2012 and December 31, 2011:

In millions of U.S. dollars

Type of instrument	*Condensed Statement of Income Location*	*Gains (Losses) Three Months Ended December 31, 2012*	*Gains (Losses) Three Months Ended December 31, 2011*	*Gains (Losses) Six Months Ended December 31, 2012*	*Gains (Losses) Six Months Ended December 31, 2011*
Fixed income	Investments—Trading, net	$(25)	$22	$125	$320

Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 and June 30, 2012 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of December 31, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$—	$1,020	$ —	$1,020
Currency swaps	—	1,291	—	1,291
Interest rate swaps	—	2	—	2
Other[a]	—	*	—	*
	—	2,313	—	2,313
Asset-liability management				
Currency forward contracts	—	6,914	—	6,914
Total derivative assets	$—	$9,227	$ —	$9,227
Derivative liabilities:				
Investments				
Currency forward contracts	$—	$1,029	$ —	$1,029
Currency swaps	—	1,313	—	1,313
Interest rate swaps	—	2	—	2
Other[a]	—	*	—	*
	—	$2,344	—	$2,344
Asset-liability management				
Currency forward contracts	—	7,265	—	7,265
Total derivative liabilities	$—	$9,609	$ —	$9,609

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

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2012			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$—	$ 743	$—	$ 743
Currency swaps	—	1,159	—	1,159
Interest rate swaps	—	2	—	2
Other[a]	—	1	—	1
	—	1,905	—	1,905
Asset-liability management				
Currency forward contracts	—	7,327	—	7,327
Total derivative assets	$—	$9,232	$—	$9,232
Derivative liabilities:				
Investments				
Currency forward contracts	$—	$ 747	$—	$ 747
Currency swaps	—	1,149	—	1,149
Interest rate swaps	—	2	—	2
Other[a]	—	*	—	*
	—	1,898	—	1,898
Asset-liability management	—		—	
Currency forward contracts	—	7,714	—	7,714
Total derivative liabilities	$—	$9,612	$—	$9,612

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

During the three and six months ended December 31, 2012 and December 31, 2011, there were no inter-level transfers in the derivatives portfolio.

Valuation Methods and Assumptions

Derivative contracts include currency forward contracts, plain vanilla swaps and structured swaps, and are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates and basis spreads.

NOTE E—DEVELOPMENT CREDITS AND OTHER EXPOSURES

Development credits and other exposures (exposures) are generally made directly to member countries of IDA. Other exposures include irrevocable commitments, guarantees and repaying project preparation facilities.

Development credits are carried and reported at amortized cost. Of the total development credits outstanding as of December 31, 2012, 89% 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 development credits outstanding are in the Medium risk and High risk classes.

As of December 31, 2012, six borrowers with development credits outstanding totaling $3,520 million representing 2.83% of the total were in nonaccrual status.

Credit Quality of Sovereign Development Credits

Based on an evaluation of IDA's development credits, management has determined that IDA has one portfolio segment — Sovereign Exposures.

Development credits constitute the majority of sovereign exposures.

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 factors. For the purpose of analyzing the risk characteristics of IDA's exposures, 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 borrowers' country risk ratings are key determinants in the provisions for development credit losses.

IDA considers a development credit to be past due when a borrower fails to make payment on any principal, service, interest or other charges due to IDA, on the dates provided in the contractual development credit agreements.

The following tables provide an aging analysis of development credits outstanding as of December 31, 2012 and June 30, 2012:

In millions of U.S. dollars

	December 31, 2012							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ —	$—	$—	$—	$ —	$ —	$ 6,801	$ 6,801
Medium	—	—	—	—	—	—	29,423	29,423
High	2	—	—	—	—	2	84,842	84,844
Credits in accrual status	2	—	—	—	—	2	121,066	121,068
Credits in nonaccrual status	12	2	6	32	1,133	1,185	2,335	3,520
Total	$14	$ 2	$ 6	$32	$1,133	$1,187	$123,401	$124,588

In millions of U.S. dollars

	June 30, 2012							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$—	$—	$—	$—	$ —	$ —	$ 7,074	$ 7,074
Medium	—	—	—	—	—	—	33,611	33,611
High	*	—	—	—	—	*	79,405	79,405
Credits in accrual status	*	—	—	—	—	*	120,090	120,090
Credits in nonaccrual status	12	2	6	28	1,072	1,120	2,366	3,486
Total	$12	$ 2	$ 6	$28	$1,072	$1,120	$122,456	$123,576

** Indicates amount less than $0.5 million.*

Accumulated Provision for Losses on Development Credits, Debt Relief (HIPC Debt Initiative and MDRI) and Other Exposures

Provision for Losses on Development Credits 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. Management reassesses the adequacy of the accumulated provision on a periodic basis and adjustments are recorded as a charge against or addition to income.

Provision for Debt Relief

HIPC Debt Initiative and MDRI provisions 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 debt relief. Provisions are released as qualifying debt service becomes due, and is forgiven under the HIPC Debt Initiative and are reduced by the amount of the eligible development credits written off when the country reaches Completion Point, and becomes eligible for MDRI debt relief.

Changes to the accumulated provision for losses on development credits and other exposures, as well as the debt relief under HIPC Debt Initiative and MDRI for the six months ended December 31, 2012 and the fiscal year ended June 30, 2012 are summarized below:

In millions of U.S. dollars

	December 31, 2012				*June 30, 2012*			
	Develop-ment credits	*Other*	*Debt relief under HIPC/MDRI*	*Total*	*Develop-ment credits*	*Other*	*Debt relief under HIPC/MDRI*	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,339	$13	$5,384	$6,736	$ 1,333	$15	$5,614	$6,962
Increase (decrease) in provision, net	10	2	(*)	12	70	(1)	(3)	66
Development credits written off under HIPC	—	—	(3)	(3)	—	—	(5)	(5)
Development credits written off under MDRI	—	—	(2,554)	(2,554)	—	—	—	—
Translation adjustment	16	—	34	50	(64)	(1)	(222)	(287)
Accumulated provision, end of the period/ fiscal year	$ 1,365	$15	$2,861	$4,241	$ 1,339	$13	$5,384	$6,736
Composed of accumulated provision for losses on:								
Development credits in accrual status	$ 1,153				$ 1,131			
Development credits in nonaccrual status	212				208			
Total	$ 1,365				$ 1,339			
Development credits:								
Development credits in accrual status	$121,068				$120,090			
Development credits in nonaccrual status	3,520				3,486			
Total	$124,588				$123,576			

** Indicates amount less than $0.5 million.*

	Reported as Follows	
Accumulated Provision for Losses on:	**Condensed Balance Sheet**	**Condensed Statement of Income**
Development Credits	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures
Debt Relief under HIPC/MDRI	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures
Other Exposures	Other liabilities	Provision for debt relief and for losses on development credits and other exposures

On July 1, 2012, development credits totaling $1,559 million were written off under the MDRI as a result of Côte d'Ivoire reaching the Completion Point under the HIPC Debt Initiative on June 26, 2012.

On October 1, 2012, development credits totaling $995 million were written off under the MDRI as a result of Guinea reaching the Completion Point under the HIPC Debt Initiative on September 26, 2012.

On December 20, 2012, Comoros reached the Completion Point under the HIPC Debt Initiative, allowing for the cancellation of eligible development credits under MDRI totaling $93 million on January 1, 2013. The accumulated provision for debt relief under the HIPC/MDRI of $2,861 million as of December 31, 2012, includes a provision for this amount.

Overdue Amounts

It is the policy of IDA to place in nonaccrual status all development credits and other exposures made to, or guaranteed by, a member of IDA if principal, service charges, or other charges with respect to any such exposures are overdue by more than six months, unless IDA's management determines that the overdue amount will be collected in the immediate future. IDA considers the exposures in nonaccrual status to be impaired. In addition, if exposures made by IBRD to a member government are placed in nonaccrual status, all development credits and other exposures made to, or guaranteed by, that member government will also be placed in nonaccrual status by IDA. On the date a member's development credits and other exposures are placed into nonaccrual status, unpaid service charges and other charges accrued on development credits outstanding to the member are deducted from the income from development credits in the current period. Charge income on nonaccrual exposures is included in income only to the extent that payments have actually been received by IDA. If collectability risk is considered to be particularly high at the time of arrears clearance, a borrowing member's exposures may not automatically emerge from nonaccrual status. In such instances, a decision on the restoration of accrual status is made on a case-by-case basis, and in certain cases that decision may be deferred until a suitable period of payment or policy performance has passed.

As of December 31, 2012, there were no principal or charges under development credits in accrual status which were overdue by more than three months.

The following tables provide a summary of selected financial information related to development credits in nonaccrual status as of December 31, 2012 and June 30, 2012 and for the three and six months ended December 31, 2012 and December 31, 2011:

In millions of U.S. dollars

Borrower	Nonaccrual Since	Recorded investment[a]	Average recorded investment[b]	Principal Outstanding	Provision for debt relief	Provision for credit losses[c]	Overdue amounts Principal	Overdue amounts Charges
Eritrea	March 2012	$ 480	$ 478	$ 480	$ 355	$ 25	$ 11	$ 5
Myanmar	September 1998	783	781	783	—	157	321	88
Somalia	July 1991	442	440	442	425	4	185	73
Sudan	January 1994	1,289	1,284	1,289	1,211	16	533	177
Syrian Arab Republic	June 2012	14	14	14	—	*	2	*
Zimbabwe	October 2000	512	509	512	—	10	133	49
Total — December 31, 2012		$3,520	$3,506	$3,520	$1,991	$212	$1,185	$392
Total — June 30, 2012		$3,486	$3,206	$3,486	$1,980	$208	$1,120	$376

a. A credit loss provision has been recorded against each of the credits in nonaccrual status.
b. For December 31, 2012, represents the average for the six months ended that date (June 30, 2012—represents the average for the fiscal year then ended).
c. Credit loss provisions are determined after taking into account accumulated provision for debt relief.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Six Months Ended December 31, 2012	Six Months Ended December 31, 2011
Service charge income not recognized as a result of development credits being in nonaccrual status	$6	$6	$13	$12

During the six months ended December 31, 2012 and December 31, 2011, no development credits were placed into nonaccrual status or restored to accrual status.

During the three and six months ended December 31, 2012 and December 31, 2011, no service charge income was recognized on development credits in nonaccrual status.

Subsequent Event:

On January 25, 2013, Myanmar cleared all of its overdue principal and charges due to IDA and the credits to, or guaranteed by, Myanmar were restored to accrual status on that date.

Guarantees

Guarantees of $373 million were outstanding at December 31, 2012 ($299 million—June 30, 2012). This amount 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 10 and 23 years, and expire in decreasing amounts through 2035.

As of December 31, 2012, liabilities related to IDA's obligations under guarantees of $32 million ($26 million—June 30, 2012), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of $9 million ($7 million—June 30, 2012).

During the six months ended December 31, 2012 and December 31, 2011, 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.

Charge income comprises service charges and interest charges on outstanding development credit balances and guarantee fee income. For the six months ended December 31, 2012, Credits to two countries generate in excess of ten percent of total charge income; this amounted to $100 million and $47 million, respectively.

The following table presents IDA's development credits outstanding and associated charge income as of and for the six months ended December 31, 2012 and December 31, 2011, by geographic region:

In millions of U.S. dollars

	December 31, 2012		*December 31, 2011*	
Region	*Development Credits Outstanding*	*Charge Income*	*Development Credits Outstanding*	*Charge Income*
Africa	$ 35,959	$122	$ 35,136	$125
East Asia and Pacific	20,949	78	20,597	78
Europe and Central Asia	8,362	32	8,066	31
Latin America and the Caribbean	1,975	8	1,824	7
Middle East and North Africa	3,754	14	3,786	14
South Asia	53,589	206	52,821	206
Total	$124,588	$460	$122,230	$461

Buydown of Development Credits

During the six months ended December 31, 2012, there were no development credits purchased under the buydown mechanism.

During the six months ended December 31, 2011, two development credits with outstanding nominal values of $87 million were purchased for a present value equivalent of $42 million under the buydown mechanism by the Global Program to Eradicate Poliomyelitis Trust Funds, resulting in a $45 million write-off.

Discount on Development Credits prepaid

During the six months ended December 31, 2012, there were no development credits prepaid.

During the six months ended December 31, 2011, two IDA graduate countries prepaid development credits with outstanding nominal values totaling $1,053 million as part of IDA16. The total amount prepaid of $940 million reflected the present value of the development credits as of the date of the prepayment, resulting in an aggregate discount of $113 million.

Fair Value Disclosures

The table below presents the fair value of IDA's development credits along with their respective carrying amounts as of December 31, 2012 and June 30, 2012:

In millions of U.S. dollars

	December 31, 2012		*June 30, 2012*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net Development Credits Outstanding	$120,390	$85,240	$116,880	$79,917

Valuation Methods and Assumptions

The fair values of development credits are 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.

NOTE F—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, 2012 were $15,130 million ($14,518 million—June 30, 2012). 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	$14,518	$612	$15,130
Of which from:			
IBRD	12,115	608	12,723
IFC	2,230	—	2,230

Subsequent Event: On January 23, 2013, IDA received a grant of $340 million from the IFC. This is the second installment of IFC's contribution toward the Sixteenth replenishment of IDA's resources.

Receivables and Payables

As of December 31, 2012, and June 30, 2012, the total amounts receivable from or (payable to) affiliated organizations comprised:

In millions of U.S. dollars

	December 31, 2012			
	Administrative Services	*Pension and Other Postretirement Benefits*	*Derivative transactions*	*Total*
Receivable from:				
IBRD	$ —	$ 953	$ 6,914	$7,867
Payable to:				
IBRD	$(337)	$ —	$(7,265)	$7,602

In millions of U.S. dollars

	June 30, 2012			
	Administrative Services	*Pension and Other Postretirement Benefits*	*Derivative transactions*	*Total*
Receivable from:				
IBRD	$ —	$1,006	$ 7,327	$ 8,333
Payable to:				
IBRD	$(375)	$ —	$(7,714)	$(8,089)

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

For the three and six months ended December 31, 2012, IDA's share of joint administrative expenses totaled $390 million and $733 million, respectively (three and six months ended December 31, 2011—$338 million and $639 million, respectively).

Other income: Includes IDA's share of other income jointly earned with IBRD during the three and six months ended December 31, 2012 totaling $62 million and $97 million, respectively (three and six months ended December 31, 2011—$52 million and $89 million, respectively). Other income is allocated on the basis consistent with that applied to joint administrative expenses.

For the three and six months ended December 31, 2012 and December 31, 2011, the amount of fee revenue associated with services provided to other affiliated organizations is included in Other income on the Condensed Statement of Income, as follows:

In millions of U.S. dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	*2011*	*2012*	*2011*
Fees charged to IFC	$13	$11	$20	$19
Fees charged to MIGA	2	2	3	3

Pension and Other Postretirement 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 life 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 prior replenishments of IDA's resources into the four currencies of the SDR basket.

NOTE G—DEVELOPMENT GRANTS

A summary of changes to the amounts payable for development grants for the six months ended December 31, 2012, and for the fiscal year ended June 30, 2012, is presented below:

In millions of U.S. dollars

	December 31, 2012	*June 30, 2012*
Balance, beginning of the fiscal year	$6,161	$ 6,830
Commitments	643	2,062
Disbursements	(900)	(2,398)
Translation adjustment	77	(333)
Balance, end of the period/fiscal year	$5,981	$ 6,161

For the fiscal years ending June 30, 2013 and June 30, 2012, the commitment charge rate on the undisbursed balances of IDA grants was set at nil percent.

NOTE H—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, along with IFC and the Multilateral Investment Guarantee Agency sponsor a defined benefit Staff Retirement Plan, a Retired Staff Benefits Plan and a PEBP that cover substantially all of their staff members.

While IDA is not a participating entity to these benefit plans, IDA shares the benefit 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, 2012, IDA's share of IBRD's benefit costs relating to all the three plans totaled $84 million and $162 million, respectively (three and six months ended December 31, 2011—$46 million and $90 million, 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 I—COMPREHENSIVE INCOME

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

The following table presents the changes in Accumulated other comprehensive income balances for the six months ended December 31, 2012 and December 31, 2011.

In millions of U.S. dollars

	Six Months Ended December 31,	
	2012	*2011*
Balance, beginning of the fiscal year	$10,177	$17,794
Currency translation adjustments on functional currencies	1,877	(6,047)
Balance, end of the period	$12,054	$11,747

NOTE J—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 as of December 31, 2012 and June 30, 2012.

In millions of U.S. dollars

	December 31, 2012		*June 30, 2012*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Due from Banks	$ 160	$ 160	$ 106	$ 106
Investments (including Securities Purchased Under Resale Agreements)	28,786	28,786	30,865	30,865
Net Development Credits Outstanding	120,390	85,240	116,880	79,917
Derivative Assets				
Investments	2,313	2,313	1,905	1,905
Other Asset/Liability Management	6,914	6,914	7,327	7,327
Securities sold/lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	2,779	2,779	3,824	3,824
Derivative Liabilities				
Investments	2,344	2,344	1,898	1,898
Other Asset/Liability Management	7,265	7,265	7,714	7,714

As of December 31, 2012, IDA's development credits are classified as level 3 within the fair value hierarchy.

Valuation Methods and Assumptions

As of December 31, 2012 and June 30, 2012, IDA had no assets or financial liabilities measured at fair value on a non-recurring basis.

For valuation methods and assumptions of the following items refer to the respective notes as follows:

Investments: See Note C

Derivative assets and liabilities: See Note D

Development Credits Outstanding: See Note E

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