International Development Association

Management's Discussion & Analysis

and

Condensed Quarterly Financial Statements

September 30, 2013

(Unaudited)

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

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September 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Box 1: Selected Financial Data

In millions of US dollars, except ratios in percentages and months	*As of and for the three months ended*		*Full Year*
	September 30, 2013	*September 30, 2012*	*June 30, 2013*
Development Operations (Section IV)			
Commitments of development credits, grants and guarantees	$ 2,194	$ 4,791	$ 16,298
Gross disbursements of development credits and grants	2,294	2,100	11,228
Net disbursements of development credits and grants	1,527	1,378	7,371
Balance Sheet (Section V)			
Total assets	$167,017	$162,110	$165,806
Net investment portfolio	27,712	26,186	27,487
of which core liquidity	9,880	9,045	10,079
Development credits outstanding	128,482	124,856	125,135
Payable for development grants	6,383	6,216	6,436
Subscriptions and contributions paid-in	184,944	176,121	184,511
Income Statement			
Income from development credits and guarantees	$ 244	$ 228	$ 1,021
Investment income, net	121	281	99
Transfers and grants from affiliated organizations and trust funds	2	2	964
Development grants	(365)	(366)	(2,380)
Net loss	(300)	(418)	(1,752)
Funding Position (Section VII)			
Investment portfolio and unrestricted demand notes as a percentage of undisbursed commitments of credits and development grants payable	77%	74%	79%
Liquidity Position (Section VII)			
Months of average monthly gross disbursements covered by core liquidity	10	10	11

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, 2013. IDA undertakes no obligation to update any forward looking statements. **Box1** provides IDA's selected financial data as of and for the three months ended September 30, 2013 and September 30, 2012 as well as for the fiscal year ended June 30, 2013.

I. 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". The financial statements provide a basis upon which users are able to analyze IDA's sources and uses of resources. Under the reported basis, IDA's Statement of Income does not reflect the true economic results of IDA due to a number of asymmetries, which are explained in detail in Management's Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2013.

II. Sources and Applications of Funds

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

Sources of Funds

Partner Resources (Subscriptions and Contributions)*:* IDA finances its new commitments for development credits and development grants primarily through partner resources. The partner 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), interest income on blend credits and income from the investment portfolio.

Transfers and Grants from affiliated organizations and trust funds: These are primarily 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 and least creditworthy members.

Administrative Expenses

IDA's policy is to maintain its **service and commitment** charges at a level that will cover its cash based **administrative expenses**. Cash based administrative expenses differ from the reported administrative expenses which are accounted for on an accrual basis. Commitment charges are set annually and take into account the extent to which service and certain interest charges, and partner compensation for development grant financing and forgone charges on development credits forgiven under the Heavily Indebted Poor Country Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI), cover cash based administrative expenses.

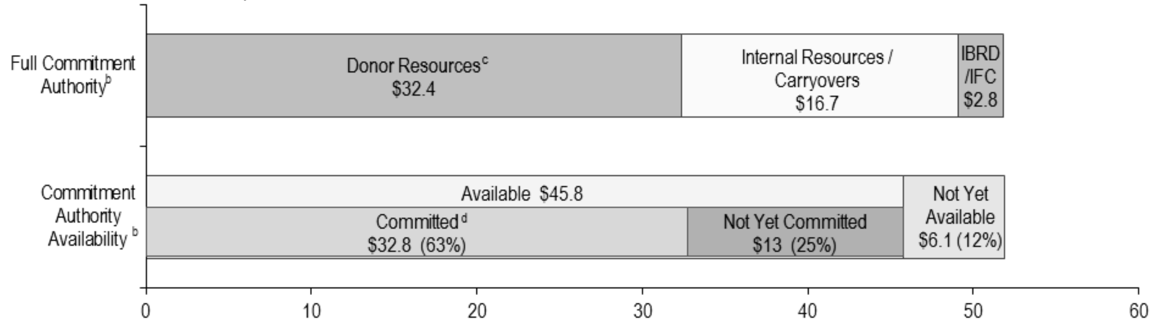
III. IDA16 Commitment Authority

With nine months remaining under the IDA16 replenishment period, cumulative commitments made under IDA16 as of September 30, 2013 amounted to approximately 72% of the available IDA16 lending envelope of SDR 29.9 billion (U.S. dollar equivalent 45.8 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 September 30, 2013.

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 September 30, 2013 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 partner commitments for compensation of debt relief provided under MDRI.
d. IDA16 guarantee commitments to date totaled $508 million, of which only 25% ($127 million) is used for the purposes of the Commitment Authority.

IV. *Statement of Activities Analysis*

To address the asymmetries (explained in detail in IDA MD&A June 30, 2013) embedded in IDA's reported basis results; management prepares a Statement of Activities (**Table 1**). The Statement of Activities categorizes IDA's activities to better reflect how IDA manages its sources and application of funds. Its sources of funds mirror the categories in IDA's Commitment Authority Framework. In addition to re-categorizing items on the Statement of Income, the following items are included in order to arrive at the Statement of Activities:

- Cash inflows from members in the form of subscriptions and contributions, excluding those inflows relating to partner compensation for forgone charges.
- Cash inflows from principal repayments and prepayments of development credits.
- Cash outflows relating to development credit and development grant disbursements.
- Partner financing of forgone service charges on credits cancelled due to debt relief provided under HIPC and MDRI and on IDA13 grants.

The table below presents the Statement of Activities, designed to show the sources and applications of IDA's funds in executing its operating activities.

Table 1 : Statement of Activities for the three months ended September 30, 2013 and September 30, 2012
Expressed in millions of U.S. dollars

For the three months ended September 30,	2013	2012	Variance
Operating Activities			
Sources of Funds			
Partner Resources – Members' subscriptions and contributions	$ 738	$ 588	$ 150
Transfers and Grants from Affiliated Organizations and Trust Funds	2	2	-
Internal Resources			
Principal repayments and prepayments	767	722	45
Investment interest income	107	124	(17)
	874	846	28
Total Sources of Funds	1,614	1,436	178
Application of Funds			
Disbursements			
Development credit disbursements	(1,749)	(1,676)	(73)
Development grant disbursements (including PPA grant activity)	(545)	(410)	(135)
Total Application of Funds	(2,294)	(2,086)	(208)
Administrative Activities			
Administrative expenses, net (cash basis)[a]	(367)	(335)	(32)
Service and interest charges	244	228	16
Partner compensation for forgone charges	69	70	(1)
	(54)	(37)	(17)
Results from Operating Activities	(734)	(687)	(47)

a. *The reported basis administrative expenses, net for September 2013 and September 2012 were $327 million and $308 million, respectively.*

Reconciliation to Reported Basis Net Loss

Expressed in millions of U.S. dollars

For the three months ended September 30,	2013	2012
Results from Operating Activities	$ (734)	$ (687)
Members' subscriptions and contributions	(738)	(588)
Partner compensation for forgone charges	(69)	(70)
Development credit disbursements	1,749	1,676
Development grant disbursements	545	410
Development grant expense	(365)	(366)
Principal repayments and prepayments	(767)	(722)
Difference between reported and non-cash administrative expenses, net	40	27
Unrealized MTM gain on Investment portfolio	14	157
Non-functional currency translation adjustment losses	(88)	(190)
Fair value adjustment on non-trading portfolios, net	(4)	(34)
Provision for debt relief and losses on development credits and other exposures, net	115	(28)
PPA grants and other	2	(3)
Reported Basis Net Loss	$ (300)	$ (418)

Results from Operating Activities

IDA's operating activities resulted in a net cash outflow of $734 million for the three months ended September 30, 2013 (FY 2014 YTD). This primarily reflects the $2,294 million of outflows for disbursements, partially offset by $738 million of cash receipts relating to member subscriptions and contributions and $767 million of cash receipts relating to principal repayments.

Despite the decrease in operating activities, IDA's core liquidity position as of September 30, 2013 was sufficient to cover approximately 10 months of average monthly gross disbursements, while remaining within the historical range of 10 to 14 months.

IDA's funding position stood at 77% at September 30, 2013, as compared to 79% at June 30, 2013. The remaining funding gap will be primarily covered by future receipts of cash, demand notes already committed by partners and repayments on outstanding credits. At all times, IDA enters into new commitments based on the commitment authority available. See **Section III** for further details on IDA's Commitment Authority.

The key drivers of the $47 million change in IDA's results from operating activities are: (i) members' subscriptions and contributions, (ii) principal repayments and prepayments, (iii) development credit and grant disbursements, and (iv) administrative activities. These are discussed in more detail as follows:

Members' subscriptions and contributions

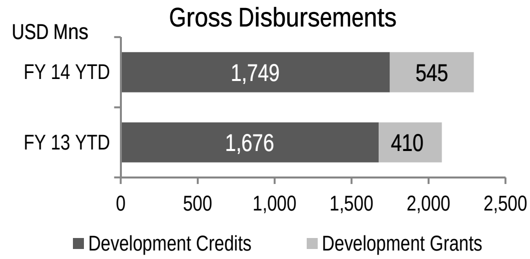
The subscriptions and contributions of $738 million represent the unrestricted cash contributions received from members and the encashment of demand notes, excluding $69 million received relating to financing by members of foregone charges for debt relief and development grant financing, which is shown as part of administrative activities. The increase of $150 million as compared to FY2013 YTD is primarily due to an increase in cash contributions received.

Transfers and Grants from Affiliated Organizations and Trust Funds

The third and final installment of IBRD's transfer to IDA16 of $621 million was received on October 16, 2013.

Development Credit Disbursements

Gross disbursements of development credits during FY 2014 YTD were $1,749 million, an increase of $73 million from FY 2013 YTD. In terms of regional focus, disbursements to East Asia and Pacific and Africa cumulatively increased by $334 million, while disbursements to South Asia decreased by $215 million. Africa and East Asia and Pacific together accounted for 72% of the total gross disbursements during FY 2014 YTD.



(Includes adjustments for certain PPA activity)

Of the $1,749 million in development credit disbursements, 39% related to commitments made under IDA16, 38% under IDA15, 22% under IDA14 and the remaining 1% related to commitments made under earlier replenishments.

Development Grant Disbursements

The majority of the $135 million increase (33%) in development grants disbursed in FY 2014 YTD as compared to FY 2013 YTD was attributable to Africa and South Asia regions and was primarily due to the timing of the disbursements, rather than an increase in grant activity. Grant commitments decreased by $1 million in FY 2014 YTD as compared to FY 2013 YTD.

Administrative Activities

The increase in cash based administrative expenses, net, of $32 million was primarily due to higher expenses directly attributable to IDA consistent with the increase in IDA's lending operations.

V. Balance Sheet Analysis

The principal components of IDA's balance sheet are development credits outstanding, investment assets net of related liabilities, and subscriptions and contributions paid-in. Movements in these principal components between September 30, 2013 and June 30, 2013 are discussed further below.

Table 2: Condensed Balance Sheet

In millions of U.S. dollars

As of	September 30, 2013	June 30, 2013	Variance
Assets			
Investment assets, including related derivative assets	$ 35,676	$ 37,208	$ (1,532)
Derivatives relating to asset-liability management	4,999	5,307	(308)
Receivables and other assets, including non-investment cash	1,769	2,161	(392)
Development credits outstanding	128,482	125,135	3,347
Accumulated provision for debt relief and for losses on development credits	(3,909)	(4,005)	96
Total assets	$ 167,017	$ 165,806	$ 1,211
Liabilities and equity			
Liabilities and derivatives relating to investments	$ 7,964	$ 9,721	$ (1,757)
Derivatives relating to asset-liability management	5,002	5,242	(240)
Payables and other liabilities, including maintenance of value	7,118	7,147	(29)
Subscriptions and contributions paid-in	184,944	184,511	433
Demand obligations	(8,641)	(9,015)	374
Accumulated deficit	(41,358)	(41,058)	(300)
Accumulated other comprehensive income	11,988	9,258	2,730
Total liabilities and equity	$ 167,017	$ 165,806	$ 1,211

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

Development credits outstanding increased by $3,347 million during FY 2014 YTD, primarily due to positive translation adjustments of $2,397 million resulting from the 2% appreciation of the SDR against the U.S dollar and net positive disbursements of $982 million.

Investment Assets, net of related Liabilities

The net investment portfolio increased from $27,487 million as of June 30, 2013 to $27,712 million as of September 30, 2013, 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

	September 30, 2013	June 30, 2013
Beginning of fiscal year	$27,487	$26,333
Net cash used in development activities	(982)	(5,293)
Net cash from contributions and other support	807	8,585
Net cash used in other operating activities	(532)	(1,319)
Effects of exchange rates	496	(389)
Other	436	(430)
End of period/fiscal year	**$27,712**	$27,487

Subscriptions and Contributions

The $433 million increase in subscriptions and contributions paid-in is primarily attributable to the receipt from members of $158 million of unrestricted cash contributions and a positive translation adjustment of $275 million.

VI. Financial Risk Management Activities

IDA is subject to four main types of financial risk: Funding risk, Liquidity risk, Credit risk and Market risk.

Funding Risk is managed using the Commitment Authority Framework and monitored, in part, by the funding position, see ***Section III, IDA16 Commitment Authority and Section VII, Funding and Liquidity Positions***.

Liquidity Risk is managed through a combination of cash flow monitoring, timing of partner contributions and investment policies. IDA's liquidity position is a key indicator of liquidity management; see ***Section VII, Funding and Liquidity Positions.***

Credit Risk includes two types: Country credit risk and Commercial credit risk.

Country credit risk is managed by the IDA Resource Mobilization Department which regularly reviews the credit risk of its recipient countries in terms of the country's debt sustaining capacity. These reviews provide an input into the composition of development credits versus grants for new operations.
Table 4 provides details of the top five borrowers with the largest development credits outstanding as at September 30, 2013. The top five borrowers represented 52% of total development credits outstanding.

Table 4: Top Five Borrowers with the Largest Development Credits Outstanding Balance

Country	India	Bangladesh	Pakistan	Vietnam	China [a]	Total
Development Credits Outstanding (USD Mn)	26,461	11,398	11,282	9,991	6,223	65,355
% of Total Development Credits Outstanding	21%	9%	9%	8%	5%	52%
Weighted Average Maturity (Years)	11.4	14.3	14.4	16.6	4.0	--
Credits outstanding by terms (USD Mn):						
IDA only	7,204	11,398	1,351	8,128	994	29,075
Blend	19,147	—	9,654	1,652	5,229	35,682
Hard terms	110	—	277	211	—	598
Undisbursed balance (USD Mn)	6,510	3,466	2,168	4,720	—	16,864

a. China graduated from IDA in the fiscal year ended 1999

Commercial Credit Risk: 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 5**.

Table 5: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating
In millions of U.S. dollars

As of	September 30, 2013				June 30, 2013			
Counterparty Rating	Sovereigns	Agencies, ABS, Commercial paper, Swaps, Corporate and Time Deposits	Total Exposure, Net	% of Total	Sovereigns	Agencies, ABS, Commercial paper, Swaps, Corporate and Time Deposits	Total Exposure, Net	% of Total
AAA	$12,963	$3,685	$16,648	53%	$12,802	$3,969	$16,771	55%
AA	9,188	2,970	12,158	38	8,456	2,732	11,188	37
A	495	1,757	2,252	7	170	2,313	2,483	8
BBB or lower	527	8	535	2	102	8	110	*
Total	$23,173	$8,420	$31,593	100%	$21,530	$9,022	$30,552	100%

** Denotes less than 0.5%.*

IDA's total commercial credit exposure, net of collateral was $31,593 million as of September 30, 2013. Of this amount, $11,642 million (37%) related to countries in the euro zone; of which $11,165 million (96%) was rated AA or above, and none were rated below A.

Market Risk: IDA faces both **foreign exchange risk** with respect to its future partner contributions which it manages using currency forwards and **interest rate risk** on its investment portfolio.

As outlined above, IDA's key financial risk management activities are primarily represented in its investment strategy and the hedging of future partner contributions. The impact of these strategies, is shown on IDA's Statement of Income, however the economic offset is not reported. Further details on these asymmetries can be seen in IDA's June 30, 2013 MD&A. The analysis below discusses the impact of these activities on IDA's Statement of Income and the economic offset.

Translation adjustments

The payable leg of the currency forward contracts economically **hedging** partner pledges are denominated in non-functional currencies. Appreciation (depreciation) of these currencies against the U.S. dollar results in exchange rate losses (gains).

The translation adjustment loss on non-functional currencies of $88 million in FY 2014 YTD was due to the appreciation of the non-functional currencies against the U.S. dollar. This was offset by the translation adjustment on the economic offset to the currency forward contracts; the future inflows from partners, which was a gain of $90 million in FY 2014 YTD. In FY2013 YTD, the significant appreciation of the non-functional currencies against the U.S. dollar resulted in translation adjustment losses of $190 million on the payable leg of the currency forward contracts, offset by translation adjustment gains of $192 million on the flows associated with the economic offset. The differences between the reported translation adjustments and the related translation adjustments on the economic offsets primarily represent the translation adjustments on the partner contributions in non-functional currencies that are not hedged.

Mark-to-market gains/losses

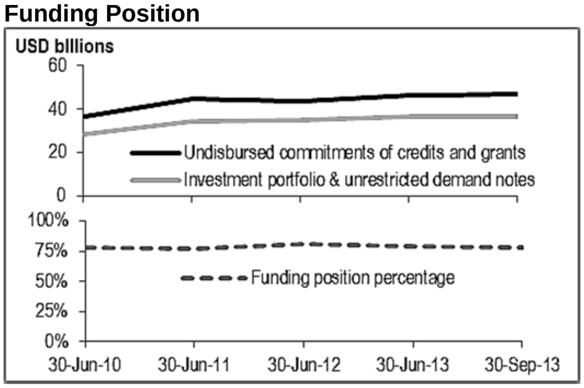
The primary objective in the management of IDA's investment portfolio is to provide a ready source of liquidity when needed by IDA to meet projected net cash requirements. Accordingly, IDA's assets are invested so that their duration closely matches the duration of these projected net cash requirements. Given IDA's lengthy disbursement profile, the duration for IDA's investment portfolio is therefore relatively long. This long duration, combined with volatility in market interest rates, results in significant year-on-year variability in unrealized mark-to-market gains/losses on the portfolio. The economic offset to the unrealized mark-to-market gains/losses on the investment portfolio would be the change in the present value of the projected net cash outflows.

IDA's investment portfolio had a duration of approximately three years as of September 30, 2013, and has two components: core liquidity and partner asset and liability management. During FY 2014 YTD, the investment portfolio experienced unrealized mark-to-market gains of $14 million, compared with gains of $157 million experienced in FY 2013 YTD due to the more pronounced flattening of the yield curves in FY2013 YTD. The currency forward contracts incurred unrealized mark-to-market losses of $4 million during FY 2014 YTD, as compared to losses of $34 million in FY 2013 YTD resulting from the more pronounced downward movement of yield curves of the majority of the payable currencies in FY2013 YTD.

VII. Funding and Liquidity Positions

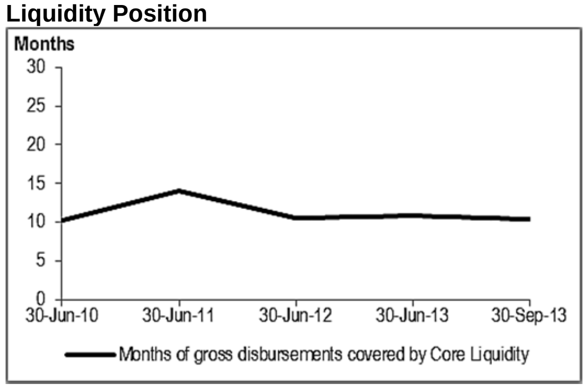
Management monitors IDA's funding and liquidity positions to assess IDA's ability to conduct its operations. Since IDA does not borrow from the capital markets, even though it is allowed to do so under its Articles of Agreement, it is important that IDA has sufficient funding resources and liquidity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

Funding Position



As of September 30, 2013, the investment portfolio and unrestricted demand notes covered 77% of all undisbursed commitments of development credits and grants, compared with 79% as at June 30, 2013. IDA's funding position has been relatively stable for the last 4 years, ranging from 77% to 81%.

Liquidity Position



As of September 30, 2013, core liquidity accounted for $9,880 million, comprising short-term and medium-term investments and was sufficient to cover nearly 10 months of average monthly gross disbursements.

IDA's liquidity position has been relatively stable for the last 4 years, ranging from 10 to 14 months of average monthly gross disbursements.

VIII. Senior Management Changes

Effective June 30, 2013, Robert Kopech retired as Chief Risk Officer (CRO). Effective July 1, 2013, Bertrand Badré assumed the position of acting CRO until such time as a new CRO is appointed.

Effective July 30, 2013, Sri Mulyani Indrawati, Managing Director of IDA also assumed the position of Chief Operating Officer.

CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	September 30, 2013 (Unaudited)	*June 30, 2013 (Unaudited)*
Assets		
Due from banks—Note C		
Unrestricted cash	$ 133	$ 565
Restricted cash	30	30
	163	595
Investments—Trading (including securities transferred under repurchase or securities lending agreements of $3,178 million—September 30, 2013; $3,236 million—June 30, 2013)—Note C	31,205	30,283
Securities purchased under resale agreements—Note C	243	458
Derivative assets		
Investments—Notes C and D	3,117	2,605
Asset-liability management—Notes D and F	4,999	5,307
	8,116	7,912
Receivable from affiliated organization—Note F	879	887
Development credits outstanding—Note E		
Total development credits	168,949	164,900
Less: Undisbursed balance	40,467	39,765
Development credits outstanding	128,482	125,135
Less: Accumulated provision for debt relief and for losses on development credits	3,909	4,005
Plus: Deferred development credits origination costs	27	27
Net development credits outstanding	124,600	121,157
Other assets—Note C	1,811	4,514
Total assets	$167,017	$165,806
Liabilities		
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Note C	$ 3,848	$ 3,622
Derivative liabilities		
Investments—Notes C and D	3,184	2,602
Asset-liability management—Notes D and F	5,002	5,242
	8,186	7,844
Payable for development grants—Note G	6,383	6,436
Payable to affiliated organization—Note F	355	413
Other liabilities—Notes C and E	1,546	4,029
Total liabilities	20,318	22,344
Equity		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	225,490	224,303
Less: Subscriptions and contributions receivable	37,676	36,933
Less: Cumulative discounts/acceleration credits on subscriptions and contributions	2,870	2,859
Subscriptions and contributions paid-in	184,944	184,511
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(8,641)	(9,015)
Deferred amounts to maintain value of currency holdings	(234)	(234)
Accumulated deficit (see Condensed Statement of Changes in Accumulated Deficit)	(41,358)	(41,058)
Accumulated other comprehensive income—Note I	11,988	9,258
Total equity	146,699	143,462
Total liabilities and equity	$167,017	$165,806

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 September 30, (Unaudited)	
	2013	*2012*
Income		
Development credits and guarantees—Note E	$ 244	$ 228
Investments—Trading, net—Notes C and D	121	283
Transfers and grants from affiliated organizations and trust funds—Note F	2	2
Other income—Note F	111	88
Total income	478	601
Expenses		
Administrative expenses—Notes F and H	438	396
Development grants—Note G	365	366
Interest expense on securities sold under repurchase agreements	—	2
Provision for debt relief and for losses on development credits and other exposures, net— (release) charge—Note E	(115)	28
Non-functional currency translation adjustment losses, net	88	190
Fair value adjustment on non-trading portfolios, net—Note D	4	34
Project Preparation Advances (PPA) grants/Other expenses	(2)	3
Total expenses	778	1,019
Net Loss	$(300)	$ (418)

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 September 30, (Unaudited)	
	2013	*2012*
Net Loss	$ (300)	$ (418)
Other comprehensive income —Note I		
Currency translation adjustments on functional currencies	2,730	2,162
Comprehensive Income	$2,430	$1,744

CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2013	*2012*
Accumulated deficit at beginning of the fiscal year	$(41,058)	$(39,306)
Net loss for the period	(300)	(418)
Accumulated deficit at end of the period	$(41,358)	$(39,724)

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

	Three Months Ended September 30, (Unaudited)	
	2013	*2012*
Cash flows from investing activities		
Development credits		
Disbursements	$(1,749)	$(1,676)
Principal repayments	767	722
Net cash used in investing activities	(982)	(954)
Cash flows from financing activities		
Members' subscriptions and contributions	807	658
Cash flows from operating activities		
Net loss	(300)	(418)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for debt relief and for losses on development credits and other exposures, net— (release) charge	(115)	28
Non-functional currency translation adjustment losses, net	88	190
Fair value adjustment on non-trading portfolios, net	4	34
PPA grants/Other expenses	(2)	3
Changes in:		
Investments—Trading, net	273	598
Other assets and liabilities	(207)	(58)
Net cash used in operating activities	(259)	377
Effect of exchange rate changes on unrestricted cash	2	3
Net increase in unrestricted cash	(432)	84
Unrestricted cash at beginning of the fiscal year	565	78
Unrestricted cash at end of the period	$133	$162
Supplemental disclosure		
Increase in ending balances resulting from exchange rate Fluctuations		
Development credits outstanding	$2,397	$1,887
Investment portfolio	496	397
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	(2)	(2)
Development credits written off under Multilateral Debt Relief Initiative (MDRI)	—	(1,559)

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, 2013 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2013 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 three 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 [Nov 11, 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 September 30, 2013. IDA continues to evaluate the potential future implications of the Act.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The ASU requires entities to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position, and instruments and transactions subject to a master netting agreement and agreements similar to master netting agreements. Subsequently, in January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,* which has clarified that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with *Topic 815, Derivatives and Hedging*, including bifurcated embedded derivatives, as well as repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with US GAAP or subject to an enforceable master netting arrangement or similar agreement. For IDA, the ASUs were effective from the quarter ended September 30, 2013, and resulted in additional disclosures which are reflected in Note C-Investments and Note D-Derivative Instruments.

In February 2013, the FASB issued the ASU 2013-02 *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (AOCI).* The ASU introduces new presentation requirements about the amounts reclassified out of AOCI. It requires an entity to present information about the reclassified amounts by component and to provide additional details about such reclassifications. The ASU does not change the current requirements for reporting net income or other comprehensive income in financial statements or which items could be reclassified from other comprehensive income to net income. For non-public entities, the new requirements will be effective for the fiscal year ending June 30, 2015. As IDA does not reclassify items from other comprehensive income to net income, this ASU does not have an impact on IDA's financial statements.

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS, AND MEMBERSHIP

Subscriptions and Contributions: The movement in Subscriptions and Contributions Paid-in for the three months ended September 30, 2013, and for the fiscal year ended June 30, 2013, is summarized below:

In millions of U.S. dollars

	September 30, 2013	*June 30, 2013*
Beginning of the fiscal year	$184,511	$175,587
Cash contributions received	158	1,928[a]
Demand obligations received	—	7,445
Translation adjustment	275	(449)
End of the period/fiscal year	$184,944	$184,511

a. Includes restricted cash subscriptions of $1 million at June 30, 2013.

During the three months ended September 30, 2013, IDA encashed demand obligations totaling $649 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 September 30, 2013, the majority of the Investments—Trading is comprised of government and agency obligations (84%), with 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 September 30, 2013 and June 30, 2013, is as follows:

In millions of U.S. dollars

	September 30, 2013	*June 30, 2013*
Investments—Trading		
Government and agency obligations	$26,070	$23,775
Time deposits	4,118	5,561
Asset-backed securities (ABS)	1,017	947
Total	$31,205	$30,283

IDA manages its investments on a net portfolio basis. The following tables summarize IDA's net portfolio position as of September 30, 2013 and June 30, 2013:

In millions of U.S. dollars

	September 30, 2013	*June 30, 2013*
Investments—Trading	$31,205	$30,283
Securities purchased under resale agreements	243	458
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(3,848)	(3,622)
Derivatives Assets		
Currency forward contracts	603	1,066
Currency swaps	2,505	1,534
Interest rate swaps	1	1
Swaptions,exchange traded options and futures contracts	1	4
Other[a]	7	*
Total	3,117	2,605
Derivatives Liabilities		
Currency forward contracts	(621)	(1,068)
Currency swaps	(2,555)	(1,529)
Interest rate swaps	(2)	(1)
Swaptions,exchange traded options and futures contracts	(6)	(*)
Other[a]	(*)	(4)
Total	(3,184)	(2,602)
Cash held in investment portfolio[b]	113	110
Receivable from investment securities traded[c]	997	3,752
Payable for investment securities purchased[d]	(931)	(3,497)
Net Investment Portfolio	$27,712	$27,487

a. These relate to Mortgage Backed Securities 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 D—Derivative Instruments.

As of September 30, 2013, there were no short sales ($134 million—June 30, 2013) included in Other liabilities on the Condensed Balance Sheet.

For the three months ended September 30, 2013, IDA's income included unrealized gains of $14 million (three months ended September 30, 2012—$157 million of unrealized gains).

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 September 30, 2013 and June 30, 2013:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of September 30, 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments—Trading				
Government and agency obligations	$6,824	$19,246	$—	$26,070
Time deposits	558	3,560	—	4,118
ABS	-	1,017	—	1,017
Total Investments—Trading	7,382	23,823	—	31,205
Securities purchased under resale agreements	40	203	—	243
Derivative assets				
Currency forward contracts	—	603	—	603
Currency swaps	—	2,505	—	2,505
Interest rate swaps	—	1	—	1
Swaptions,exchange traded options and futures contracts	1	*	—	1
Other[a]	—	7	—	7
	1	3,116	—	3,117
Total	$7,423	$27,142	$ —	$34,565
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$—	$3,843	$—	$3,843
Derivative liabilities				
Currency forward contracts	—	621	—	621
Currency swaps	—	2,555	—	2,555
Interest rate swaps	—	2	—	2
Swaptions,exchange traded options and futures contracts	5	1	—	6
Other[a]	—	*	—	*
	5	3,179	—	3,184
Total	$5	$7,022	$—	$7,027

a. These relate to TBA securities.
b. Excludes $5 million relating to payable for cash collateral received.
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments—Trading				
Government and agency obligations	$7,029	$16,746	$—	$23,775
Time deposits	881	4,680	—	5,561
ABS	—	947	—	947
Total Investments—Trading	7,910	22,373	—	30,283
Securities purchased under resale agreements	100	358	—	458
Derivative assets—Investments				
Currency forward contracts	—	1,066	—	1,066
Currency swaps	—	1,534	—	1,534
Interest rate swaps	—	1	—	1
Swaptions,exchange traded options and futures contracts	4	—	—	4
Other[a]	—	*	—	*
	4	2,601	—	2,605
Total	$8,014	$25,332	$ —	$33,346
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[b]	$ 133	$ 3,480	$—	$ 3,613
Derivative liabilities—Investments				
Currency forward contracts	—	1,068	—	1,068
Currency swaps	—	1,529	—	1,529
Interest rate swaps	—	1	—	1
Swaptions,exchange traded options and futures contracts	*	—	—	*
Other[a]	—	4	—	4
	*	2,602	—	2,602
Total	$133	$ 6,082	$—	$ 6,215

c. These relate to TBA securities.
d. Excludes $9 million relating to payable for cash collateral received.
** Indicates amount less than $0.5 million.*

Level 3 Financial Instruments

There were no level 3 instruments as of September 30, 2013 and June 30, 2013.

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 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 derivatives 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 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. For more information on netting and offsetting provisions, see note D-Derivative Instruments.

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. For Balance Sheet presentation purposes, IDA presents its securities lending and repurchases, as well as resales, on a gross basis. As of September 30, 2013, amounts which could potentially be offset as a result of legally enforceable master netting arrangements were $40 million ($251 million-June 30, 2013).

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 September 30, 2013 and June 30, 2013:

In millions of U.S. dollars

	September 30, 2013	*June 30, 2013*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$3,178	$3,236	Included under Investments—Trading on the Condensed Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$3,843	$3,613	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 September 30, 2013, the liabilities relating to securities transferred under repurchase or securities lending agreements included $658 million ($344 million—June 30, 2013) of repurchase agreement trades that had not settled at that date. Of this amount, $481 million ($344 million—June 30, 2013) represented replacement trades entered into in anticipation of maturing trades.

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 September 30, 2013, IDA had received securities with a fair value of $246 million ($465 million—June 30, 2013) in connection with resale agreements. None of these securities had been transferred under repurchase or securities lending agreements as of September 30, 2013 and June 30, 2013.

NOTE D—DERIVATIVE INSTRUMENTS

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

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 and futures contracts	Manage currency and interest rate risk in the portfolio
Other assets/liabilities	Currency forward contracts and currency swaps	Manage foreign exchange risk of future cash flows in non-Special Drawing Rights (SDR) component currencies
Other purposes:		
Client operations	Structured swaps	Assist clients in managing 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 a AAA credit rating. As of September 30, 2013, 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 September 30, 2013 and June 30, 2013:

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

In millions of U.S. dollars

	Derivative assets		*Derivative liabilities*	
	September 30, 2013	*June 30, 2013*	*September 30, 2013*	*June 30, 2013*
Derivatives not designated as hedging instruments				
Swaptions,exchange traded options and futures contracts- Investments	$ 1	$ 4	$ 6	$ *
Interest rate swaps	1	1	2	1
Currency forward contracts	5,602	6,373	5,623	6,310
Currency swaps	2,505	1,534	2,555	1,529
Other[a]	7	*	*	4
Total Derivatives	$8,116	$7,912	$8,186	$7,844

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	*September 30, 2013*	*June 30, 2013*
Investments—Trading		
Interest rate swaps		
Notional principal	149	$ 67
Credit exposure	1	1
Currency swaps (including currency forward contracts)		
Credit exposure	29	31
Swaptions, exchange traded Options, and Futures contracts[a]		
Notional long position	188	624
Notional short position	4,908	4,597
Credit exposure	1	*
Other[b]		
Notional long position	273	318
Notional short position	4	31
Credit exposure	7	*
Asset/liability management		
Currency forward contracts		
Credit exposure	147	199
Client operations		
Structured swaps		
Notional principal	90	90
Credit exposure	*	*

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 months ended September 30, 2013 and September 30, 2012 are as follows:

In millions of U.S. dollars

		Three Months Ended September 30, Gains (Losses)	
	Condensed Statement of Income Location	*2013*	*2012*
Derivatives not designated as hedging instruments and not held in a trading portfolio[a]			
Currency forward contracts,currency swaps and structured swaps	Fair value adjustment on non-trading portfolios, net	$(4)	$(34)

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 primarily 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 months ended September 30, 2013 and September 30, 2012:

In millions of U.S. dollars

Condensed Statement of Income Location	*Three Months Ended September 30,* Investments-Trading, net *Gains (Losses)*	
	2013	*2012*
Type of instrument		
Fixed income	$14	$ 157

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 presentation of derivative instruments is consistent with the manner in which these instruments are settled. Interest rate swaps are settled on a net basis, while currency swaps are settled on a gross basis.

The following table summarizes information on derivative receivables and payables (before and after netting adjustments) that are reflected on IDA's Condensed Balance Sheet as of September 30, 2013 and June 30, 2013. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements. The net derivative asset positions have been further reduced by the cash and securities collateral received.

In millions of U.S. dollars

	September 30, 2013					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts Recognized on the Condensed Balance Sheet	*Gross Amounts Offset on the Condensed Balance Sheet*	*Net Amounts Presented on the Condensed Balance Sheet*	*Gross Amounts Recognized on the Condensed Balance Sheet*	*Gross Amounts Offset on the Condensed Balance Sheet*	*Net Amounts Presented on the Condensed Balance Sheet*
Interest rate swaps	$ 1	$*	$ 1	$ 12	$ (10)	$ 2
Currency swaps[a]	8,107	—	8,107	8,178	—	8,178
Other[b]	8	*	8	7	(1)	6
Total	$8,116	$*	$8,116	$8,197	$ (11)	$8,186
Amounts subject to legally enforceable master netting agreements[c]			$ (8,107)			$ (8,112)
Net derivatives positions at counterparty level before collateral			9			74
Less:						
Cash collateral received[d]			5			
Securities collateral received			—			
Net derivative exposure after collateral			$ 4			

a. Includes Currency forward contracts.
b. These relate to 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*

In millions of U.S. dollars

	June 30, 2013					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts Recognized on the Condensed Balance Sheet	*Gross Amounts Offset on the Condensed Balance Sheet*	*Net Amounts Presented on the Condensed Balance Sheet*	*Gross Amounts Recognized on the Condensed Balance Sheet*	*Gross Amounts Offset on the Condensed Balance Sheet*	*Net Amounts Presented on the Condensed Balance Sheet*
Interest rate swaps	$ 5	$ (4)	$ 1	$ 1	$ (*)	$ 1
Currency swaps[a]	7,907	—	7,907	7,839	—	7,839
Other[b]	6	(2)	4	4	(*)	4
Total	$7,918	$ (6)	$7,912	$7,844	$ (*)	$7,844
Amounts subject to legally enforceable master netting agreements[c]			$(7,835)			$(7,832)
Net derivatives positions at counterparty level before collateral			77			12
Less:						
Cash collateral received[d]			9			
Securities collateral received			—			
Net derivative exposure after collateral			$ 68			

a. Includes Currency forward contracts.
b. These relate to 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*

Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of September 30, 2013 and June 30, 2013 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of September 30, 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$—	$ 603	$—	$ 603
Currency swaps	—	2,505	—	2,505
Interest rate swaps	—	1	—	1
Swaptions,exchange traded options and futures contracts	1	*	—	1
Other[a]	—	7	—	7
	1	3,116	—	3,117
Asset-liability management				
Currency forward contracts	—	4,999	—	4,999
Total derivative assets	$1	$8,115	$—	$8,116
Derivative liabilities:				
Investments				
Currency forward contracts	$—	$ 621	$—	$ 621
Currency swaps	—	2,555	—	2,555
Interest rate swaps	—	2	—	2
Swaptions,exchange traded options and futures contracts	$5	1	—	6
Other[a]	—	*	—	*
	5	3,179	—	3,184
Asset-liability management				
Currency forward contracts	—	5,002	—	5,002
Total derivative liabilities	$5	$8,181	$—	$8,186

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, 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$—	$ 1,066	$—	$ 1,066
Currency swaps	—	1,534	—	1,534
Interest rate swaps	—	1	—	1
Swaptions,exchange traded options and futures contracts	4	—	—	4
Other[a]	—	*	—	*
	4	2,601	—	2,605
Asset-liability management				
Currency forward contracts	—	5,307	—	5,307
Total derivative assets	$4	$7,908	$—	$7,912
Derivative liabilities:				
Investments				
Currency forward contracts	$—	$ 1,068	$—	$ 1,068
Currency swaps	—	1,529	—	1,529
Interest rate swaps	—	1	—	1
Swaptions,exchange traded options and futures contracts	*	—	—	*
Other[a]	—	4	—	4
	*	2,602	—	2,602
Asset-liability management				
Currency forward contracts	—	5,242	—	5,242
Total derivative liabilities	$*	$7,844	$—	$7,844

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

During the three months ended September 30, 2013 and September 30, 2012, there were no inter-level transfers in the derivatives portfolio.

Valuation Methods and Assumptions

Derivative contracts include currency forward contracts, interest swaps and currency swaps, and TBA securities. These are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates and basis spreads and funding spreads.

NOTE E—DEVELOPMENT CREDITS AND OTHER EXPOSURES

Development credits and other 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 September 30, 2013, 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 September 30, 2013, development credits outstanding totaling $2,733 million (representing about 2% of the portfolio) from five borrowers, 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 September 30, 2013 and June 30, 2013:

In millions of U.S. dollars

	September 30, 2013							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$—	$—	$—	$—	$ —	$ —	$ 6,245	$ 6,245
Medium	—	—	—	—	—	—	29,293	29,293
High	1	—	—	—	—	1	90,210	90,211
Credits in accrual status	1	—	—	—	—	1	125,748	125,749
Credits in nonaccrual status	11	3	7	20	888	929	1,804	2,733
Total	$12	$3	$7	$20	$888	$930	$127,552	$128,482

In millions of U.S. dollars

	June 30, 2013							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$—	$—	$—	$—	$ —	$ —	$ 6,289	$ 6,289
Medium	—	—	—	—	—	—	28,867	28,867
High	*	—	—	—	—	—	87,289	87,289
Credits in accrual status	*	—	—	—	—	—	122,445	122,445
Credits in nonaccrual status	10	1	5	22	855	893	1,797	2,690
Total	$10	$ 1	$ 5	$22	$855	$893	$124,242	$125,135

** 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 three months ended September 30, 2013 and the fiscal year ended June 30, 2013 are summarized below:

In millions of U.S. dollars

	September 30, 2013				*June 30, 2013*			
	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	$ 1,294	$16	$2,711	$4,021	$ 1,339	$13	$5,384	$6,736
Provision, net – (release) charge	(145) [a]	*	*	(145)	(34) [b]	3	(22)	(53)
Development credits written off under HIPC	—	—	(2)	(2)	—	—	(5)	(5)
Development credits written off under MDRI	—	—	—	—	—	—	(2,647)	(2,647)
Translation adjustment	23	1	28	52	(11)	—	1	(10)
Accumulated provision, end of the period	$ 1,172	$17	$2,737	$3,926	$ 1,294	$16	$2,711	$4,021
Composed of accumulated provision for losses on:								
Development credits in accrual status	$ 1,118				$ 1,243			
Development credits in nonaccrual status	54				51			
Total	$ 1,172				$ 1,294			
Development credits:								
Development credits in accrual status	$125,749				$122,445			
Development credits in nonaccrual status	2,733				2,690			
Total	$128,482				$125,135			

a. Includes reversal of provision of $30 million for one development credit bought-down.
b. Includes provision of $30 million for one development credit expected to be bought-down.
** 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

The table below summarizes the eligible development credits written off under the MDRI during the fiscal year ended June 30, 2013:

In millions of U.S. dollars

Country	*Completion Point Date*	*Amount*	*Date*
Côte d'Ivoire	June 26, 2012	$ 1,559	July 1, 2012
Guinea	September 26, 2012	995	October 1, 2012
Comoros	December 20, 2012	93	January 1, 2013
		$2,647	

Overdue Amounts

As of September 30, 2013, 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 September 30, 2013 and June 30, 2013 and for the three months ended September 30, 2013 and September 30, 2012:

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	*Charges*
Eritrea	March 2012	$ 479	$ 474	$ 479	$ 341	$ 28	$ 18	$ 8
Somalia	July 1991	442	438	442	422	4	193	75
Sudan	January 1994	1,287	1,277	1,287	1,226	12	569	185
Syrian Arab Republic	June 2012	14	14	14	—	*	3	*
Zimbabwe	October 2000	511	505	511	—	10	146	51
Total — September 30, 2013		$2,733	$2,708	$2,733	$1,989	$54	$929	$319
Total — June 30, 2013		$2,690	$2,714	$2,690	$1,972	$51	$893	$310

a. A credit loss provision has been recorded against each of the credits in nonaccrual status.
b. For September 30, 2013, represents the average for the three months ended that date (June 30, 2013—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 September 30,	
	2013	*2012*
Service charge income not recognized as a result of development credits being in nonaccrual status	$5	$7

During the three months ended September 30, 2013, no development credits were placed into nonaccrual status.

During the three months ended September 30, 2013 service charge income recognized on development credits in nonaccrual status was less than $1 million ($Nil—September 30, 2012).

Guarantees

Guarantees of $449 million were outstanding at September 30, 2013 ($359 million—June 30, 2013). 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 9 and 23 years, and expire in decreasing amounts through 2035.

As of September 30, 2013, liabilities related to IDA's obligations under guarantees of $39 million ($30 million—June 30, 2013), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of $9 million ($8 million—June 30, 2013).

During the three months ended September 30, 2013 and September 30, 2012, 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 three months ended September 30, 2013, charge income from one country totaling $51 million was in excess of ten percent of total charge income.

The following table presents IDA's development credits outstanding and associated charge income as of and for the three months ended September 30, 2013 and September 30, 2012, by geographic region:

In millions of U.S. dollars

	September 30, 2013		*September 30, 2012*	
Region	*Development Credits Outstanding*	*Charge Income*	*Development Credits Outstanding*	*Charge Income*
Africa	$39,065	$ 68	$36,189	$ 59
East Asia and Pacific	21,314	43	20,923	39
Europe and Central Asia	8,113	16	8,338	16
Latin America and the Caribbean	2,100	4	1,930	4
Middle East and North Africa	3,721	7	3,784	7
South Asia	54,169	106	53,692	103
Total	$128,482	$244	$124,856	$228

Fair Value Disclosures

The table below presents the fair value of IDA's development credits along with their respective carrying amounts as of September 30, 2013 and June 30, 2013:

In millions of U.S. dollars

	September 30, 2013		*June 30, 2013*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net Development Credits Outstanding	$124,600	$81,191	$121,157	$79,670

As of September 30, 2013, IDA's development credits are classified as Level 3 within the fair value hierarchy.

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 September 30, 2013 were $ 15,484 million ($15,482 million—June 30, 2013). 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	$15,482	$2	$15,484
Of which from:			
IBRD	12,723	—	12,723
IFC	2,570	—	2,570

Subsequent Event: On October 11, 2013, IBRD's Board of Governors approved an immediate transfer to IDA of $621 million. This transfer was received on October 16, 2013.

Receivables and Payables

As of September 30, 2013, and June 30, 2013, the total amounts receivable from or (payable to) affiliated organizations comprised:

In millions of U.S. dollars

	September 30, 2013			
	Administrative Services	*Pension and Other Postretirement Benefits*	*Derivative transactions*	*Total*
Receivable from:				
IBRD	$ —	$879	$4,999	$5,878
Payable to:				
IBRD	$(355)	$ —	$(5,002)	$(5,357)

In millions of U.S. dollars

	June 30, 2013			
	Administrative Services	*Pension and Other Postretirement Benefits*	*Derivative transactions*	*Total*
Receivable from:				
IBRD	$ —	$887	$5,307	$ 6,194
Payable to:				
IBRD	$(413)	$ —	$(5,242)	$(5,655)

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 months ended September 30, 2013, IDA's share of joint administrative expenses totaled $376 million (three months ended September 30, 2012—$343 million).

Other income: Includes IDA's share of other income jointly earned with IBRD during the three months ended September 30, 2013 totaling $48 million (three months ended September 30, 2012—$35 million). Other income is allocated on the basis consistent with that applied to joint administrative expenses.

For the three months ended September 30, 2013 and September 30, 2012, 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 September 30,	
	2013	*2012*
Fees charged to IFC	$11	$7
Fees charged to MIGA	1	1

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 three months ended September 30, 2013, and for the fiscal year ended June 30, 2013, is presented below:

In millions of U.S. dollars

	September 30, 2013	*June 30, 2013*
Balance, beginning of the fiscal year	$6,436	$ 6,161
Commitments	365	2,380
Disbursements (including PPA grant activity)	(545)	(2,054)
Translation adjustment	127	(51)
Balance, end of the period/fiscal year	$6,383	$ 6,436

For the fiscal years ending June 30, 2014 and June 30, 2013, 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 months ended September 30, 2013, IDA's share of IBRD's benefit costs relating to all the three plans totaled $73 million (three months ended September 30, 2012—$78 million).

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—ACCUMULATED OTHER 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 three months ended September 30, 2013 and September 30, 2012.

In millions of U.S. dollars

	Three Months Ended September 30,	
	2013	*2012*
Balance, beginning of the fiscal year	$9,258	$10,177
Currency translation adjustments on functional currencies	2,730	2,162
Balance, end of the period	$11,988	$12,339

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 September 30, 2013 and June 30, 2013.

In millions of U.S. dollars

	September 30, 2013		*June 30, 2013*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Due from Banks	$163	$163	$ 595	$ 595
Investments (including Securities Purchased Under Resale Agreements)	31,448	31,448	30,741	30,741
Net Development Credits Outstanding	124,600	81,191	121,157	79,670
Derivative Assets				
Investments	3,117	3,117	2,605	2,605
Other Asset/Liability Management	4,999	4,999	5,307	5,307
Securities sold/lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	3,848	3,848	3,622	3,622
Derivative Liabilities				
Investments	3,184	3,184	2,602	2,602
Other Asset/Liability Management	5,002	5,002	5,242	5,242

Valuation Methods and Assumptions

As of September 30, 2013 and June 30, 2013, IDA had no financial assets or 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 cash is considered a reasonable estimate of the fair value of these positions.