

International Development Association



Management's Discussion & Analysis
and
Condensed Quarterly Financial Statements
September 30, 2014
(Unaudited)

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

CONTENTS

September 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

I ORGANIZATIONAL OVERVIEW AND BUSINESS MODEL	3
II FUNDING AND RESOURCE ALLOCATION	3
III BASIS OF REPORTING	4
IV STATEMENT OF ACTIVITIES ANALYSIS	5
V BALANCE SHEET ANALYSIS	7
VI FINANCIAL RISK	8
VII FUNDING AND LIQUIDITY POSITIONS	10

LIST OF BOXES, TABLES, AND CHARTS

Box

1 Selected Financial Data	2
---------------------------	---

Charts

1 IDA17 Commitment Authority Status	4
-------------------------------------	---

Tables

1 Statement of Activities for the three months ended September 30, 2014 and September 30, 2013	5
2 Reconciliation to Reported Basis, Net Loss	7
3 Condensed Balance Sheet	7
4 Top Five Borrowers with the Largest Development Credits Outstanding Balance	8
5 Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating	9

CONDENSED QUARTERLY FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET	11
CONDENSED STATEMENT OF INCOME	12
CONDENSED STATEMENT OF COMPREHENSIVE INCOME	13
CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT	14
CONDENSED STATEMENT OF CASH FLOWS	15
NOTES TO CONDENSED QUARTERLY FINANCIAL STATEMENTS	16

Box 1: Selected Financial Data

<i>In millions of U.S dollars, except ratios in percentages and months</i>			
	<i>As of and for the three months ended</i>		<i>Full Year</i>
	<i>September 30, 2014</i>	<i>September 30, 2013</i>	<i>June 30, 2014</i>
Development Operations (Section IV)			
Commitments of development credits, grants and guarantees	\$ 1,719	\$ 2,194	\$ 22,239
Gross disbursements of development credits and grants	2,470	2,294	13,432
Net disbursements of development credits and grants	1,516	1,527	9,878
Balance Sheet (Section V)			
Total assets	\$ 176,817	\$167,017	\$183,445
Net investment portfolio	27,276	27,712	28,300
of which core liquidity	8,376	9,880	9,902
Development credits outstanding, net	127,634	124,600	132,010
Payable for development grants	6,511	6,383	6,983
Total equity	148,151	146,699	153,749
Income Statement			
Revenue from development credits and guarantees	\$ 271	\$ 244	\$ 1,015
Investment revenue, net	160	121	631
Transfers and grants from affiliated organizations and trust funds	2	2	881
Development grants	(374)	(365)	(2,645)
Net loss	(41)	(300)	(1,612)
Statement of Activities (Section IV)			
Total sources of funds	\$2,674	\$1,615	\$12,781
Total application of funds	(2,462)	(2,294)	(13,441)
Results from operating activities	220	(694)	(741)
Funding Position (Section VII)			
Investment portfolio and unrestricted demand notes as a percentage of undisbursed commitments of development credits and development grants payable	72%	77%	71%
Liquidity Position (Section VII)			
Months of average monthly gross disbursements covered by core liquidity	7	10	9

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, 2014. IDA undertakes no obligation to update any forward looking statements. **Box 1** provides IDA's selected financial data as of and for the three months ended September 30, 2014 (FY15 YTD) and September 30, 2013 (FY14 YTD) as well as for the fiscal year ended June 30, 2014.

I. Organizational Overview and Business Model

IDA is an international organization established in 1960 and is owned by its 173 member countries. It is the world's largest multilateral channel for providing concessional financing and knowledge services to the world's poorest countries.

IDA complements the other entities within the World Bank Group (WBG¹), which share the overarching goals of ending extreme poverty and promoting shared prosperity. IDA plays a pivotal role in the global aid architecture and pursues these twin goals by providing concessional development credits, grants and guarantees to its recipient member countries for programs and operations that help meet their development needs. IDA provides technical assistance through reimbursable advisory services and policy advice, global knowledge services through economic sector work and country studies. In addition, IDA provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors.

IDA also supports member countries with disaster risk financing to help increase their financial resilience against natural disasters, as part of their broader disaster risk management agenda.

The resources available to IDA for funding its lending activities constitute its commitment authority. IDA finances its development credit, grant and guarantee commitments primarily from partner contributions, funds from its internal resources, as well as transfers from IBRD's net income, and grants designated out of IFC's retained earnings. Since IDA's lending is highly concessional, its resources are periodically replenished. Since its inception, IDA's resources have been replenished seventeen times, complemented by an additional replenishment agreed to in 2006 for financing the Multilateral Debt Relief Initiative (MDRI). Details of the Seventeenth Replenishment of IDA's Resources (IDA17), which commenced July 1, 2014, are provided in **Chart 1**.

II. Funding And Resource Allocation

The funding of IDA's lending, grant financing and guarantee activities are presented and discussed below.

Sources of Funds

Partner Resources (Subscriptions and Contributions and Borrowings from Partners): IDA finances its new commitments for development credits and development grants primarily through partner resources. The partner resources that are in the form of subscriptions and contributions are assigned voting rights. Prior to IDA17, IDA had never entered into long-term borrowings, even though it is allowed to do so under its Articles. Contributions from members remain at the core of IDA's financing framework, however a number of exceptional circumstances, have created a case for using a limited amount of concessional debt funding, "borrowings from partners", to ensure sufficient commitment authority for IDA17. These circumstances include, the current low interest rate environment, unique resource constraints for a number of contributing partners, and the transitional support for eligible new graduating countries during IDA17.

Internal Resources: These primarily comprise contractual principal repayments (including any accelerated repayments and voluntary prepayments), interest income on blend term credits, income from the investment portfolio and any carryover of residual resources from previous replenishments.

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

Transfers and Grants from affiliated organizations and trust funds: These are primarily transfers from IBRD’s net income and grants from IFC’s retained earnings.

Applications of Funds

Disbursement of development credits and grants: Through its development operations, IDA’s development credits, grants and guarantees benefit the poorest and least creditworthy countries.

Administrative Expenses: IDA’s policy is to maintain its service and commitment charges at a level that will cover its administrative expenses. 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 MDRI, cover administrative expenses. For FY15, commitment charges are set at nil. Management is undertaking an expenditure review to help identify how resources can be redirected to more effectively support the WBG strategy.

Commitment Authority

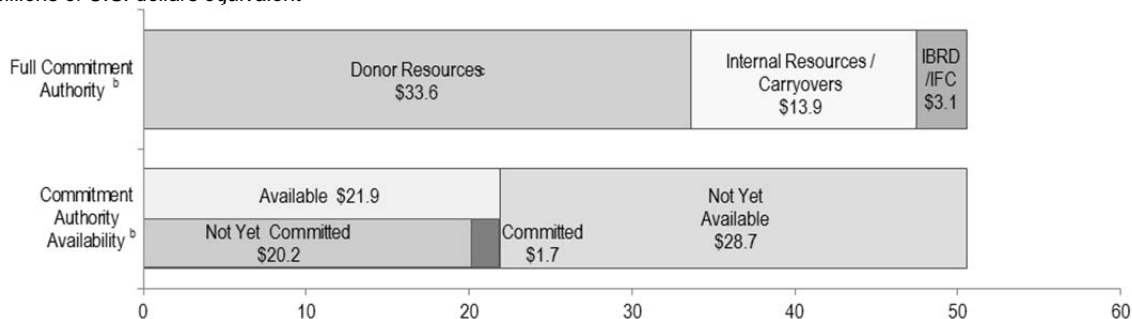
On May 5, 2014, the Board of Governors adopted the resolution approving IDA17, under which a global coalition of 46 developed and developing countries pledged contributions toward the total IDA17 lending envelope. The revised IDA17 lending envelope amounts to Special Drawing Rights (SDR) 33.54 billion (USD equivalent \$50.56 billion). IDA17 will become effective when Instruments of Commitment (IoC’s) and loan agreements for SDR11.66 billion (USD equivalent \$17.57 billion) are received. At September 30, 2014, SDR 8.45 billion (USD equivalent \$12.73 billion) had been received.

Subsequently, on November [], 2014, IDA17 became effective when receipts of IoCs and loan agreements exceeded the effectiveness threshold.

Chart 1 provides a breakdown of the principal sources making up the total lending envelope under the revised IDA17 Commitment Authority Framework and the extent to which these sources have been used for commitments of development credits, grants and guarantees through September 30, 2014.

Chart 1 : IDA17 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 for presentational purposes only, based on the IDA17 foreign exchange reference rate of USD/SDR 1.50718. Actual commitments are recorded based on historical USD rates.

b. Amounts may not add due to rounding.

c. Includes U.S.dollar equivalent 4.5 billion of partner commitments for compensation of debt relief provided under MDRI.

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”. The financial statements provide a basis upon which users are able to analyze IDA’s sources and applications of resources. Under the reported basis, IDA’s Statement of Income does not reflect the full economic results of IDA due to a number of asymmetries, which are explained in detail in the Management’s Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2014.

IV. Statement of Activities Analysis

The Statement of Activities (**Table 1**) is designed to reflect how IDA manages its sources and applications of funds in executing its operating activities. The Statement of Activities presents the flows associated with IDA's operating activities and the impact of these activities on the net asset value of IDA's investment portfolio. This presentation addresses the majority of the asymmetries (explained in detail in IDA's June 30, 2014 MD&A) embedded in IDA's reported basis results.

Table 1 : Statement of Activities for the three months ended September 30, 2014 and September 30, 2013
In millions of U.S. dollars

For the three months ended September 30,	2014	2013	Variance
Sources of Funds			
Partner Resources			
Members' subscriptions and contributions	\$ 612	\$ 739	\$ (127)
Borrowings from partners	1,000	-	1,000
Transfers and Grants from Affiliated Organizations and Trust Funds	2	2	-
Internal Resources			
Principal repayments	953	767	186
Investments, net	107	107	-
	1,060	874	186
Total Sources of Funds	2,674	1,615	1,059
Application of Funds			
Disbursements			
Development credit disbursements	(1,901)	(1,749)	(152)
Development grant disbursements (including PPA grant activity)	(561)	(545)	(16)
Total Application of Funds	(2,462)	(2,294)	(168)
Administrative Activities			
Administrative expenses, net	(329)	(327)	(2)
Service and interest charges	271	244	27
Partner compensation for forgone charges	66	68	(2)
	8	(15)	23
Results from Operating Activities / Net cash from (used in) operating activities	\$ 220	\$ (694)	\$ 914
Net Asset Value of Investment Portfolio, at beginning of fiscal year			
Results from Operating Activities / Net cash from (used in) operating activities	220	(694)	
Effects of exchange rates	(1,068)	496	
Net movement in non-operating activities	(130)	(13)	
Net movement in non-investment cash	(46)	436	
Net Asset Value of Investment Portfolio, at end of period	\$27,276	\$27,712	

Results from Operating Activities

IDA's operating activities resulted in a net cash inflow of \$220 million for FY15 YTD. This primarily reflects the \$612 million of cash receipts relating to members' subscriptions and contributions, \$1,000 million of cash receipts relating to borrowings from partners, \$953 million of cash receipts relating to principal repayments, partially offset by \$2,462 million of outflows for disbursements.

IDA's core liquidity position as of September 30, 2014 is sufficient to cover approximately 7 months of average monthly gross disbursements, which is below the historical range of 9 to 14 months for the fiscal years ending June 30, 2010 through 2014. The primary driver for the decline in IDA's liquidity position was the depreciation of the SDR against the USD. See **Section VII** for more details on IDA's core liquidity position.

IDA's funding position at September 30, 2014 was 72%, as compared to 71% at June 30, 2014. The remaining funding gap will primarily be 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 II** for further details on IDA's Commitment Authority.

The following are additional details of the key drivers of IDA's results from operating activities:

Members' subscriptions and contributions

The subscriptions and contributions of \$612 million represent the cash contributions received from members and the encashment of demand notes. This excludes \$66 million of member contributions received to finance foregone charges for debt relief and development grant financing, which is reflected as part of administrative activities.

Borrowings from Partners

Concessional partner loans were introduced in IDA17 to increase the lending envelope available to recipient countries by incorporating a limited amount of debt funding into the financing framework in a sustainable manner. Five partners have agreed to provide loans totaling US\$ 4.4 billion.

As of September 30, 2014, IDA had signed loan agreements totaling \$3 billion with three of the five partners and had received all of the loan proceeds under one of those agreements. That agreement comprises a loan of \$1 billion and a grant of \$179 million. In order to comply with the interest rate terms under the IDA17 concessional loan framework, the proceeds have been invested in a fixed return instrument with the IFC over the life of the loan.

Transfers and Grants from Affiliated Organizations and Trust Funds

On October 10, 2014, IBRD's Board of Governors approved a transfer to IDA of \$635 million, under IDA17. This transfer was received on October 14, 2014.

Development Credit and Grant Disbursements

Gross disbursements of development credits and grants during FY15 YTD were \$2,462 million, an increase of \$168 million from FY14 YTD. In terms of regional focus, disbursements to Africa and South Asia cumulatively increased by \$443 million, while disbursements to East Asia and Pacific decreased by \$221 million. Africa and South Asia together accounted for 80% of the total gross disbursements during FY15 YTD.

Of the \$1,901 million in development credit disbursements, 51% related to commitments made under IDA16, 39% under IDA15, 9% under IDA14 and the remaining 1% related to commitments made under earlier replenishments.

The \$16 million increase in development grants disbursed in FY15 YTD as compared to FY14 YTD was driven by increases to the Africa region.

The WBG is mobilizing a financing package of more than \$500 million for the countries hardest hit by the Ebola crisis, including \$230 million towards emergency funding, through IDA's Crisis Response Window. Of the \$230 million in emergency funding, \$117 million has already been disbursed, comprised of \$58 million for Liberia, \$34 million for Sierra Leone and \$25 million for Guinea.

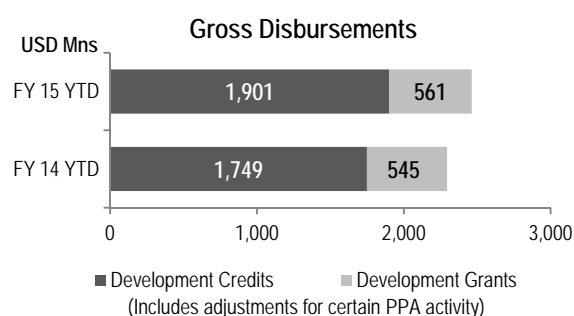


Table 2, shows a reconciliation of the results from operating activities as presented in **Table 1**, Statement of Activities to the reported basis, net loss. The reconciling items are presented as either (i) items in the reported basis results, but not included in the Statement of Activities, or (ii) items included in the Statement of Activities, but not in the reported basis results. These are further classified as: addressing asymmetries, adjustments to reflect cash and non-cash operating activities, and adjustments for non-operating activities.

Table 2: Reconciliation to Reported Basis, Net Loss

For the three months ended September 30,	2014	2013
Results from Operating Activities	\$ 220	\$ (694)
(i) Items in reported basis results, not included in Statement of Activities		
<i>Adjustments to reflect non-cash operating activities:</i>		
- Development grant expense	(374)	(365)
- Provision for debt relief and losses on development credits and other exposures, net	(68)	115
- PPA grants and other	2	2
- Borrowings expense, excluding interest expenses on securities sold under repurchase agreements	(3)	-
<i>Adjustments for non-operating activities:</i>		
- Non-functional currency translation adjustment gains (losses)	389	(88)
- Fair value adjustment on <u>non-trading portfolios, net</u>	(91)	(4)
- Unrealized MTM gain on Investment portfolio	53	14
(ii) Items included in Statement of Activities, not in reported basis results		
<i>Adjustments addressing asymmetries:</i>		
- Members' subscriptions and contributions	(612)	(739)
- Borrowings from partners	(1,000)	-
- Partner compensation for forgone charges	(66)	(68)
<i>Adjustments to reflect cash operating activities:</i>		
- Development credit disbursements	1,901	1,749
- Development grant disbursements	561	545
- Principal repayments	(953)	(767)
Reported Basis, Net Loss	\$ (41)	\$ (300)

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, 2014 and June 30, 2014 are discussed further below.

Table 3: Condensed Balance Sheet

In millions of U.S. dollars

As of	September 30, 2014	June 30, 2014	Variance
Assets			
Investment assets, including related derivative assets	\$ 36,428	\$ 37,548	\$(1,120)
Derivatives relating to asset-liability management	10,967	12,102	(1,135)
Receivables and other assets, including non-investment cash	1,814	1,811	3
Development credits outstanding	131,594	136,011	(4,417)
Accumulated provision for debt relief and for losses on development credits	(3,986)	(4,027)	41
Total assets	\$176,817	\$183,445	\$(6,628)
Liabilities and equity			
Liabilities and derivatives relating to investments	\$ 9,152	\$ 9,248	\$(96)
Derivatives relating to asset-liability management	10,932	12,222	(1,290)
Payables and other liabilities, including maintenance of value	7,344	7,990	(646)
Borrowings from partners	1,000	-	1,000
Subscriptions and contributions paid-in	193,784	193,747	37
Demand obligations	(9,447)	(10,089)	642
Accumulated deficit	(42,711)	(42,670)	(41)
Accumulated other comprehensive income	6,763	12,997	(6,234)
Total liabilities and equity	\$176,817	\$183,445	\$(6,628)

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

Development credits outstanding decreased by \$4,417 million during FY15 YTD, primarily due to negative translation adjustments of \$5,362 million resulting from the 4.1% depreciation of the SDR against the U.S dollar. This was partially offset by net positive disbursements of \$948 million.

Investment Assets, net of related Liabilities

The net investment portfolio decreased from \$28,300 million as of June 30, 2014 to \$27,276 million as of September 30, 2014, a decrease of \$1,024 million. The main driver for the decrease was the \$1,068 million negative impact of exchange rate movements, reflecting the depreciation of the Euro, JPY and GBP against the USD. The remaining difference reflects the net results of IDA's cash related operating activities, including the borrowings from partners and subsequent investment with the IFC, and the effects of non-operating items (primarily unrealized mark to mark gains/losses). See **Section IV** for variance analysis of operating activities.

Subscriptions and Contributions

The \$37 million increase in subscriptions and contributions paid-in is primarily attributable to the receipt from members of \$373 million of demand notes and \$217 million of cash contributions. This was substantially offset by a negative translation adjustment of \$553 million.

VI. Financial Risk

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 ratio, see **Section II, Funding And Resource Allocation 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 primarily 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. The credit risk department is responsible for determining the adequacy of provisions for losses on credits and other exposures.

Table 4 provides details of the top five borrowers with the largest development credits outstanding as of September 30, 2014. These borrowers represented 50% of total development credits outstanding as of that date.

Table 4: Top Five Borrowers with the Largest Development Credits Outstanding Balance
In millions of US dollars, or as otherwise indicated

Country	India	Pakistan	Bangladesh	Vietnam	Nigeria	Total
Development Credits Outstanding	25,986	12,004	11,554	10,573	5,841	65,958
% of Total Development Credits Outstanding	20%	9%	9%	8%	4%	50%
Weighted Average Maturity (Years)	7.6	13.9	14.2	15.9	16.5	-
Credits outstanding by terms						
IDA only	6,606	1,237	11,554	8,160	3,771	31,328
Blend	19,252	10,461	-	2,209	2,070	33,992
Hard terms	128	306	-	204	-	638
Undisbursed balance	7,210	2,249	4,324	4,787	3,925	22,495

Commercial Credit Risk: The monitoring and managing of this risk is a continuous process due to changing market conditions. IDA's investments 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**. The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum, with 96% of the portfolio rated AA or above, reflecting IDA's continued preference for highly rated securities and counterparties across all categories of financial instruments. Total commercial counterparty credit exposure, net of collateral held, was \$29.7 billion as of September 30, 2014.

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

As of Counterparty Rating	September 30, 2014				June 30, 2014			
	Sovereigns	Agencies, ABS, Commercial paper, Swaps, Corporate and Time Deposits	Total ^a	% of Total	Sovereigns	Agencies, ABS, Commercial paper, Swaps, Corporate and Time Deposits	Total	% of Total
AAA	\$12,069	\$3,915	\$15,984	54	\$12,246	\$4,175	\$16,421	51
AA	8,333	4,121	12,454	42	9,762	4,152	13,914	43
A	508	583	1,091	4	507	1,192	1,699	5
BBB or below	122	8	130	*	218	9	227	1
Total	<u>\$21,032</u>	<u>\$8,627</u>	<u>\$29,659</u>	<u>100</u>	<u>\$22,733</u>	<u>\$9,528</u>	<u>\$32,261</u>	<u>100</u>

a. Excludes IFC investment

** Denotes less than 0.5%.*

Market Risk: IDA faces foreign exchange risk with respect to its future partner contributions, which it manages by economically hedging using currency forwards and by rebalancing the currency composition of its investment portfolio. Interest rate risk on its investment portfolio is managed by aligning the duration of the investment portfolio with that of the projected net cash requirements. 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, 2014 MD&A. The analysis below discusses the impact of these activities on IDA's Statement of Income and the economic offset.

Foreign Exchange Risk

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), which are reported in the Statement of Income.

The translation adjustment gain on non-functional currencies of \$389 million in FY15 YTD was due to the depreciation 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 loss of \$479 million in FY15 YTD. In contrast, the translation adjustment loss on non-functional currencies of \$88 million in FY14 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 FY14 YTD.

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 economically hedged through forward contracts.

Interest Rate Risk

The primary objective in the management of IDA's investment-trading portfolio is to provide a ready source of liquidity 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 of IDA's investment-trading 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-trading portfolio had a duration of approximately three years as of September 30, 2014, and has two components: core liquidity and partner asset and liability management. During FY15 YTD, the investment-trading portfolio experienced unrealized mark-to-market gains of \$53 million, compared with gains of \$14 million experienced in FY14 YTD. The higher gains in FY15 YTD were due to the more pronounced flattening of the yield curves for the major currencies.

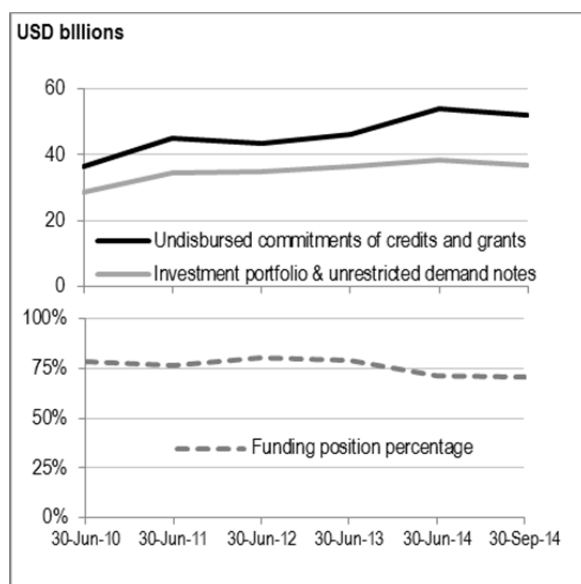
During FY15, IDA purchased a debt security issued by the IFC. While IDA intends to hold the security to maturity, IDA elected to measure the security at fair value, so that the measurement method (fair value) could be consistently applied to all its investments. The changes in fair value for this security are reflected in the Condensed Statement of Income. This security is being held in the non-trading investment portfolio.

The non-trading portfolios, incurred mark-to-market losses of \$91 million during FY15 YTD, principally consisting of i) unrealized mark-to-market losses of \$56 million on the currency forward contracts during FY15 YTD, as compared to losses of \$4 million in FY14 YTD, resulting from the more pronounced downward movement of yield curves of the majority of the payable currencies during FY15 YTD; and ii) unrealized mark-to-market losses of \$34 million on investments with IFC during FY15 YTD. See Section IV.

VII. Funding and Liquidity Positions

Management monitors IDA's funding and liquidity positions to assess IDA's ability to conduct its operations. Since IDA has not borrowed 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.

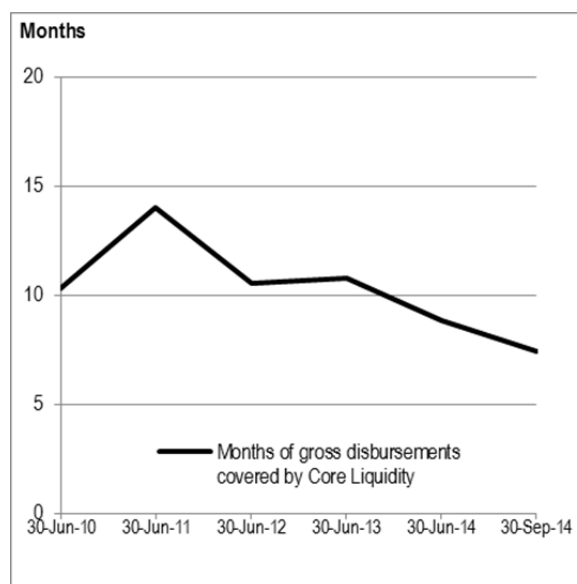
Funding Position



As of September 30, 2014, the investment portfolio and unrestricted demand notes covered 72% of all undisbursed commitments of development credits and grants as compared to 71% at June 30, 2014.

In the last 5 years, IDA's funding position has ranged from 71% to 81%.

Liquidity Position



As of September 30, 2014, core liquidity accounted for \$8,376 million (June 30, 2014 - \$9,902 million), comprising short-term and medium-term investments. IDA's liquidity position was sufficient to cover approximately 7 months of average monthly gross disbursements, below the 5 year historical range of 9 to 14 months of average monthly gross disbursements since FY10. The primary driver for the decline in IDA's liquidity position was the depreciation of the SDR against the USD.

CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	September 30, 2014 <i>(Unaudited)</i>	June 30, 2014 <i>(Unaudited)</i>
Assets		
Due from banks—Note C		
Unrestricted cash	\$ 170	\$ 120
Restricted cash	29	30
	<u>199</u>	<u>150</u>
Investments (including securities transferred under repurchase or securities lending agreements of \$4,189 million—September 30, 2014; \$4,514 million—June 30, 2014)—Notes C and G	30,731	32,209
Securities purchased under resale agreements—Note C	1,084	1,953
Derivative assets		
Investments—Notes C and E	3,601	2,719
Asset-liability management—Notes E and G	10,967	12,102
	<u>14,568</u>	<u>14,821</u>
Receivable from affiliated organization—Note G	867	877
Development credits outstanding—Note F		
Total development credits	175,909	182,855
Less: Undisbursed balance	44,315	46,844
Development credits outstanding	131,594	136,011
Less: Accumulated provision for debt relief and for losses on development credits	3,986	4,027
Plus: Deferred development credits origination costs	26	26
Net development credits outstanding	127,634	132,010
Other assets—Note C	1,734	1,425
Total assets	<u><u>\$176,817</u></u>	<u><u>\$183,445</u></u>
Liabilities		
Borrowings – Note D	\$ 1,000	\$ —
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Note C	4,553	5,012
Derivative liabilities		
Investments—Notes C and E	3,537	2,785
Asset-liability management—Notes E and G	10,932	12,222
	<u>14,469</u>	<u>15,007</u>
Payable for development grants—Note H	6,511	6,983
Payable to affiliated organization—Note G	378	440
Other liabilities—Notes C and F	1,755	2,254
Total liabilities	<u>28,666</u>	<u>29,696</u>
Equity		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	227,629	225,800
Less: Subscriptions and contributions receivable	30,829	29,049
Less: Cumulative discounts/acceleration credits on subscriptions and contributions	3,016	3,004
Subscriptions and contributions paid-in	193,784	193,747
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(9,447)	(10,089)
Deferred amounts to maintain value of currency holdings	(238)	(236)
Accumulated deficit (see Condensed Statement of Changes in Accumulated Deficit)	(42,711)	(42,670)
Accumulated other comprehensive income—Note J	6,763	12,997
Total equity	<u>148,151</u>	<u>153,749</u>
Total liabilities and equity	<u><u>\$176,817</u></u>	<u><u>\$183,445</u></u>

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

CONDENSED STATEMENT OF INCOME

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2014	2013
Revenue		
Development credits and Guarantees—Note F	\$271	\$ 244
Investments, net—Notes C, E and G	161	121
Transfers and grants from affiliated organizations and trust funds—Note G	2	2
Other—Note G	108	111
Total revenue	<u>542</u>	<u>478</u>
Expenses		
Administrative expenses—Notes G and I	437	438
Development grants—Note H	374	365
Borrowings – Note D	4	—
Provision for debt relief and for losses on development credits and other exposures, net—charge/release) —Note F	68	(115)
Non-functional currency translation adjustment (gains) losses, net	(389)	88
Fair value adjustment on non-trading portfolios, net—Notes C and E	91	4
Project Preparation Advances (PPA) grants and other expenses	(2)	(2)
Total expenses	<u>583</u>	<u>778</u>
Net Loss	<u>\$(41)</u>	<u>\$ (300)</u>

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2014	2013
Net Loss	\$(41)	\$ (300)
Other comprehensive (loss) income —Note J		
Currency translation adjustments on functional currencies	(6,234)	2,730
Comprehensive (loss) Income	<u><u>\$(6,275)</u></u>	<u><u>\$2,430</u></u>

CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2014	2013
Accumulated deficit at beginning of the fiscal year	\$(42,670)	\$(41,058)
Net loss for the period	(41)	(300)
Accumulated deficit at end of the period	<u><u>\$(42,711)</u></u>	<u><u>\$(41,358)</u></u>

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

CONDENSED STATEMENT OF CASH FLOWS

Expressed in millions of U.S. dollars

	Three Months Ended September 30, (Unaudited)	
	2014	2013
Cash flows from investing activities		
Development credits		
Disbursements	\$(1,901)	\$(1,749)
Principal repayments	953	767
Purchase of investments – Non-trading securities	(1,179)	—
Net cash used in investing activities	(2,127)	(982)
Cash flows from financing activities		
Members' subscriptions and contributions	678	807
Borrowings	1,000	—
Net cash provided by financing activities	1,678	807
Cash flows from operating activities		
Net loss	(41)	(300)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for debt relief and for losses on development credits and other exposures, net— charge (release)	68	(115)
Non-functional currency translation adjustment (gains) losses, net	(389)	88
Fair value adjustment on non-trading portfolios, net	91	4
PPA grants and other expenses	(2)	(2)
Changes in:		
Investments-Trading, net	1,142	273
Other assets and liabilities	(368)	(207)
Net cash provided by (used in) operating activities	501	(259)
Effect of exchange rate changes on unrestricted cash	(2)	2
Net increase (decrease) in unrestricted cash	50	(432)
Unrestricted cash at beginning of the fiscal year	120	565
Unrestricted cash at end of the period	\$170	\$133
Supplemental disclosure		
(Decrease) increase in ending balances resulting from exchange rate Fluctuations		
Development credits outstanding	\$(5,362)	\$2,397
Investment portfolio	(1,068)	496
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	(3)	(2)

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, 2014 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2014 audited financial statements has not been audited. In the opinion of management, the condensed quarterly financial statements reflect all adjustments necessary for a fair presentation of IDA's financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed quarterly financial statements and the reported amounts of revenue and expenses during the reporting 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 available for issuances on November 12, 2014, 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. As the rules are being developed, IDA continues to assess the impact on its business. As of September 30, 2014, IDA believes that the Act has not had any significant effect on its business.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU provides a common framework for revenue recognition for US GAAP and International Financial Reporting Standards, and supersedes most of the existing revenue recognition guidance in US GAAP. The core principle of the guidance is that an entity recognizes revenue when it transfers control of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled. The ASU also requires additional quantitative and qualitative disclosures to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. For IDA, the ASU will be effective in the fiscal year ending June 30, 2019, with early adoption permitted. IDA is currently evaluating the impact of this ASU on its financial statements.

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The ASU requires repurchase-to-maturity transactions and some repurchase financing arrangements to be accounted for as secured borrowings. It also requires additional disclosures about certain transactions accounted for as sales and about the nature of collateral pledged for transactions accounted for as secured borrowings. For IDA, the ASU will be effective during the fiscal year ending June 30, 2016, with early adoption permitted. IDA is currently evaluating this ASU but does not expect the ASU to have a significant impact on its financial statements since all IDA's repurchase agreements are already accounted for as secured borrowings.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements (Subtopic 205-40): Going Concern - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The ASU provides guidance on management's responsibilities in evaluating the entity's ability to continue as a going concern and for the related financial statement disclosures. Until now, guidance related to this topic was provided under U.S. auditing standards, which do not govern management's disclosures. Under this ASU, each reporting period, management should evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued (or available to be issued). For IDA, the ASU will be effective from the quarter ending September 30, 2016. IDA is currently evaluating the impact of this 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 three months ended September 30, 2014, and for the fiscal year ended June 30, 2014, is summarized below:

In millions of U.S. dollars

	<u>September 30, 2014</u>	<u>June 30, 2014</u>
Beginning of the fiscal year	\$193,747	\$184,511
Cash contributions received	217	3,201 ^a
Demand obligations received	373	5,605
Translation adjustment	(553)	430
End of the period/fiscal year	<u>\$193,784</u>	<u>\$193,747</u>

a. Includes restricted cash subscriptions of less than \$1 million as of June 30, 2014.

During the three months ended September 30, 2014, IDA encashed demand obligations totaling \$461 million.

NOTE C—INVESTMENTS

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

On August 25, 2014, IDA purchased a debt security issued by the International Finance Corporation (IFC). While IDA intends to hold the security to maturity, IDA elected to measure the security at fair value, so that the measurement method (fair value) is consistently applied to all its investments. The changes in fair value for this security are reflected in the Condensed Statement of Income. This security is being held in the non-trading investment portfolio. For details regarding this transaction, see Note G- Affiliated Organizations.

As of September 30, 2014, IDA’s investments primarily comprised 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 at September 30, 2014 and June 30, 2014, is as follows:

In millions of U.S. dollars

	<u>September 30, 2014</u>	<u>June 30, 2014</u>
Trading		
Government and agency obligations	\$25,716	\$27,380
Time deposits	2,702	3,630
Asset-backed securities (ABS)	1,167	1,199
	<u>\$29,585</u>	<u>\$32,209</u>
Non-trading (Fair value option)		
Debt securities	1,146	—
Total	<u>\$30,731</u>	<u>\$32,209</u>

IDA manages its investments on a net portfolio basis. The following tables summarize IDA's net portfolio position as of September 30, 2014 and June 30, 2014:

In millions of U.S. dollars

	<u>September 30, 2014</u>	<u>June 30, 2014</u>
Investments		
Trading	\$29,585	\$32,209
Non-trading (Fair value option)	1,146	—
Total	<u>30,731</u>	<u>\$32,209</u>
Securities purchased under resale agreements	1,084	1,953
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(4,553)	(5,012)
Derivative Assets		
Currency forward contracts	963	254
Currency swaps	2,633	2,461
Interest rate swaps	*	*
Swaptions, exchange traded options and futures contracts	5	2
Other ^a	*	2
Total	<u>3,601</u>	<u>2,719</u>
Derivative Liabilities		
Currency forward contracts	(953)	(253)
Currency swaps	(2,576)	(2,522)
Interest rate swaps	(2)	(5)
Swaptions, exchange traded options and futures contracts	(6)	(5)
Other ^a	(*)	(*)
Total	<u>(3,537)</u>	<u>(2,785)</u>
Cash held in investment portfolio^b	119	115
Receivable from investment securities traded^c	850	552
Payable for investment securities purchased^d	<u>(1,019)</u>	<u>(1,451)</u>
Net Investment Portfolio	<u>\$27,276</u>	<u>\$28,300</u>

a. These relate to TBA securities.

b. These amounts are included in Unrestricted cash under Due from banks and Other liabilities on the Condensed Balance Sheet.

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

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

* Indicates amount less than \$0.5 million.

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

As of September 30, 2014, there were short sales totaling \$30 million (\$60 million—June 30, 2014) included in Other liabilities on the Condensed Balance Sheet.

For the three months ended September 30, 2014, IDA's investment revenue included \$53 million of net unrealized gains related to the trading portfolio (three months ended September 30, 2013—\$14 million of net unrealized gains).

For the three months ended September 30, 2014, IDA's fair value adjustment on the non-trading portfolios in the Condensed Statement of Income included \$34 million of net unrealized losses related to the non-trading investment portfolio (three months ended September 30, 2013—nil).

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, 2014 and June 30, 2014:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis			
	As of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	\$6,376	\$19,340	\$—	\$25,716
Time deposits	620	2,082	—	2,702
ABS	—	1,167	—	1,167
Total Investments-Trading	6,996	22,589	—	29,585
Investments – Non-trading (Fair value option)	—	1,146	—	1,146
Securities purchased under resale agreements	—	1,084	—	1,084
Derivative assets				
Currency forward contracts	—	963	—	963
Currency swaps	—	2,633	—	2,633
Interest rate swaps	—	*	—	*
Swaptions,exchange traded options and futures contracts	*	5	—	5
Other ^b	—	*	—	*
	*	3,601	—	3,601
Total	\$6,996	\$28,420	\$—	\$35,416
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements ^a	\$—	\$4,540	\$—	\$4,540
Derivative liabilities				
Currency forward contracts	—	953	—	953
Currency swaps	—	2,576	—	2,576
Interest rate swaps	—	2	—	2
Swaptions,exchange traded options and futures contracts	2	4	—	6
Other ^b	—	*	—	*
	2	3,535	—	3,537
Total	\$2	\$8,075	\$—	\$8,077

a. Excludes \$13 million relating to payable for cash collateral received.

b. 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, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	\$6,634	\$20,746	\$—	\$27,380
Time deposits	355	3,275	—	3,630
ABS	—	1,199	—	1,199
Total Investments—Trading	6,989	25,220	—	32,209
Securities purchased under resale agreements	—	1,953	—	1,953
Derivative assets				
Currency forward contracts	—	254	—	254
Currency swaps	—	2,461	—	2,461
Interest rate swaps	—	*	—	*
Swaptions, exchange traded options and futures contracts	—	2	—	2
Other ^b	—	2	—	2
	—	2,719	—	2,719
Total	\$6,989	\$29,892	\$—	\$36,881
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements ^a	\$ 102	\$ 4,909	\$—	\$ 5,011
Derivative liabilities				
Currency forward contracts	—	253	—	253
Currency swaps	—	2,522	—	2,522
Interest rate swaps	—	5	—	5
Swaptions, exchange traded options and futures contracts	3	2	—	5
Other ^b	—	*	—	*
	3	2,782	—	2,785
Total	\$105	\$ 7,691	\$—	\$ 7,796

a. Excludes \$1 million relating to payable for cash collateral received.

b. These relate to TBA securities.

* Indicates amount less than \$0.5 million.

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

In millions of U.S. dollars

	Fair Value	Principal Amount Due	Difference
September 30, 2014	\$1,146	\$1,179	\$(33)

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, 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 extent of the reduction in exposure may therefore change substantially within a short period of time following the balance sheet date. For more information on netting and offsetting provisions, see note E-Derivative Instruments.

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

These transactions have been conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions. As of September 30, 2014, amounts which could potentially be offset as a result of legally enforceable master netting arrangements were \$723 million (\$497 million-June 30, 2014).

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, 2014 and June 30, 2014:

In millions of U.S. dollars

	<u>September 30, 2014</u>	<u>June 30, 2014</u>	<u>Financial Statement Presentation</u>
Securities transferred under repurchase or securities lending agreements	\$4,189	\$4,514	Included under Investments—Trading on the Condensed Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	\$4,521	\$4,941	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, 2014, the liabilities relating to securities transferred under repurchase or securities lending agreements included \$318 million (\$415 million—June 30, 2014) of repurchase agreement trades that had not settled at that date. As of September 30, 2014, there were no replacement trades entered into in anticipation of maturing trades of a similar amount (\$159 million—June 30, 2014).

In the case of resale agreements, IDA received collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IDA's balance sheet as the accounting criteria for treatment as a sale have not been met. As of September 30, 2014, securities purchased under resale agreements included \$383 million of securities which had not settled on that date (\$1,156 million—June 30, 2014). For the remaining purchases, IDA received securities with a fair value of \$709 million (\$746 million—June 30, 2014). Out of this amount, \$20 million of these securities had been transferred under repurchase or securities lending agreements (\$70 million—June 30, 2014).

NOTE D—BORROWINGS

IDA's borrowings comprise concessional partner loans which were introduced for the first time under the Seventeenth replenishment (IDA17). These borrowings are unsecured and unsubordinated fixed rate debt in SDR component currencies. IDA may prepay some or the entire outstanding amounts without penalty. These borrowings are carried and reported at amortized cost.

As of September 30, 2014, IDA had borrowings outstanding of \$1,000 million. These related to one concessional partner loan which has an original maturity of 25 years, with the final maturity being 2039.

Fair Value Disclosures

The table below presents the fair value of IDA's borrowings for disclosure purposes, along with their respective carrying amounts as of September 30, 2014 and June 30, 2014:

In millions of U.S. dollars

	September 30, 2014		June 30, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Borrowings Outstanding	\$1,000	\$1,072	\$—	\$—

As of September 30, 2014, IDA's borrowings were classified as Level 2 within the fair value hierarchy.

Valuation Methods and Assumptions

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

NOTE E—DERIVATIVE INSTRUMENTS

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

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

Portfolio	Derivative instruments used	Purpose/Risk being managed
Risk management purposes:		
Investments—Trading	Interest rate swaps, currency forward contracts, currency swaps, options, swaptions, futures contracts, and TBA securities.	Manage currency and interest rate risk in the portfolio.
Other assets/liabilities	Currency forward contracts and currency swaps	Manage foreign exchange risks.
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, 2014, IDA had not posted any collateral with IBRD in accordance with the agreement.

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, 2014 and June 30, 2014:

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

In millions of U.S. dollars

	<i>Balance Sheet Location</i>			
	<i>Derivative assets</i>		<i>Derivative liabilities</i>	
	<i>September 30, 2014</i>	<i>June 30, 2014</i>	<i>September 30, 2014</i>	<i>June 30, 2014</i>
Derivatives not designated as hedging instruments				
Swaptions, exchange traded options and futures contracts- Investments	\$ 5	\$ 2	\$ 6	\$ 5
Interest rate swaps	*	*	2	5
Currency forward contracts	11,930	12,356	11,885	12,475
Currency swaps	2,633	2,461	2,576	2,522
Other ^a	*	2	*	*
Total Derivatives	\$14,568	\$14,821	\$14,469	\$15,007

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

<i>Type of contract</i>	<i>September 30, 2014</i>	<i>June 30, 2014</i>
Investments—Trading		
Interest rate swaps		
Notional principal	\$ 1,536	\$ 379
Credit exposure	*	*
Currency swaps (including currency forward contracts)		
Credit exposure	83	10
Swaptions, exchange traded options, and futures contracts ^a		
Notional long position	11,757	4,086
Notional short position	19,774	14,546
Credit exposure	5	2
Other ^b		
Notional long position	280	287
Notional short position	9	9
Credit exposure	*	2
Asset/liability management		
Currency forward contracts		
Credit exposure	201	106
Client Operations		
Structured swaps		
Notional principal	135	135
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 Asset-liability management derivative instruments and their location on the Condensed Statement of Income during the three months ended September 30, 2014 and September 30, 2013 are as follows:

In millions of U.S. dollars

	<i>Three Months Ended September 30,</i>	
	<i>Gains (Losses)</i>	
<i>Condensed Statement of Income Location</i>	<i>2014</i>	<i>2013</i>
Derivatives not designated as hedging instruments and not held in a trading portfolio^a		
Currency forward contracts and currency swaps		
Fair value adjustment on non-trading portfolios, net	<u>\$(56)</u>	<u>\$(4)</u>

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

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

The following table provides information on the amount of gains and losses on the net investment trading portfolio (derivative and non-derivative instruments), and their location on the Condensed Statement of Income during the three months ended September 30, 2014 and September 30, 2013:

In millions of U.S. dollars

<i>Condensed Statement of Income Location</i>	<i>Investments, Net</i>	
	<i>Gains (Losses)</i>	
	<i>Three Months Ended September 30</i>	
	<i>2014</i>	<i>2013</i>
Type of instrument		
Fixed income	<u>\$53</u>	<u>\$ 14</u>

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 assets and liabilities (before and after netting adjustments) that are reflected on IDA's Condensed Balance Sheet as of September 30, 2014 and June 30, 2014. 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, 2014

Located on the Condensed Balance Sheet

	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	\$ 4	\$ (4)	\$ *	\$ 93	\$ (91)	\$ 2
Currency swaps ^a	14,563	—	14,563	14,461	—	14,461
Other ^b	5	—	5	9	(3)	6
Total	\$14,572	\$ (4)	\$14,568	\$14,563	\$ (94)	\$14,469
Amounts subject to legally enforceable master netting agreements ^c			<u>\$(14,466)</u>			<u>\$(14,466)</u>
Net derivatives positions at counterparty level before collateral			<u>102</u>			<u>3</u>
Less:						
Cash collateral received ^d			13			
Securities collateral received			<u>—</u>			
Net derivative exposure after collateral			<u>\$ 89</u>			

a. Includes currency forward contracts.

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

c. Not offset on the Condensed Balance Sheet.

d. Does not include excess collateral received.

* Indicates amount less than \$0.5 million

In millions of U.S. dollars

June 30, 2014

Located on the Condensed Balance Sheet

	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	\$ 2	\$ (2)	\$ *	\$ 101	\$ (96)	\$ 5
Currency swaps ^a	14,817	—	14,817	14,997	—	14,997
Other ^b	4	—	4	6	(1)	5
Total	\$14,823	\$ (2)	\$14,821	\$15,104	\$ (97)	\$15,007
Amounts subject to legally enforceable master netting agreements ^c			\$(14,817)			\$(14,817)
Net derivatives positions at counterparty level before collateral			4			190
Less:						
Cash collateral received ^d			1			
Securities collateral received			—			
Net derivative exposure after collateral			\$ 3			

a. Includes currency forward contracts.

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

c. Not offset on the Condensed Balance Sheet.

d. Does not include excess collateral received.

* Indicates amount less than \$0.5 million

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, 2014 and June 30, 2014 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Derivative assets:				
Investments				
Currency forward contracts	\$—	\$ 963	\$—	\$ 963
Currency swaps	—	2,633	—	2,633
Interest rate swaps	—	*	—	*
Swaptions, exchange traded options and futures contracts	*	5	—	5
Other ^a	—	*	—	*
	*	3,601	—	3,601
Asset-liability management				
Currency forward contracts	—	10,967	—	10,967
Total derivative assets	\$*	\$14,568	\$—	\$14,568
Derivative liabilities:				
Investments				
Currency forward contracts	\$—	\$ 953	\$—	\$ 953
Currency swaps	—	2,576	—	2,576
Interest rate swaps	—	2	—	2
Swaptions, exchange traded options and futures contracts	2	4	—	6
Other ^a	—	*	—	*
	2	3,535	—	3,537
Asset-liability management				
Currency forward contracts	—	10,932	—	10,932
Total derivative liabilities	\$2	\$14,467	\$—	\$14,469

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, 2014			
	Level 1	Level 2	Level 3	Total
Derivative assets:				
Investments				
Currency forward contracts	\$—	\$ 254	\$—	\$ 254
Currency swaps	—	2,461	—	2,461
Interest rate swaps	—	*	—	*
Swaptions, exchange traded options and futures contracts	—	2	—	2
Other ^a	—	2	—	2
	—	2,719	—	2,719
Asset-liability management				
Currency forward contracts	—	12,102	—	12,102
Total derivative assets	\$—	\$14,821	\$—	\$14,821
Derivative liabilities:				
Investments				
Currency forward contracts	\$—	\$ 253	\$—	\$ 253
Currency swaps	—	2,522	—	2,522
Interest rate swaps	—	5	—	5
Swaptions, exchange traded options and futures contracts	3	2	—	5
Other ^a	—	*	—	*
	3	2,782	—	2,785
Asset-liability management				
Currency forward contracts	—	12,222	—	12,222
Total derivative liabilities	\$3	\$15,004	\$—	\$15,007

a. These relate to TBA securities.

** Indicates amount less than \$0.5 million.*

Inter-level transfers

During the three months ended September 30, 2014 and September 30, 2013, 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 F—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, 2014, 90% 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 and High risk classes.

As of September 30, 2014, development credits outstanding totaling \$2,660 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'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, 2014 and June 30, 2014:

In millions of U.S. dollars

Days past due	September 30, 2014					Total Past Due	Current	Total
	Up to 45	46-60	61-90	91-180	Over 180			
Risk Class								
Low	\$—	\$—	\$—	\$—	\$—	\$—	\$ 5,267	\$ 5,267
Medium	—	—	—	—	—	—	28,663	28,663
High	*	—	—	—	—	*	95,004	95,004
Credits in accrual status	*	—	—	—	—	*	128,934	128,934
Credits in nonaccrual status	10	3	7	22	955	997	1,663	2,660
Total	<u>\$10</u>	<u>\$3</u>	<u>\$7</u>	<u>\$22</u>	<u>\$955</u>	<u>\$997</u>	<u>\$130,597</u>	<u>\$131,594</u>

* Indicates amount less than \$0.5 million.

In millions of U.S. dollars

Days past due	June 30, 2014					Total Past Due	Current	Total
	Up to 45	46-60	61-90	91-180	Over 180			
Risk Class								
Low	\$—	\$—	\$—	\$—	\$—	\$—	\$ 5,672	\$ 5,672
Medium	—	—	—	—	—	—	29,790	29,790
High	6	—	—	—	—	6	97,794	97,800
Credits in accrual status	6	—	—	—	—	6	133,256	133,262
Credits in nonaccrual status	13	2	5	23	958	1,001	1,748	2,749
Total	\$19	\$ 2	\$ 5	\$23	\$958	\$1,007	\$135,004	\$136,011

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 revenue.

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, 2014 and the fiscal year ended June 30, 2014 are summarized below:

In millions of U.S. dollars

	September 30, 2014				June 30, 2014			
	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	\$1,295	\$15	\$2,732	\$4,042	\$1,294	\$16	\$2,711	\$4,021
Provision, net – charge (release) ^a	69	(1)	*	68	52	(2)	(11)	39
Development credits written off under the buy-down mechanism	—	—	—	—	(82)	—	—	(82)
Development credits written off under HIPC/MDRI	—	—	(3)	(3)	—	—	(7)	(7)
Translation adjustment	(51)	*	(56)	(107)	31	1	39	71
Accumulated provision, end of the period	\$1,313	\$14	\$ 2,673	\$4,000	\$1,295	\$15	\$2,732	\$4,042
Composed of accumulated provision for losses on:								
Development credits in accrual status	\$1,264				\$1,239			
Development credits in nonaccrual status	49				56			
Total	<u>\$1,313</u>				<u>\$ 1,295</u>			
Development credits:								
Development credits in accrual status	\$128,934				\$133,262			
Development credits in nonaccrual status	2,660				2,749			
Total	<u>\$131,594</u>				<u>\$136,011</u>			

a. Includes provision of \$nil for three months ended September 30, 2014 (\$52 million-June 30, 2014) for development credits expected to be bought-down.

* Indicates amount less than \$0.5 million.

	Reported as Follows	
	Condensed Balance Sheet	Condensed Statement of Income
Accumulated Provision for Losses on:		
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, net
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, net
Other Exposures	Other liabilities	Provision for debt relief and for losses on development credits and other exposures, net

For the three months ended September 30, 2014, there were no eligible development credits written off under the MDRI (Nil- June 30, 2014).

Overdue Amounts

As of September 30, 2014, 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, 2014 and June 30, 2014 and for the three months ended September 30, 2014 and September 30, 2013:

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	\$ 463	\$ 474	\$ 463	\$ 329	\$27	\$ 27	\$ 11
Somalia	July 1991	431	438	431	417	3	204	77
Sudan	January 1994	1,258	1,279	1,258	1,213	9	599	190
Syrian Arab Republic	June 2012	14	14	14	—	*	4	*
Zimbabwe	October 2000	494	507	494	—	10	163	53
Total — September 30, 2014		\$2,660	\$2,712	\$2,660	\$1,959	\$49	\$997	\$331
Total — June 30, 2014		\$2,749	\$2,733	\$2,749	\$1,992	\$56	\$1,001	\$336

a. A credit loss provision has been recorded against each of the credits in nonaccrual status.

b. For September 30, 2014, represents the average for the three months ended that date (June 30, 2014—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,	
	2014	2013
Service charge revenue not recognized as a result of development credits being in nonaccrual status	\$5	\$5

During the three months ended September 30, 2014 and September 30, 2013, no development credits were placed into nonaccrual status.

During the three months ended September 30, 2014 service charge revenue recognized on development credits in nonaccrual status was less than \$1 million (less than \$1 million—September 30, 2013).

Guarantees

Guarantees of \$414 million were outstanding at September 30, 2014 (\$424 million—June 30, 2014). 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, 2014, liabilities related to IDA's obligations under guarantees of \$34 million (\$35 million—June 30, 2014), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of \$7 million (\$7 million—June 30, 2014).

During the three months ended September 30, 2014 and September 30, 2013, 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 revenue comprises service charges and interest charges on outstanding development credit balances and guarantee fee revenue. For the three months ended September 30, 2014, charge revenue from two countries of \$53 million and \$31 million, respectively were in excess of ten percent of total charge revenue.

The following table presents IDA's development credits outstanding and associated charge revenue as of and for the three months ended September 30, 2014 and September 30, 2013, by geographic region:

In millions of U.S. dollars

Region	September 30, 2014		September 30, 2013	
	Development Credits Outstanding	Charge Revenue	Development Credits Outstanding	Charge Revenue
Africa	\$42,541	\$78	\$39,065	\$ 68
East Asia and Pacific	20,663	45	21,314	43
Europe and Central Asia	8,067	20	8,113	16
Latin America and the Caribbean	2,168	4	2,100	4
Middle East and North Africa	3,562	7	3,721	7
South Asia	54,593	117	54,169	106
Total	<u>\$131,594</u>	<u>\$271</u>	<u>\$128,482</u>	<u>\$244</u>

Fair Value Disclosures

The table below presents the fair value of development credits for disclosure purposes, along with their respective carrying amounts as of September 30, 2014 and June 30, 2014:

In millions of U.S. dollars

	September 30, 2014		June 30, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Net Development Credits Outstanding	\$127,634	\$94,999	\$132,010	\$95,992

As of September 30, 2014, IDA's development credits are classified as Level 3 within the fair value hierarchy.

Valuation Methods and Assumptions

The fair value of development credits is calculated using market-based methodologies which incorporate the respective borrowers' Credit Default Swap (CDS) spreads and, where applicable, proxy CDS spreads. Basis adjustments are applied to market recovery levels to reflect IDA's recovery experience.

NOTE G—AFFILIATED ORGANIZATIONS

IDA transacts with affiliated organizations as a recipient of transfers and grants, administrative, derivative intermediation services as well as through cost sharing of IBRD's sponsored pension and other postretirement plans. IDA may also enter into investment transactions with some of its affiliated organizations.

Transfers and Grants

Cumulative transfers and grants made to IDA as of September 30, 2014 were \$16,365 million (\$16,363 million—June 30, 2014). Details by transferor are as follows:

In millions of U.S. dollars

<i>Transfers from</i>	<i>Beginning of the fiscal year</i>	<i>Transfers during the period</i>	<i>End of period</i>
Total	\$16,363	\$2	\$16,365
Of which from:			
IBRD	13,344	—	13,344
IFC	2,821	—	2,821

Subsequent Event

On October 10, 2014, IBRD's Board of Governors approved a transfer to IDA of \$635 million. This transfer was received on October 14, 2014.

Receivables and Payables

As of September 30, 2014, and June 30, 2014, the total amounts receivable from or (payable to) affiliated organizations comprised:

In millions of U.S. dollars

	<i>Receivable From (Payable To) IBRD</i>				
	<i>Administrative Services^a</i>	<i>Pension and Other Postretirement Benefits</i>	<i>Derivative transactions</i>		<i>Total</i>
			<i>Receivable</i>	<i>Payable</i>	
September 30, 2014	\$(352)	\$842	\$10,967	\$(10,931)	\$526
June 30, 2014	\$(416)	\$854	\$12,102	\$(12,221)	\$319

a. Includes \$26 million for the three months ended September 30, 2014 (\$24 million - June 30, 2014) receivable from IBRD for IDA's share of investments associated with Post-retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.

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

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

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

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

For the three months ended September 30, 2014, IDA's share of joint administrative expenses totaled \$374 million (three months ended September 30, 2013—\$376 million).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the three months ended September 30, 2014 totaling \$45 million (three months ended September 30, 2013—\$48 million). Other revenue is allocated on the basis consistent with that applied to joint administrative expenses.

For the three months ended September 30, 2014 and September 30, 2013, the amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue on the Condensed Statement of Income, as follows:

In millions of U.S. dollars

	Three Months Ended September 30,	
	2014	2013
Fees charged to IFC	\$14	\$11
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 Seventeenth replenishments of IDA's resources into the four currencies of the SDR basket.

Investments

During FY 2015, IDA purchased a debt security issued by the IFC for a principal amount of \$1,179 million, amortizing over a period of 25 years. The investment carries a fixed interest rate of 1.84% and has a weighted average maturity of 6 years. The fair value of the debt security was \$1,146 million as of September 30, 2014, and is reported under Investments in the Condensed Balance Sheet.

NOTE H—DEVELOPMENT GRANTS

A summary of changes to the amounts payable for development grants for the three months ended September 30, 2014, and for the fiscal year ended June 30, 2014, is presented below:

In millions of U.S. dollars

	September 30, 2014	June 30, 2014
Balance, beginning of the fiscal year	\$6,983	\$ 6,436
Commitments	374	2,645
Disbursements (including PPA grant activity)	(561)	(2,273)
Translation adjustment	(285)	175
Balance, end of the period/fiscal year	<u>\$6,511</u>	<u>\$ 6,983</u>

For the fiscal years ending June 30, 2015 and June 30, 2014, the commitment charge rate on the undisbursed balances of IDA grants has been set at nil percent.

NOTE I—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, along with IFC and 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, 2014, IDA's share of IBRD's benefit costs relating to all the three plans totaled \$68 million (three months ended September 30, 2013—\$73 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 J—ACCUMULATED OTHER COMPREHENSIVE INCOME

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

The following table presents the changes in Accumulated other comprehensive income balances for the three months ended September 30, 2014 and September 30, 2013.

In millions of U.S. dollars

	<i>Three Months Ended September 30,</i>	
	<i>2014</i>	<i>2013</i>
Balance, beginning of the fiscal year	\$12,997	\$9,258
Currency translation adjustments on functional currencies	(6,234)	2,730
Balance, end of the period	<u>\$6,763</u>	<u>\$11,988</u>

NOTE K—OTHER FAIR VALUE DISCLOSURES

The table below presents IDA's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts as of September 30, 2014 and June 30, 2014.

In millions of U.S. dollars

	<i>September 30, 2014</i>		<i>June 30, 2014</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Due from Banks	\$199	\$199	\$ 150	\$ 150
Investments (including Securities Purchased Under Resale Agreements)	31,815	31,815	34,162	34,162
Net Development Credits Outstanding	127,634	94,999	132,010	95,992
Derivative Assets				
Investments	3,601	3,601	2,719	2,719
Other Asset/Liability Management	10,967	10,967	12,102	12,102
Borrowings	1,000	1,072	—	—
Securities sold/lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	4,553	4,553	5,012	5,012
Derivative Liabilities				
Investments	3,537	3,537	2,785	2,785
Other Asset/Liability Management	10,932	10,932	12,222	12,222

Valuation Methods and Assumptions

As of September 30, 2014 and June 30, 2014, 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

Borrowings: See Note D

Derivative assets and liabilities: See Note E

Development Credits Outstanding: See Note F

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