

# International Development Association



## Management's Discussion & Analysis and Condensed Quarterly Financial Statements December 31, 2016 (Unaudited)



# INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

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DECEMBER 31, 2016

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## SECTION 1: EXECUTIVE SUMMARY

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This document provides Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for the International Development Association (IDA) for the six months ended December 31, 2016. Box 1 provides IDA's selected financial data as of and for the six months ended December 31, 2016 (FY17 YTD) and December 31, 2015 (FY16 YTD) as well as for the fiscal year ended June 30, 2016. This document should be read in conjunction with IDA's financial statements and MD&A issued for the fiscal year ended June 30, 2016 (FY16). IDA undertakes no obligation to update any forward looking statements.

IDA is an international organization established in 1960 and is owned by its 173 member countries. It is the largest multilateral channel for providing concessional financing and knowledge services to the world's poorest countries, and is one of the five institutions of the World Bank Group (WBG) <sup>1</sup>. Each of these institutions is legally and financially independent, with separate assets and liabilities. IDA is not liable for the obligations of the other institutions.

As of December 31, 2016, IDA had equity of \$150.3 billion reflecting primarily the subscriptions and contributions (equity contributions) from its member countries since its inception. During FY17 YTD, IDA received \$4.8 billion of inflows of resources, primarily from loan repayments, and disbursed \$4.9 billion on loans and grants. For FY17 YTD, IDA reported a net loss of \$255 million, which, in part, reflects the impact of the \$382 million of grants provided to IDA's borrowers. These grants are expensed immediately upon approval and are financed by equity contributions from IDA's members. See Box 1 and Table 1 for additional details.

IDA is currently in its Seventeenth Replenishment of resources (IDA17), and has six months remaining of the three year replenishment cycle. Of the \$57 billion of Commitment Authority under this replenishment (IDA's lending envelope), \$55 billion has been made available for commitments, and \$40 billion has already been committed as of December 31, 2016.

During FY17 YTD, in preparation for accessing capital markets, IDA obtained a triple-A credit rating and received a zero-risk weighting from the Bank for International Settlements (BIS).

In December 2016, IDA's Deputies endorsed the introduction of an integrated Eighteenth Replenishment of resources (IDA18) financing framework. The framework blends traditional sources of IDA funding: member contributions, internal resources, transfers from IBRD and IFC and concessional loans from members, with a new source of funding, capital market borrowing. They recommended an IDA18 lending envelope of \$75 billion, which includes an estimated \$27 billion in member contributions, \$26 billion in borrowings and \$0.6 billion in transfers from IBRD and IFC. The IDA18 Deputies' Report was approved by IDA's Executive Directors on January 10, 2017. The IDA18 Resolution will be transmitted to the IDA Board of Governors for their adoption, which is expected by April 2017.

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<sup>1</sup>The other institutions of the WBG 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).

**Box 1: Selected Financial Data**

<i>In millions of U.S dollars, except ratios and data in percentages and months</i>			
	<i>As of and for the six months ended</i>		<i>As of and for Fiscal Year</i>
	<i>December 31, 2016</i>	<i>December 31, 2015</i>	<i>June 30, 2016</i>
<b>Development Operations (Section 4)</b>			
Commitments of loans, grants and guarantees	\$ 3,663	\$ 5,910	\$ 16,171
Gross disbursements of loans and grants	4,867	5,859	13,191
Net disbursements of loans and grants	2,637	3,760	8,806
<b>Balance Sheet (Section 4)</b>			
Total assets	\$ 174,692	\$ 175,848	\$ 180,475
Net investment portfolio	28,298	26,775	29,908
Net loans outstanding	129,360	127,575	132,825
Borrowings	3,028	2,303	2,906
Total equity	150,297	146,948	154,700
<b>Income Statement</b>			
Revenue from loans and guarantees	\$ 614	\$ 561	\$ 1,154
Investment (loss)/revenue, net of repo expense	(165)	175	881
Transfers and grants from affiliated organizations and others	497	654	990
Grants	(382)	(554)	(1,232)
Net (loss) income	(255)	299	371
<b>Statement of Activities (Section 4 )</b>			
Total sources of funds	\$ 4,814	\$ 4,554	\$ 13,834
Total application of funds	(4,902)	(5,892)	(13,260)
Results from operating activities	(191)	(1,307)	623
<b>Liquidity Position (Section 5)</b>			
Months of average monthly gross disbursements covered by core liquidity	11	7	9

## SECTION 2: OVERVIEW

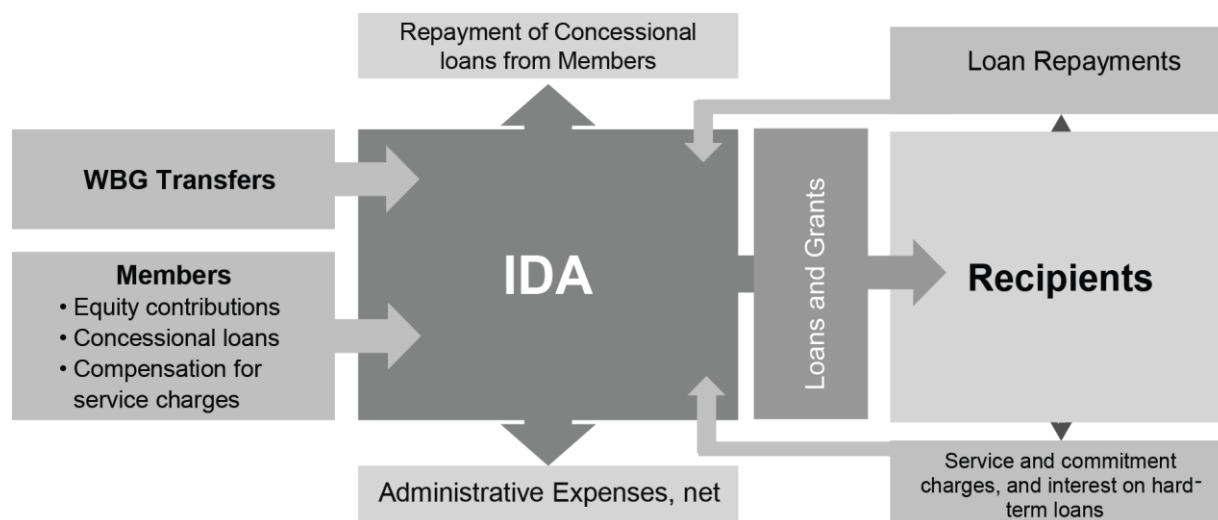
IDA plays an integral role in the WBG's efforts to fulfill its ambitious goals of ending extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3 percent by 2030 and promoting shared prosperity by improving the income growth of the bottom 40 percent of the population in each country. IDA plays a pivotal role in the global aid architecture and pursues these goals by providing concessional loans<sup>2</sup>, grants and guarantees to the world's poorest countries for programs and operations that help meet their development needs. IDA provides technical assistance through reimbursable advisory services, policy advice and global knowledge services through economic sector work and country studies. It also supports member countries with disaster risk financing and insurance to help increase their financial resilience against natural disasters. In addition, IDA provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors.

### Business Model

The resources available to IDA for funding its activities constitute its commitment authority. IDA's funding is primarily from equity contributions and concessional loans from its members, internal resources which are comprised mainly of loan reflows as borrowers repay outstanding loans, investment income, as well as transfers from IBRD and IFC. Given that the disbursements of IDA's loans and grants take place over several years, commitments do not have to be fully funded at the time of approval. This allows equity contributions from members to be encashed over several years, and internal resources to be committed in advance of their expected receipt.

IDA's administrative expenses are broadly covered through income from IDA's fixed service charge which is complemented by a commitment charge and interest on certain loans. The service charge has been set at 75 basis points and is payable on outstanding loan balances. The commitment charge is set to generate additional revenues to cover administrative expenses if necessary, and ranges between 0 and 50 basis points.

**Figure 1: IDA's Business Model**



<sup>2</sup> Development credits is the term used within the WBG to describe IDA's loans. This term was originally used in order to differentiate IDA loans from IBRD loans. For the purpose of the MD&A and the financial statements, the term loans is being used.

## SECTION 3: FUNDING AND RESOURCE ALLOCATION

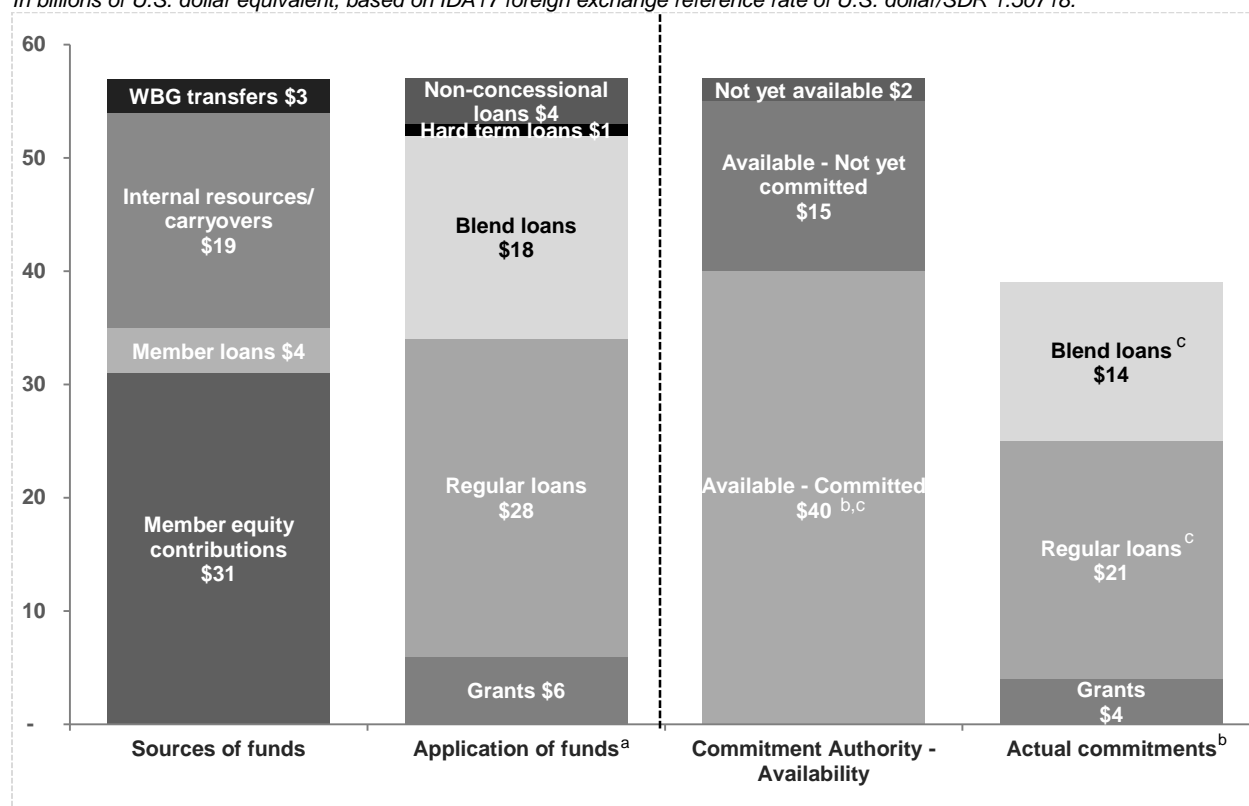
### Commitment Authority

The IDA17 Commitment Authority Framework amounts to Special Drawing Rights (SDR)<sup>3</sup> 38 billion (approximately U.S. dollar equivalent 57 billion using the IDA17 foreign exchange reference rate of U.S. dollar/SDR 1.50718).

Figure 2, Sources and Applications of IDA17 Funding, shows the sources of the \$57 billion IDA17 Commitment Authority along with details of the application of those funds to IDA's lending, grant financing and guarantee activities since the start of the replenishment.

**Figure 2: Sources and Applications of IDA17 Funding**

*In billions of U.S. dollar equivalent, based on IDA17 foreign exchange reference rate of U.S. dollar/SDR 1.50718.*



a. The above estimate of application of funds are based on broad guidelines issued for IDA17 commitment authority lending allocations.

b. The U.S. dollar equivalent of amounts "available-committed" is based on the IDA17 replenishment reference rate and may not match with the U.S dollar equivalent of actual commitments under IDA17.

c. 25% or \$0.3 billion of the \$1.2 billion of total guarantees (\$1.0 billion for blend loans and \$0.2 billion for regular loans) has been used for the purposes of the Commitment Authority. \$3.0 billion of transitional loans have been included in blend loans.

<sup>3</sup> IDA's functional currency is the SDR and its component currencies, as its operations are primarily carried out in SDRs; however for the convenience of its members and other users, IDA's financial statements are reported in U.S. Dollars.

## SECTION 4: FINANCIAL RESULTS

### 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 alone does not fully reflect the economic results of IDA due to the nature of the underlying transactions. This is explained further in the MD&A for the fiscal year ended June 30, 2016.

### Statement of Activities

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 constraints embedded in IDA’s reported basis results.

**Table 1: Statement of Activities**

*In millions of U.S. dollars*

For the six months ended December 31	2016	2015	Variance
<b>Sources of Funds</b>			
<b>Member Resources</b>			
Members' subscriptions and contributions	\$ 1,521	\$ 1,385	\$ 136
Borrowings from partners	291	168	123
<b>Transfers from Affiliated Organizations</b>	497	650	(153)
<b>Internal Resources</b>			
Principal repayments and prepayments	2,230	2,099	131
Transfers from Trust Funds and Others	-	4	(4)
Interest on loans with regular and blend terms	91	65	26
Investment interest income, net	184	183	1
	2,505	2,351	154
<b>Total Sources of Funds</b>	4,814	4,554	260
<b>Application of Funds</b>			
<b>Disbursements</b>			
Loan disbursements	(3,947)	(4,899)	952
Grant disbursements (including PPA <sup>a</sup> grant activity)	(917)	(961)	44
<b>Borrowing expenses</b>	(38)	(32)	(6)
<b>Total Application of Funds</b>	(4,902)	(5,892)	990
<b>Administrative Activities</b>			
Net Administrative expenses (see Table 2)	(741)	(585)	(156)
Service charges, interest on loans with hard terms, and guarantee income	523	496	27
Member compensation for forgone charges	115	120	(5)
	(103)	31	(134)
<b>Results from Operating Activities</b>	<b>\$ (191)</b>	<b>\$ (1,307)</b>	<b>\$ 1,116</b>
<b>Net Asset Value of Investment Portfolio, at beginning of fiscal year</b>			
	<b>\$ 29,908</b>	<b>\$ 28,418</b>	
Results from Operating Activities	(191)	(1,307)	
Effects of exchange rates	(1,132)	(348)	
Unrealized mark-to-market (losses) gains on the Investment portfolio	(400)	4	
Net movement in non-operating activities	113	8	
<b>Net Asset Value of Investment Portfolio, at end of period</b>	<b>\$ 28,298</b>	<b>\$ 26,775</b>	

a. Project Preparation Assistance (PPA)

## Results from Operating Activities

IDA's operating activities resulted in a net outflow of \$191 million for FY17 YTD. This primarily reflects the \$4,864 million of outflows for disbursements of loans and grants, offset by \$1,521 million of cash receipts relating to members' subscriptions and contributions and \$2,230 million of cash receipts relating to principal repayments and prepayments.

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

### Members' Subscriptions and Contributions (Equity Contributions)

The subscriptions and contributions of \$1,521 million represent the cash contributions received from members and the encashment of demand notes. This excludes \$115 million of member contributions received to finance foregone charges for debt relief and development grant financing, which is reflected under administrative activities as member contributions for foregone charges.

### Borrowings from Members

As part of IDA17, IDA signed loan agreements with members for a total notional amount of \$4.8 billion. The \$123 million increase in YTD receipts from borrowings from members reflects the timing of the loan schedules.

### Transfers from Affiliated Organizations

On October 7, 2016, IBRD's Board of Governors approved a transfer of \$497 million, for a total of \$1,782 million in transfers under IDA17. The transfer was received on October 14, 2016.

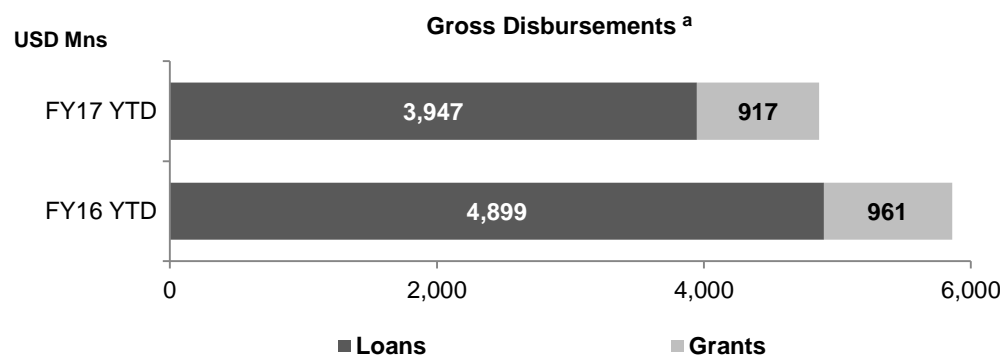
On January 30, 2017, IDA received an IDA17 grant from IFC of \$101 million, for a total of \$771 million in grants under IDA17.

### Loans and Grant Disbursements

Gross disbursements of loans and grants in FY17 YTD were \$4,864 million, a decrease of \$996 million as compared to the \$5,860 million in FY16 YTD. As seen in Figure 4, the decline is reflected in the lower disbursement of loans and grants across the majority of the regions.

Africa and South Asia regions together accounted for 83% of the total gross disbursements in FY17 YTD and FY16 YTD.

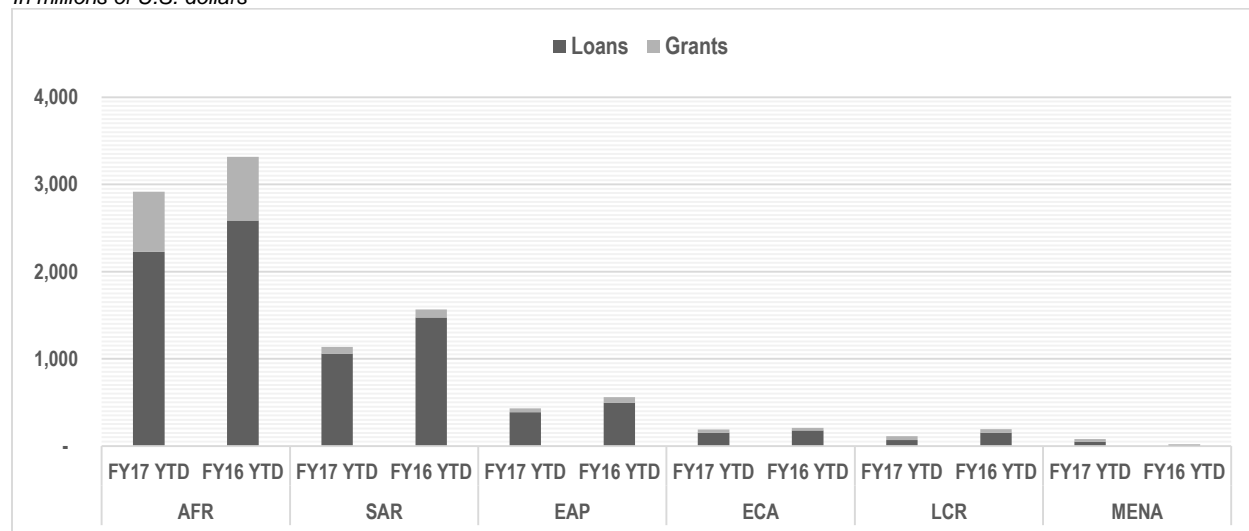
**Figure 3: Gross Disbursements**



(a. Includes adjustments for certain PPA activity)

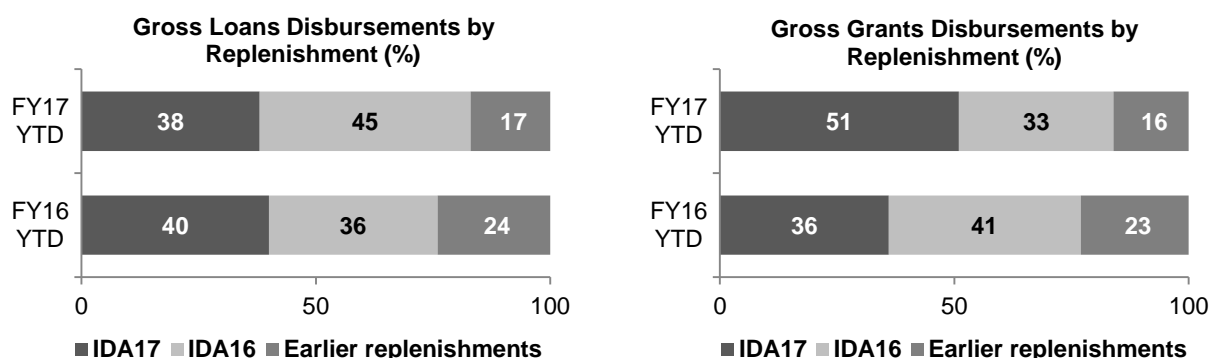
**Figure 4: Gross disbursements of Loans and Grants by Region**

*In millions of U.S. dollars*



IDA loans generally disburse within five to ten years for investment project financing and one to three years for development policy financing. As such, FY17 YTD and FY16 YTD disbursements also include amounts relating to commitments made under earlier replenishments. The following charts display the composition of the FY17 YTD and FY16 YTD loan and grant disbursements by replenishment.

**Figure 5: Gross Disbursements by Replenishment**



## Administrative Activities

IBRD/IDA's administrative budget is a single resource envelope that funds the combined work programs of IBRD and IDA. The allocation of administrative expenses between IBRD and IDA is based upon an agreed cost sharing methodology, approved by their Boards, which is driven by the relative level of lending activity between these two institutions. Starting in FY17, the cost sharing methodology is also being applied to any grants made under the Grant Making Facility, referred to as “Contributions to special programs”, in IDA’s financial statements.

**Table 2** provides a comparison of the main sources of Administrative expenses and Other income between FY17 YTD and FY16 YTD.

**Table 2: Net Administrative Expenses**

*In millions of U.S. dollars*

For the six months ended December 31	2016	2015	Variance
Administrative expenses:			
Staff costs	\$ 443	\$ 392	\$ 51
Travel	66	65	1
Consultant and contractual services	160	154	6
Pension and other post-retirement benefits	210	110	100
Communications and technology	24	23	1
Equipment and buildings	64	60	4
Other expenses	15	13	2
Total administrative expenses	\$ 982	\$ 817	\$ 165
Contributions to special programs	19	-	19
Revenue from externally funded activities:			
Reimbursable revenue - IDA executed trust funds	(160)	(131)	(29)
Other revenue	(100)	(101)	1
Total revenue from externally funded activities	\$ (260)	\$ (232)	\$ (28)
<b>Net Administrative Expenses</b>	<b>\$ 741</b>	<b>\$ 585</b>	<b>\$ 156</b>

The \$156 million increase in net administrative expenses for the first six months of FY17 compared to the same period in FY16, was primarily driven by the increase in costs allocated to IDA under the cost sharing methodology. The greater allocation is due to the increase in country engagement activities in preparation for IDA18, and IDA's new participation in contributions to special programs in FY17. The higher pension cost of \$100 million for the period was, in addition to the impact of the greater allocation of costs under the cost sharing ratio, due to the decline in the discount rate from June 2015 to June 2016. The decline is reflected in the higher amortization of unrecognized net actuarial losses and service costs (see Note I: Pension and Other Post retirement Benefits to the Condensed Quarterly Financial Statements).

As reflected in IDA's Statement of Activities (**Table 1**), IDA's service charges and interest on hard term loans are used to offset IDA's administrative expenses. Interest on loans with blend and regular terms form part of IDA's internal resources and thereby form part of IDA's lending envelope. **Table 3** shows IDA's interest and service charge income by loan type.

**Table 3: Income by Category**

*In millions of U.S. dollars*

Category	Outstanding balance as of		Interest income		Service charge income	
	December 31, 2016	December 31, 2015	FY17 YTD	FY16 YTD	FY17 YTD	FY16 YTD
<b>Loans</b>						
Regular	\$ 81,353	\$ 79,743	\$ 7	\$ 7	\$ 301	\$ 288
Blend	50,598	50,752	84	57	195	190
Hard	1,121	807	18	14	4	3
Transitional support	107	-	1	-	-	-
Scale up Facility	100	-	*	-	-	-
<b>Total</b>	<b>\$ 133,279</b>	<b>\$ 131,302</b>	<b>\$ 110</b>	<b>\$ 78</b>	<b>\$ 500</b>	<b>\$ 481</b>

\* Indicates amount less than \$0.5 million.

## Reconciliation of Statement of Activities to Reported Basis Net Income (Loss)

**Table 4**, provides a reconciliation of the results from operating activities as presented in **Table 1**, Statement of Activities, to the reported basis net income. 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 4: Reconciliation of Results from Operating Activities to Reported Basis Net Income (Loss)**

*In millions of U.S. dollars*

For the six months ended December 31	2016	2015
<b>Results from Operating Activities (From Table 1)</b>	<b>\$ (191)</b>	<b>\$ (1,307)</b>
<b>(i) Items in reported basis results, not included in Statement of Activities</b>		
Adjustments to reflect non-cash operating activities:		
- Grant expense	(382)	(554)
- Provision for debt relief and losses on loans and other exposures, net	(112)	(180)
- PPA grants and other	(4)	8
Adjustments for non-operating activities:		
- Non-functional currency translation adjustment gains	174	268
- Unrealized mark-to-market losses on non-trading portfolios, net	(98)	(16)
- Unrealized mark-to-market losses on trading portfolio	(349)	(8)
<b>(ii) Items included in Statement of Activities, not in Reported Basis Net Income (Loss)</b>		
Adjustments addressing asymmetries:		
- Members' subscriptions and contributions	(1,521)	(1,385)
- Borrowings from members	(291)	(168)
- Member compensation for forgone charges	(115)	(120)
Adjustments to reflect cash operating activities:		
- Loan disbursements	3,947	4,899
- Grant disbursements	917	961
- Principal repayments and prepayments	(2,230)	(2,099)
<b>Reported Basis, Net (Loss) Income</b>	<b>\$ (255)</b>	<b>\$ 299</b>

## Balance Sheet Analysis

The principal components of IDA's balance sheet are loans outstanding, investment assets net of related liabilities, and subscriptions and contributions paid-in. Movements in these principal components between December 31, 2016 and June 30, 2016 are discussed further below.

**Table 5: Condensed Balance Sheet**

*In millions of U.S. dollars*

As of	December 31, 2016	June 30, 2016	Variance
<b>Assets</b>			
Investment assets, including related derivative assets	\$ 34,238	\$ 37,618	\$ (3,380)
Derivatives relating to asset-liability management	9,265	8,214	1,051
Receivables and other assets, including non-investment cash	1,851	1,840	11
Loans outstanding	133,279	136,735	(3,456)
Accumulated provision for debt relief and losses on loans	(3,941)	(3,932)	(9)
<b>Total assets</b>	<b>\$ 174,692</b>	<b>\$ 180,475</b>	<b>\$ (5,783)</b>
<b>Liabilities</b>			
Liabilities and derivatives relating to investments	\$ 5,940	\$ 7,710	\$ (1,770)
Derivatives relating to asset-liability management	8,871	7,943	928
Payables and other liabilities	6,556	7,216	(660)
Borrowings from members	3,028	2,906	122
<b>Total liabilities</b>	<b>\$ 24,395</b>	<b>\$ 25,775</b>	<b>\$ (1,380)</b>
<b>Equity</b>			
Subscriptions and contributions paid-in	\$ 209,984	\$ 208,430	\$ 1,554
Demand obligations	(9,155)	(9,237)	82
Deferred amounts to maintain value of currency holdings	(246)	(244)	(2)
Accumulated deficit	(43,285)	(43,030)	(255)
Accumulated other comprehensive income	(7,001)	(1,219)	(5,782)
Total equity	150,297	154,700	(4,403)
<b>Total liabilities and equity</b>	<b>\$ 174,692</b>	<b>\$ 180,475</b>	<b>\$ (5,783)</b>

## Assets

### Loans outstanding

As of December 31, 2016, loans outstanding were \$133,279 million, a decrease of \$3,456 million compared to June 30, 2016. The decrease was primarily due to negative translation adjustments of \$5,167 million resulting from the 3.9% depreciation of the SDR against the U.S. dollar, offset by positive net disbursements of \$1,712 million.

As of December 31, 2016, IDA's accumulated provision for debt relief and for losses on loans was \$3.9 billion, 3.0% of the total loans outstanding balance.

### Investment Assets-net of Related Liabilities

The net investment portfolio decreased from \$29,908 million as of June 30, 2016 to \$28,298 million as of December 31, 2016. The key drivers for the \$1,610 million decrease were (i) the net outflow from IDA's operating activities as reflected in the Statement of Activities (**Table 1**), (ii) the \$1,132 million net negative impact of exchange rate movements, reflecting the depreciation of the pound sterling, Japanese yen, euro and Chinese renminbi against the U.S. dollar and (iii) \$400 million of mark-to-market losses as a result of the increase in the yield curves of major currencies. In preparation for the addition of the Chinese renminbi to the SDR basket, during FY17 YTD the investment portfolio was rebalanced to include Chinese renminbi.

### Asset and Liabilities – derivatives relating to Asset-Liability Management

The \$1,051 million increase in asset derivatives relating to the asset-liability management (ALM) is offset by the \$928 million increase in liability derivatives relating to ALM. This activity is due to the inclusion of the Chinese renminbi in the SDR basket. In accordance with IDA's strategy to use currency forward contracts to mitigate the foreign exchange risk resulting from the currency mismatch between IDA's SDR denominated commitments for loans and grants and non-SDR denominated equity contributions from members, new trades were entered into to rebalance the portfolios.

## Equity

**Table 6: Subscriptions and Contributions**

*In millions of U.S. dollars*

As of	December 31, 2016	June 30, 2016
Subscriptions and contributions committed	\$ 243,926	\$ 245,430
Less: Subscriptions and contributions receivable	30,632	33,695
Less: Cumulative discounts/acceleration credits on subscriptions and contributions	3,310	3,305
<b>Subscriptions and contributions paid-in</b>	<b>\$ 209,984</b>	<b>\$ 208,430</b>

*Subscriptions and contributions paid-in* – At December 31, 2016, the \$1,554 million increase in equity subscriptions and contributions paid-in is primarily attributable to the receipt from members of \$1,920 million of demand obligations and \$163 million of cash contributions. This was partially offset by negative translation adjustments of \$529 million as a result of the SDR depreciating against the U.S. dollar during the period.

*Subscriptions and contributions receivable* – This amount represents the balance of subscriptions and contributions committed but for which demand obligations or cash have not yet been received. As of December 31, 2016, subscriptions and contributions receivable amounted to 13% of subscriptions and contributions committed, the majority of which is expected to be received after FY17.

As of	December 31, 2016	June 30, 2016
<b>Subscriptions and Contributions Receivable - Unrestricted</b>		
Due to be paid in FY2017	\$ 6,156	\$ 8,515
Due to be paid in FY2018	1,454	1,365
Due to be paid in FY2019 and thereafter	21,534	22,329
Past due		
- Due to be paid earlier than June 30, 2014	454	454
- Due to be paid between July 1, 2014 and June 30, 2016	930	1,024
- Due to be paid between July 1, 2016 and December 31, 2016	100	-
	30,628	33,687
<b>Subscriptions and Contributions Receivable - Restricted</b>	4	8
<b>Total</b>	<b>\$ 30,632</b>	<b>\$ 33,695</b>

## **Accumulated Other Comprehensive Income**

The \$5,782 million increase in accumulated other comprehensive income is due to translation adjustment losses, \$5,167 million of which relates to losses on loans outstanding resulting from the 3.9% depreciation of the SDR against the U.S. dollar.

## **Fair Value Analysis**

Fair value reflects the most current and complete expectation and estimation of the value of assets and liabilities. It aids comparability, and can be useful in decision-making. On a reported basis, IDA's loans and borrowings are carried at amortized cost, while all instruments in its investment portfolio (trading and non-trading) are carried at fair value. Whilst IDA intends to hold its loans and borrowings to maturity, a fair value estimate of IDA's financial assets and liabilities along with their respective carrying values is presented in **Table 7**. As non-financial assets and liabilities are not reflected at fair value, IDA's equity, as shown in **Table 7**, is not intended to reflect full fair value.

**Table 7** shows that IDA's equity on a fair value basis (\$123.7 billion) is less than on a carrying value basis (\$150.3 billion) primarily due to the \$26.2 billion negative fair value adjustment on IDA's net loans outstanding. This negative fair value adjustment arises due to the concessional nature of IDA's loans; IDA's interest rates are below market rates for the given maturity of its loans and risk profile of the borrowers (concessional). The fair value of loans is calculated using market-based methodologies - see Notes to Financial Statements—Note F—Development Credits and Other Exposures. For details on valuation methods and assumptions relating to other fair value disclosures, see Notes to Financial Statements—Note K—Other Fair Value Disclosures.

### **Loans**

As of December 31, 2016, the fair value of loans was \$103 billion (\$112 billion as of June 30, 2016). The decrease of \$9 billion is due to i) \$9 billion decrease as a result of increase in SDR interest rates, (ii) \$3 billion decrease in portfolio due to depreciation of the SDR against the U.S. dollar, partially offset by iii) \$3 billion increase as a result of changes in credit risk.

### **Borrowings**

As of December 31, 2016, the fair value of borrowings was \$3,471 million (\$3,585 million as of June 30, 2016). The decrease of \$114 million is primarily due to \$233 million impact from exchange rate movements during the period and \$162 million unrealized mark-to-market gains driven by the upward movement of the yield curves, partially offset by \$291 million of additional borrowings received during the quarter.

**Table 7: Fair Value Estimates and their Carrying Value for the period ended December 31, 2016 and fiscal year ended June 30, 2016**

*In millions of U.S. dollars*

As of	December 31, 2016		June 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Due from Banks	\$ 778	\$ 778	\$ 672	\$ 672
Investments (including securities purchased under resale agreements)	29,143	29,143	31,493	31,493
Net Loans Outstanding	129,360	103,192	132,825	112,276
<b>Derivative Assets</b>				
Investments	4,249	4,249	4,624	4,624
Other Asset-Liability Management	9,265	9,265	8,214	8,214
Receivable from affiliated organization	832	832	882	882
Other assets	1,065	1,065	1,765	1,765
<b>Total</b>	<b>\$ 174,692</b>	<b>\$ 148,524</b>	<b>\$ 180,475</b>	<b>\$ 159,926</b>
<b>Liabilities</b>				
Borrowings	\$ 3,028	\$ 3,471	\$ 2,906	\$ 3,585
Securities sold/lent under repurchase agreements/securities lending agreements, and payable for cash collateral received	1,474	1,474	1,968	1,968
<b>Derivate Liabilities</b>				
Investments	4,204	4,204	4,794	4,794
Other Asset-Liability Management	8,871	8,871	7,943	7,943
Payable for grants	5,330	5,330	6,099	6,099
Payable to affiliated organization	450	450	458	458
Other liabilities	1,038	1,038	1,607	1,607
<b>Total</b>	<b>\$ 24,395</b>	<b>\$ 24,838</b>	<b>\$ 25,775</b>	<b>\$ 26,454</b>
<b>Equity</b>	<b>\$ 150,297</b>	<b>\$ 123,686</b>	<b>\$ 154,700</b>	<b>\$ 133,472</b>
<b>Total Liabilities and Equity</b>	<b>\$ 174,692</b>	<b>\$ 148,524</b>	<b>\$ 180,475</b>	<b>\$ 159,926</b>

## Section 5: Risk Management

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 3, Funding And Resource Allocation.

**Liquidity Risk** is managed through a combination of IDA's daily cash flow monitoring and management, timing of member equity contributions, and prudent investment policies under an established financial framework. A key indicator of liquidity management is the core liquidity position which reflects the number of months of gross disbursements (based on the average for a particular year) that can be met out of the core liquidity (comprised of investment portfolio tranches 2 and 3) available at any point in time.

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

*Country credit risk* is managed through regular debt sustainability assessments. These reviews provide an input into the composition of loans versus grants for new operations. Reviews are also performed to determine the adequacy of provisions for losses on loans and other exposures.

**Table 8** provides details of the top five borrowers with the largest loans outstanding as of December 31, 2016. These borrowers represented 50% of total loans outstanding as of that date.

**Table 8: Top Five Members with the Largest Loans Outstanding Balance**

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

Country	India	Pakistan	Bangladesh	Vietnam	Nigeria	Others	Total
Loans Outstanding	23,520	12,811	11,890	11,462	6,636	66,960	133,279
% of Total Loans Outstanding	18	10	9	8	5	50	100
Weighted Average Maturity (Years)	6.5	12.7	14.0	14.4	15.4	13.7	12.5
Loans outstanding by terms							
Regular	5,304	989	11,890	7,548	4,279	51,343	81,353
Blend	17,791	11,382	-	3,672	2,357	15,396	50,598
Hard	318	440	-	242	-	121	1,121
Scale Up Facility	-	-	-	-	-	100	100
Transitional support	107	-	-	-	-	-	107
Undisbursed balance	6,374	2,046	5,141	4,467	3,785	24,339	46,152

*Commercial Counterparty Credit Risk:* The monitoring and managing of this risk is a continuous process due to the changing market environment. 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 9**. The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum, with 80% of the portfolio rated AA or above as of December 31, 2016 (81% - June 30, 2016), 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 \$28,720 million as of December 31, 2016.

**Table 9: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating**

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

As of	December 31, 2016				June 30, 2016			
	Agencies, ABS, Commercial Paper, Swaps, Corporate and Time Deposits				Agencies, ABS, Commercial Paper, Swaps, Corporate and Time Deposits			
Counterparty Rating	Sovereigns	Total Exposure	% of Total		Sovereigns	Total Exposure	% of Total	
AAA	\$ 8,285	\$ 4,528	\$ 12,813	44%	\$ 10,897	\$ 5,117	\$ 16,014	52%
AA	6,012	4,219	10,231	36	5,959	2,942	8,901	29
A	4,226	1,446	5,672	20	4,865	1,167	6,032	19
BBB or below	-	4	4	*	-	4	4	*
Total	\$ 18,523	\$ 10,197	\$ 28,720	100%	\$ 21,721	\$ 9,230	\$ 30,951	100%

\* Denotes less than 0.5%.

**Market Risk:** IDA faces foreign exchange risk with respect to its future member contributions, which it manages using currency forwards and by rebalancing the currency composition of its investment portfolio, and interest rate risk on its investment portfolio, which 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 since it relates to changes in future net cash outflows. Further details can be seen in IDA's June 30, 2016 MD&A. The analysis below discusses the impact of these activities on IDA's Statement of Income and the corresponding economic offset.

#### *Foreign Exchange Risk*

IDA conducts its operations in SDR and its component currencies of U.S. dollar, euro, Japanese yen, pound sterling and Chinese renminbi. These constitute the functional currencies of IDA, and all other currencies are considered non-functional currencies. Effective October 1, 2016, the Chinese renminbi was added to the SDR basket as one of its component currencies. The Chinese renminbi has been included as a functional currency for IDA from the beginning of the fiscal year ending June 30, 2017.

Any translation adjustments due to exchange rate movements against the U.S. dollar for non-functional currencies and functional currencies, are reflected in the Statement of Income, and in Accumulated Other Comprehensive Income in the Equity section of the Balance Sheet, respectively.

IDA faces foreign exchange rate risk exposure as a result of the currency mismatch between its commitments for loans and grants, which are denominated in SDRs; equity contributions from members, which are typically denominated in national currencies; and the portion of IDA's internal resources and expenditures that is denominated in U.S. dollars.

IDA uses currency forward contracts to convert members' encashments provided in national currencies into the five currencies of the SDR basket, thereby aligning the currency composition of partner contributions with the net cash outflows relating to loans and grants. These transactions are intermediated by IBRD for efficiency purposes.

The payable leg of the currency forward contracts economically hedging member equity contribution pledges are denominated in non-functional currencies. Accordingly, appreciation (depreciation) of these currencies against the U.S. dollar results in exchange rate losses (gains), which are reported in the Statement of Income. The translation adjustment on future inflows from members is the economic offset to the translation adjustment on non-functional currencies of currency forward contracts.

The translation adjustment gain on non-functional currencies of \$174 million in FY17 YTD was due to the depreciation of the non-functional currencies against the U.S. dollar. This provides an economic offset to the effect of foreign exchange movements on the future inflows from members, which was a loss of \$209 million in FY17 YTD.

In FY16 YTD, the translation adjustment gain on non-functional currencies of the forward contracts of \$268 million was due to the depreciation of the non-functional currencies against the U.S. dollar. This provides an economic offset to the effect of foreign exchange movements on the future inflows from members, which was a loss of \$319 million in FY16 YTD.

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

In addition, IDA also mitigates the currency exchange rate risk by aligning the currency composition of its liquid asset portfolio and the hedges of its non-SDR cash flows with the SDR composition.

#### *Interest Rate Risk*

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 of 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 overall investment portfolio, which had a duration of approximately two years as at December 31, 2016, has two components: core liquidity and partner asset and liability management. During FY17 YTD, the core liquidity - investment portfolio experienced unrealized mark-to-market losses of \$349 million due to the more pronounced increase in the yield curves of the major currencies, as compared to FY16 YTD when unrealized mark-to-market losses totaled \$8 million.

The partner asset and liability management – non-trading portfolio, incurred unrealized mark-to-market losses of \$98 million during FY17 YTD, comprised of i) unrealized mark-to-market losses of \$38 million on investments with IFC and ii) unrealized mark-to-market losses of \$60 million on the currency forward contracts. This compares to unrealized mark-to-market losses of \$16 million in FY16 YTD, comprised of i) unrealized mark-to-market losses of \$1 million on investments with IFC and ii) unrealized mark-to-market losses of \$15 million on the currency forward contracts. The variance in unrealized mark to market losses is a result of the impact of the increase in the US treasury curve on the investments with IFC, and the impact of the increase in USD and EUR yield curves on the currency forward contracts.

## Funding and Liquidity Positions

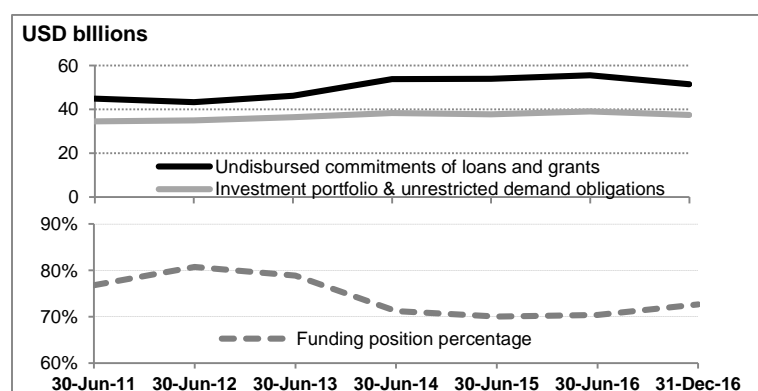
Management monitors IDA's funding and liquidity positions to assess IDA's ability to conduct its operations. Since IDA has not borrowed from the capital markets, even though it is allowed to do so under its Articles of Agreement, it is important that IDA has sufficient funding resources and liquidity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

IDA's funding position is determined as the total of its investment portfolio and unrestricted demand obligations as a percentage of undisbursed commitments of loans and grants payable. Any remaining funding gap will primarily be covered by future receipts of cash, demand obligations already committed by members, and repayments on outstanding loans by recipient countries. At all times, IDA enters into new commitments based on the commitment authority available. See Section 3 for further details on IDA's Commitment Authority.

IDA's liquidity position is determined as the number of months of average gross disbursements covered by IDA's core liquidity, comprised of investment portfolio tranches 2 and 3.

**Figure 6: Funding and Liquidity Position**

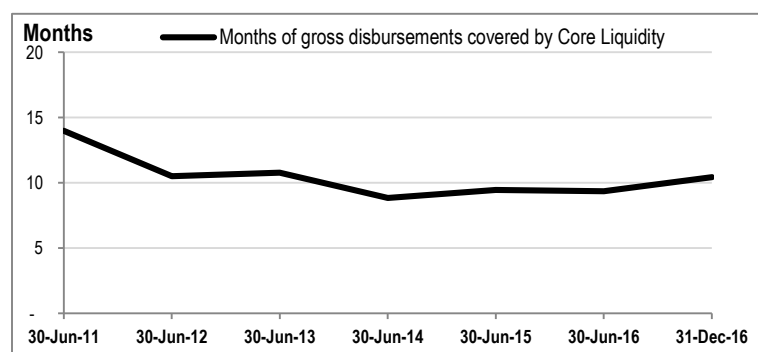
### Funding Position



As of December 31, 2016, the investment portfolio and unrestricted demand obligations covered 73% of all undisbursed commitments of loans and grants, (70% - June 30, 2016). The gap in funding will be met by future inflows.

In the last 5 years, IDA's funding position has ranged from 70% to 81%.

### Liquidity Position



As of December 31, 2016, core liquidity amounted to \$10,706 million (June 30, 2016 - \$10,295 million), comprising short-term and medium-term investments. IDA's liquidity position was sufficient to cover approximately 11 months of average monthly gross disbursements. (7 months in FY16 YTD).

In the last 5 years, IDA's liquidity position has ranged from 9 to 11 months of average monthly gross disbursements.

## **SECTION 6: GOVERNANCE**

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### **Auditors**

On December 7, 2016, the Board approved amendments to the policy on the appointment of an external auditor which will come into effect for the FY19 audit period. The primary amendments now permit the external auditor to provide non-prohibited non-audit related services subject to monetary limits. Broadly, the list of prohibited non-audit services include those that would put the external auditor in the roles typically performed by management and in a position of auditing their own work, such as accounting services, internal audit services, and provision of investment advice. The total non-audit services fees over the term of the relevant external audit contract shall not exceed 70 percent of the audit fees over the same period.

### **Senior Management Changes**

On September 27, 2016, Dr. Jim Yong Kim was appointed to a second five-year term as President of the World Bank Group, commencing July 1, 2017.

On July 27, 2016, Sri Mulyani Indrawati resigned as Managing Director and Chief Operating Officer (MDCOO). Subsequently, on October 28, 2016, Kristalina Georgieva was appointed as IBRD's Chief Executive Officer (CEO), effective January 2, 2017, which was a newly created position to replace the MDCOO position.

# CONDENSED BALANCE SHEET

Expressed in millions of U.S. dollars

	December 31, 2016 (Unaudited)	June 30, 2016 (Unaudited)
<b>Assets</b>		
Due from banks		
Unrestricted cash—Note C	\$ 751	\$ 645
Restricted cash	27	27
	<u>778</u>	<u>672</u>
Investments (including securities transferred under repurchase or securities lending agreements of \$1,462 million—December 31, 2016; \$1,691 million—June 30, 2016)—Notes C and G	29,048	31,413
Securities purchased under resale agreements—Note C	95	80
Derivative assets		
Investments—Notes C and E	4,249	4,624
Asset-liability management—Notes E and G	9,265	8,214
	<u>13,514</u>	<u>12,838</u>
Receivable from affiliated organization—Note G	832	882
Loans outstanding—Notes F and K		
Total loans	179,431	186,211
Less: Undisbursed balance	<u>46,152</u>	<u>49,476</u>
Loans outstanding	133,279	136,735
Less: Accumulated provision for debt relief and for losses on loans	3,941	3,932
Add: Deferred loans origination costs	<u>22</u>	<u>22</u>
Net loans outstanding	<u>129,360</u>	<u>132,825</u>
Other assets—Note C	<u>1,065</u>	<u>1,765</u>
<b>Total Assets</b>	<u>\$ 174,692</u>	<u>\$ 180,475</u>

	<i>December 31, 2016</i> <i>(Unaudited)</i>	<i>June 30, 2016</i> <i>(Unaudited)</i>
<b>Liabilities</b>		
Borrowings—Note D	\$ 3,028	\$ 2,906
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Note C	1,474	1,968
Derivative liabilities		
Investments—Notes C and E	4,204	4,794
Asset-liability management—Notes E and G	8,871	7,943
	<u>13,075</u>	<u>12,737</u>
Payable for development grants—Note H	5,330	6,099
Payable to affiliated organization—Note G	450	458
Other liabilities—Notes C & F	1,038	1,607
<b>Total Liabilities</b>	<u>24,395</u>	<u>25,775</u>
<b>Equity</b>		
Members' subscriptions and contributions—Note B		
Subscriptions and contributions committed	243,926	245,430
Less: Subscriptions and contributions receivable	30,632	33,695
Less: Cumulative discounts/acceleration credits on subscriptions and contributions	3,310	3,305
Subscriptions and contributions paid-in	<u>209,984</u>	<u>208,430</u>
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions	(9,155)	(9,237)
Deferred amounts to maintain value of currency holdings	(246)	(244)
Accumulated deficit (See Condensed Statement of Changes in Accumulated Deficit)	(43,285)	(43,030)
Accumulated other comprehensive income—Note J	(7,001)	(1,219)
<b>Total Equity</b>	<u>150,297</u>	<u>154,700</u>
<b>Total Liabilities and Equity</b>	<u>\$ 174,692</u>	<u>\$ 180,475</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*

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenue</b>				
Loans and Guarantees—Note F	\$ 306	\$ 283	\$ 614	\$ 561
Investments, net—Notes E and G	(222)	(36)	(158)	179
Transfers and grants from affiliated organizations and others—Note G	497	652	497	654
Revenue from externally funded activities—Note G	<u>161</u>	<u>142</u>	<u>260</u>	<u>232</u>
<b>Total Revenue</b>	<u>742</u>	<u>1,041</u>	<u>1,213</u>	<u>1,626</u>
<b>Expenses</b>				
Administrative expenses—Notes G and I	545	418	982	817
Contributions to special programs—Note G	4	-	19	-
Development grants—Note H	339	409	382	554
Borrowings—Notes C and D	23	18	45	36
Provision for debt relief and for losses on loans and other exposures, net charge—Note F	95	90	112	180
Non-functional currency translation adjustment gains, net	(183)	(34)	(174)	(268)
Unrealized mark to market losses on non-trading portfolios, net—Notes C, E and K	89	23	98	16
Project Preparation Advances (PPA) grants and other expenses	<u>5</u>	<u>-</u>	<u>4</u>	<u>(8)</u>
<b>Total Expenses</b>	<u>917</u>	<u>924</u>	<u>1,468</u>	<u>1,327</u>
<b>Net (Loss) Income</b>	<u>\$ (175)</u>	<u>\$ 117</u>	<u>\$ (255)</u>	<u>\$ 299</u>

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

*Expressed in millions of U.S. dollars*

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>December 31, (Unaudited)</i>		<i>December 31, (Unaudited)</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Net (Loss) Income</b>	\$ (175)	\$ 117	\$ (255)	\$ 299
<b>Other comprehensive loss—Note J</b>				
Currency translation adjustments on functional currencies	<u>(5,547)</u>	<u>(1,837)</u>	<u>(5,782)</u>	<u>(2,004)</u>
<b>Comprehensive Loss</b>	<u>\$ (5,722)</u>	<u>\$ (1,720)</u>	<u>\$ (6,037)</u>	<u>\$ (1,705)</u>

## CONDENSED STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

*Expressed in millions of U.S. dollars*

	<i>Six Months Ended</i>	
	<i>December 31, (Unaudited)</i>	
	<u>2016</u>	<u>2015</u>
<b>Accumulated Deficit at beginning of the fiscal year</b>	\$ (43,030)	\$ (43,401)
Net (loss) income for the period	<u>(255)</u>	<u>299</u>
<b>Accumulated Deficit at end of the period</b>	<u>\$ (43,285)</u>	<u>\$ (43,102)</u>

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

# CONDENSED STATEMENT OF CASH FLOWS

Expressed in millions of U.S. dollars

	Six Months Ended December 31, (Unaudited)	
	2016	2015
<b>Cash flows from investing activities</b>		
Loans		
Disbursements	\$ (3,947)	\$ (4,899)
Principal repayments	2,230	2,099
Non-trading securities—Investments		
Principal payments received	48	25
Net cash used in investing activities	(1,669)	(2,775)
<b>Cash flows from financing activities</b>		
Members' subscriptions and contributions	1,636	1,505
Borrowings	291	168
Net cash provided by financing activities	1,927	1,673
<b>Cash flows from operating activities</b>		
Net (loss) income	(255)	299
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for debt relief and for losses on loans and other exposures, net charge	112	180
Non-functional currency translation adjustment gains, net	(174)	(268)
Unrealized mark-to market losses on non-trading portfolios, net	98	16
PPA grants and other expenses	4	(8)
Amortization of discount on borrowings	16	11
Changes in:		
Investments—Trading, net	532	1,165
Other assets and liabilities	(471)	(476)
Net cash (used in) provided by operating activities	(138)	919
<b>Effect of exchange rate changes on unrestricted cash</b>	(14)	(3)
<b>Net increase (decrease) in unrestricted cash</b>	106	(186)
<b>Unrestricted cash at beginning of the fiscal year</b>	645	328
<b>Unrestricted cash at end of the period</b>	<u>\$ 751</u>	<u>\$ 142</u>

## CONDENSED STATEMENT OF CASH FLOWS

*Expressed in millions of U.S. dollars*

	Six Months Ended December 31, (Unaudited)	
	2016	2015
<b>Supplemental disclosure</b>		
Increase (Decrease) in ending balances resulting from exchange rate fluctuations:		
Loans outstanding	(5,167)	(1,848)
Investment portfolio	(1,132)	(348)
Derivatives—Asset-liability management	187	306
Borrowings	(185)	(25)
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	5	5
Loans written off under Multilateral Debt Relief Initiative (MDRI)	-	524
Interest paid on borrowings	23	21

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

# NOTES TO CONDENSED QUARTERLY FINANCIAL STATEMENTS

## NOTE A—SUMMARY

### Basis of Preparation

These unaudited condensed quarterly financial statements should be read in conjunction with the June 30, 2016 audited financial statements and notes included therein. The condensed comparative information that has been derived from the June 30, 2016 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 loans and other exposures, and valuation of certain financial instruments carried at fair value. The results of operations for the first six months of the current fiscal year are not necessarily indicative of the results that may be expected for the full year.

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

These financial statements were approved for issue on February 9, 2017 which was also the date through which IDA's management evaluated subsequent events.

IDA conducts its operations in Special Drawing Rights (SDR) and its component currencies of U.S. dollar, euro, Japanese yen and pound sterling. These constitute the functional currencies of IDA. Effective October 1, 2016, the Chinese renminbi (RMB) was added to the SDR basket as one of its component currencies by the Executive Board of the International Monetary Fund. In line with this, the RMB is a functional currency for IDA from the beginning of the fiscal year ending June 30, 2017.

### Accounting and Reporting Developments

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This ASU makes amendments to the current consolidation guidance focusing on targeted areas for certain legal entities. IDA elected to adopt the ASU from the quarter ended September 30, 2016, as permitted by the ASU. The ASU did not have any impact on IDA's financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Cost*. To simplify the presentation of debt issuance costs, the ASU requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt premiums and discounts. The recognition and measurement of debt issuance costs are not affected. IDA elected to adopt the ASU from the quarter ended September 30, 2016, as permitted by the ASU. The ASU did not have any impact on IDA's financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The ASU provides guidance to help customers determine whether fees paid for cloud computing arrangements include a software license or should be accounted for as a service contract. IDA elected to adopt the ASU from the quarter ended September 30, 2016, as permitted by the ASU. The adoption of the ASU did not result in any changes to IDA's financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The ASU provides classification guidance on eight specific cash flow classification issues for which current US GAAP does not provide guidance. For IDA, the ASU is effective from the year ending June 30, 2020, with early adoption permitted. IDA is currently evaluating the impact of this ASU on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted cash*. The ASU requires that the amounts of restricted cash and cash equivalents are included in the total of cash and cash equivalents at the beginning and end of the period in the statement of cash flow. For IDA, the ASU is effective from the year ending June 30, 2020, with early adoption permitted. 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 six months ended December 31, 2016, and for the fiscal year ended June 30, 2016, is summarized below:

*In millions of U.S. dollars*

	<i>December 31, 2016</i>	<i>June 30, 2016</i>
<b>Beginning of the fiscal year</b>	\$ 208,430	\$ 201,045
Cash contributions received	163	3,381
Demand obligations received	1,920	4,477
Translation adjustment	(529)	(473)
<b>End of the period/fiscal year</b>	<u>\$ 209,984</u>	<u>\$ 208,430</u>

During the six months ended December 31, 2016, IDA encashed demand obligations totaling \$1,473 million.

## NOTE C—INVESTMENTS

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

As of December 31, 2016, the majority of IDA's Investments comprised government and agency obligations 82 %, with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy.

A summary of IDA's Investments as of December 31, 2016 and June 30, 2016, is as follows:

*In millions of U.S. dollars*

	<i>December 31, 2016</i>	<i>June 30, 2016</i>
<b>Trading</b>		
Government and agency obligations	\$ 23,771	\$ 26,628
Time deposits	3,321	2,550
Asset-backed securities (ABS)	937	1,130
	<u>\$ 28,029</u>	<u>\$ 30,308</u>
<b>Non-trading (at fair value)</b>		
Debt securities	1,019	1,105
<b>Total</b>	<u>\$ 29,048</u>	<u>\$ 31,413</u>

IDA manages its investments on a net portfolio basis. The following table summarizes IDA's net portfolio position as of December 31, 2016 and June 30, 2016:

<i>In millions of U.S. dollars</i>		
	<i>December 31, 2016</i>	<i>June 30, 2016</i>
<b>Investments</b>		
Trading	\$ 28,029	\$ 30,308
Non-trading (at fair value)	1,019	1,105
Total	29,048	31,413
<b>Securities purchased under resale agreements</b>	95	80
<b>Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received</b>	(1,474)	(1,968)
<b>Derivative Assets</b>		
Currency forward contracts	479	689
Currency swaps	3,762	3,929
Interest rate swaps	6	3
Swaptions, exchange traded options and futures contracts	1	2
Other <sup>a</sup>	1	1
Total	4,249	4,624
<b>Derivative Liabilities</b>		
Currency forward contracts	(479)	(681)
Currency swaps	(3,701)	(4,073)
Interest rate swaps	(13)	(20)
Swaptions, exchange traded options and futures contracts	(10)	(20)
Other <sup>a</sup>	(1)	(*)
Total	(4,204)	(4,794)
<b>Cash held in investment portfolio <sup>b</sup></b>	729	640
<b>Receivable from investment securities traded <sup>c</sup></b>	117	861
<b>Payable for investment securities purchased <sup>d</sup></b>	(262)	(948)
<b>Net Investment Portfolio</b>	<b>\$ 28,298</b>	<b>\$ 29,908</b>

*a. These relate to To-Be-Announced (TBA) Securities.*

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

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

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

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

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

As of December 31, 2016, there were short sales totaling \$134 million (\$138 million—June 30, 2016) included in Other liabilities on the Condensed Balance Sheet. These are reported at fair value on a recurring basis.

## Fair Value Disclosures

The following tables present IDA's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and June 30, 2016:

*In millions of U.S. dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of December 31, 2016</i>			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments—Trading				
Government and agency obligations	\$ 12,520	\$ 11,251	\$ -	\$ 23,771
Time deposits	383	2,938	-	3,321
ABS	-	937	-	937
Total Investments—Trading	12,903	15,126	-	28,029
Investments—Non-trading (at fair value)	-	1,019	-	1,019
Securities purchased under resale agreements	19	76	-	95
Derivative assets				
Currency forward contracts	-	479	-	479
Currency swaps	-	3,762	-	3,762
Interest rate swaps	-	6	-	6
Swaptions, exchange traded options and futures contracts	-	1	-	1
Other <sup>a</sup>	-	1	-	1
Total Derivative assets—Investments	-	4,249	-	4,249
<b>Total</b>	<b>\$ 12,922</b>	<b>\$ 20,470</b>	<b>\$ -</b>	<b>\$ 33,392</b>
<b>Liabilities:</b>				
Securities sold under repurchase agreements and securities lent under security lending agreements <sup>b</sup>	\$ 25	\$ 1,438	\$ -	\$ 1,463
Derivative liabilities				
Currency forward contracts	-	479	-	479
Currency swaps	-	3,701	-	3,701
Interest rate swaps	-	13	-	13
Swaptions, exchange traded options and futures contracts	9	1	-	10
Other <sup>a</sup>	-	1	-	1
Total Derivative liabilities—Investments	9	4,195	-	4,204
Payable for investment securities purchased <sup>c</sup>	79	55	-	134
<b>Total</b>	<b>\$ 113</b>	<b>\$ 5,688</b>	<b>\$ -</b>	<b>\$ 5,801</b>

*a. These relate to TBA securities.*

*b. Excludes \$11 million relating to payable for cash collateral received.*

*c. These relate to short sales of investment securities.*

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

*In millions of U.S. dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of June 30, 2016</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
Investments—Trading				
Government and agency obligations	\$ 16,316	\$ 10,312	\$ -	\$ 26,628
Time deposits	213	2,337	-	2,550
ABS	-	1,130	-	1,130
Total Investments—Trading	16,529	13,779	-	30,308
Investments—Non-trading (at fair value)	-	1,105	-	1,105
Securities purchased under resale agreements	20	60	-	80
Derivative assets				
Currency forward contracts	-	689	-	689
Currency swaps	-	3,929	-	3,929
Interest rate swaps	-	3	-	3
Swaptions, exchange traded options and futures contracts	-	2	-	2
Other <sup>a</sup>	-	1	-	1
Total Derivative assets—Investments	-	4,624	-	4,624
<b>Total</b>	<b>\$ 16,549</b>	<b>\$ 19,568</b>	<b>\$ -</b>	<b>\$ 36,117</b>
<b>Liabilities:</b>				
Securities sold under repurchase agreements and securities lent under security lending agreements	\$ 28	\$ 1,939	\$ -	\$ 1,967
Derivative liabilities				
Currency forward contracts	-	681	-	681
Currency swaps	-	4,073	-	4,073
Interest rate swaps	-	20	-	20
Swaptions, exchange traded options and futures contracts	18	2	-	20
Other <sup>a</sup>	-	*	-	*
Total Derivative liabilities—Investments	18	4,776	-	4,794
Payable for investment securities purchased <sup>b</sup>	81	57	-	138
<b>Total</b>	<b>\$ 127</b>	<b>\$ 6,772</b>	<b>\$ -</b>	<b>\$ 6,899</b>

*a. These relate to TBA securities.*

*b. These relate to short sales of investment securities.*

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

During the six months ended December 31, 2016, there were no securities transferred between Level 1 and Level 2 within the fair value hierarchy (Nil—June 30, 2016).

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*

	<u>Fair value</u>	<u>Principal amount due</u>	<u>Difference</u>
December 31, 2016	\$ 1,019	\$ 1,035	\$ (16)
June 30, 2016	\$ 1,105	\$ 1,082	\$ 23

The maturity structure of IDA's non-trading investment portfolio as of December 31, 2016 and June 30, 2016 was as follows:

<i>In millions of U.S dollars</i>		
<i>Period</i>	<i>December 31, 2016</i>	<i>June 30, 2016</i>
Less than 1 year	\$ 131	\$ 113
Between		
1 - 2 years	122	126
2 - 3 years	122	122
3 - 4 years	127	124
4 - 5 years	122	125
Thereafter	411	472
	<u>\$ 1,035</u>	<u>\$ 1,082</u>

### **Valuation Methods and Assumptions**

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

#### *Investment securities*

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

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

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

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

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

### **Commercial Credit Risk**

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

**Swap Agreements:** Credit risk is mitigated through a credit approval process, volume limits, monitoring procedures and the use of mark-to-market collateral arrangements. IDA may require collateral in the form of cash or other approved liquid securities from individual counterparties to mitigate its credit exposure. As of December 31, 2016, IDA had received \$11 million cash collateral related to swap agreements (Nil—June 30, 2016).

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

The following is a summary of the collateral received by IDA in relation to swap transactions as of December 31, 2016 and June 30, 2016.

<i>In millions of U.S. dollars</i>		
	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Collateral received		
Cash	\$ 11	\$ -
Securities	-	2
Total collateral received	<u>\$ 11</u>	<u>\$ 2</u>
Collateral permitted to be repledged	\$ 11	\$ 2
Amount of collateral repledged	-	-

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

These transactions have been conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions. As of December 31, 2016, amounts which could potentially be offset as a result of legally enforceable master netting arrangements were \$95 million (\$80 million—June 30, 2016).

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

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

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

<i>In millions of U.S. dollars</i>			
	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>Financial Statement Presentation</u>
Securities transferred under repurchase or securities lending agreements	\$ 1,462	\$ 1,691	Included under Investments - Trading on the Condensed Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	\$ 1,463	\$ 1,967	Included under Securities Sold under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received on the Condensed Balance Sheet.

As of December 31, 2016, none of the liabilities relating to securities transferred under repurchase or securities lending agreements remained unsettled at that date (\$287 million—June 30, 2016). None of these amounts represented replacement trades entered into in anticipation of maturing trades of a similar amount (Nil—June 30, 2016).

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

<i>In millions of U.S.dollars</i>			
	<i>As of December 31, 2016</i>		
	<i>Remaining contractual maturity of the agreements</i>		
	<i>Overnight and continuous</i>	<i>Up to 30 days</i>	<i>Total</i>
<b>Repurchase or Securities Lending agreements</b>			
Government and agency obligations	\$ 973	\$ 490	\$ 1,463
<b>Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements</b>	<b>\$ 973</b>	<b>\$ 490</b>	<b>\$ 1,463</b>

<i>In millions of U.S.dollars</i>			
	<i>As of June 30, 2016</i>		
	<i>Remaining contractual maturity of the agreements</i>		
	<i>Overnight and continuous</i>	<i>Up to 30 days</i>	<i>Total</i>
<b>Repurchase or Securities Lending agreements</b>			
Government and agency obligations	\$ 1,653	\$ 314	\$ 1,967
<b>Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements</b>	<b>\$ 1,653</b>	<b>\$ 314</b>	<b>\$ 1,967</b>

In the case of resale agreements, IDA received collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IDA's balance sheet as the accounting criteria for treatment as a sale have not been met. As of December 31, 2016, none of the securities purchased under resale agreements remained unsettled on that date (Nil—June 30, 2016). For the remaining purchases, IDA received securities with a fair value of \$96 million (\$81 million—June 30, 2016). Out of this amount, no securities had been transferred under repurchase or securities lending agreements (Nil—June 30, 2016).

## NOTE D—BORROWINGS

IDA's borrowings comprise concessional partner loans made by IDA members. 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 December 31, 2016, IDA's borrowings outstanding were \$3,028 million (\$2,906 million—June 30, 2016). These borrowings have original maturities of 25 and 40 years, with the final maturity being 2054. This does not include the effect of the amounts relating to proceeds received under the grant component of the concessional partner loan agreements, for which voting rights have been received. These amounts are reflected in equity.

<i>In millions of U.S dollars</i>			
	<i>Borrowings outstanding</i>		
	<i>Principal at face value</i>	<i>Net unamortized premium (discount)</i>	<i>Total</i>
December 31, 2016	\$ 3,647	\$ (619)	\$ 3,028
June 30, 2016	\$ 3,448	\$ (542)	\$ 2,906

## 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 December 31, 2016 and June 30, 2016:

<i>In millions of U.S. dollars</i>				
	<i>December 31, 2016</i>		<i>June 30, 2016</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Borrowings outstanding	\$ 3,028	\$ 3,471	\$ 2,906	\$ 3,585

As of December 31, 2016, 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.

<b>Portfolio</b>	<b>Derivative instruments used</b>	<b>Purpose/Risk being managed</b>
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	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. As of December 31, 2016, IDA was not required to post 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 December 31, 2016 and June 30, 2016:

### Fair Value amounts of the derivative instruments on the Condensed Balance Sheet:

<i>In millions of U.S. dollars</i>				
	<i>Condensed Balance Sheet Location</i>			
	<i>Derivative assets</i>		<i>Derivative liabilities</i>	
	<i>December 31, 2016</i>	<i>June 30, 2016</i>	<i>December 31, 2016</i>	<i>June 30, 2016</i>
<b>Derivatives not designated as hedging instruments</b>				
Currency forward contracts	\$ 9,744	\$ 8,903	\$ 9,350	\$ 8,624
Currency swaps	3,762	3,929	3,701	4,073
Swaptions, exchange traded options and futures contracts	1	2	10	20
Interest rate swaps	6	3	13	20
Other <sup>a</sup>	1	1	1	*
<b>Total Derivatives</b>	<b>\$ 13,514</b>	<b>\$ 12,838</b>	<b>\$ 13,075</b>	<b>\$ 12,737</b>

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>December 31, 2016</i>	<i>June 30, 2016</i>
<b>Investments - Trading</b>		
Interest rate swaps		
Notional principal	\$ 5,503	\$ 1,543
Credit exposure	6	3
Currency swaps (including currency forward contracts)		
Credit exposure	122	61
Swaptions, exchange traded options, and futures contracts <sup>a</sup>		
Notional long position	7,047	978
Notional short position	8,873	13,879
Credit exposure	1	2
Other <sup>b</sup>		
Notional long position	322	186
Notional short position	154	15
Credit exposure	1	1
<b>Asset-liability management</b>		
Currency forward contracts		
Credit exposure	585	489
<b>Client Operations</b>		
Structured swaps		
Notional principal	68	86
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.*

Amounts of gains and losses on the Asset-liability management derivative instruments and their location on the Condensed Statement of Income during the three and six months ended December 31, 2016 and December 31, 2015 are as follows:

*In millions of U.S. dollars*

	<i>Condensed Statement of Income Location</i>	<i>Three Months Ended December 31, Gains (Losses)</i>		<i>Six Months Ended December 31, Gains (Losses)</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<b>Derivatives not designated as hedging instruments and not held in a trading portfolio <sup>a</sup></b>	<b>Unrealized mark-to-market losses on non-trading portfolios, net</b>				
Currency forward contracts and currency swaps		\$ (56)	\$ (4)	\$ (60)	\$ (15)

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

The majority of the instruments in IDA's investment portfolio are held for trading purposes. Within the trading portfolio, IDA holds highly rated fixed income instruments as well as derivatives. The trading portfolio is primarily

held to ensure the availability of funds to meet future cash flow requirements and for liquidity management purposes.

The following table provides information on the amount of gains and losses on the IDA's investment trading portfolio (derivative and non-derivative instruments), and their location on the Condensed Statement of Income during the three and six months ended December 31, 2016 and December 31, 2015:

<i>In millions of U.S. dollars</i>				
<b>Type of instrument</b>	<i>Investments, net Gains (Losses)</i>			
	<i>Three Months Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Fixed income (including related derivatives)	<u>\$ (316)</u>	<u>\$ (130)</u>	<u>\$ (349)</u>	<u>\$ (8)</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 tables summarize information on derivative assets and liabilities (before and after netting adjustments) that are reflected on IDA's Condensed Balance Sheet as of December 31, 2016 and June 30, 2016. 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.

<i>In millions of U.S. dollars</i>						
	<i>December 31, 2016</i>					
	<i>Located on the Condensed Balance Sheet</i>					
	<i>Derivative Assets</i>			<i>Derivative Liabilities</i>		
	<i>Gross Amounts Recognized</i>	<i>Gross Amounts Offset</i>	<i>Net Amounts Presented</i>	<i>Gross Amounts Recognized</i>	<i>Gross Amounts Offset</i>	<i>Net Amounts Presented</i>
Interest rate swaps	\$ 38	\$ (32)	\$ 6	\$ 464	\$ (451)	\$ 13
Currency swaps <sup>a</sup>	13,506	-	13,506	13,053	(2)	13,051
Other <sup>b</sup>	2	-	2	13	(2)	11
Total	<u>\$ 13,546</u>	<u>\$ (32)</u>	<u>\$ 13,514</u>	<u>\$ 13,530</u>	<u>\$ (455)</u>	<u>\$ 13,075</u>
Amounts subject to legally enforceable master netting agreements <sup>c</sup>			<u>\$ (13,059)</u>			<u>\$ (13,059)</u>
<b>Net derivatives positions at counterparty level before collateral</b>			<u>455</u>			<u>16</u>
Less:						
Cash collateral received <sup>d</sup>			11			
Securities collateral received			-			
<b>Net derivative exposure after collateral</b>			<u>\$ 444</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.

*In millions of U.S. dollars*

<i>June 30, 2016</i>						
<i>Located on the Condensed Balance Sheet</i>						
	<i>Derivative Assets</i>			<i>Derivative Liabilities</i>		
	<i>Gross Amounts Recognized</i>	<i>Gross Amounts Offset</i>	<i>Net Amounts Presented</i>	<i>Gross Amounts Recognized</i>	<i>Gross Amounts Offset</i>	<i>Net Amounts Presented</i>
Interest rate swaps	\$ 150	\$ (147)	\$ 3	\$ 395	\$ (375)	\$ 20
Currency swaps <sup>a</sup>	12,832	-	12,832	12,698	(1)	12,697
Other <sup>b</sup>	3	-	3	23	(3)	20
Total	<u>\$ 12,985</u>	<u>\$ (147)</u>	<u>\$ 12,838</u>	<u>\$ 13,116</u>	<u>\$ (379)</u>	<u>\$ 12,737</u>
Amounts subject to legally enforceable master netting agreements <sup>c</sup>			<u>\$ (12,489)</u>			<u>\$ (12,489)</u>
<b>Net derivatives positions at counterparty level before collateral</b>			<u>349</u>			<u>248</u>
Less:						
Cash collateral received <sup>d</sup>			1			
Securities collateral received			-			
<b>Net derivative exposure after collateral</b>			<u>\$ 348</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.*

## Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and June 30, 2016 is as follows:

*In millions of U.S. dollars*

	Fair Value Measurements on a Recurring Basis As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Derivative assets:</b>				
Investments				
Currency forward contracts	\$ -	\$ 479	\$ -	\$ 479
Currency swaps	-	3,762	-	3,762
Interest rate swaps	-	6	-	6
Swaptions, exchange traded options and futures contracts	-	1	-	1
Other <sup>a</sup>	-	1	-	1
	-	4,249	-	4,249
Asset-liability management				
Currency forward contracts	-	9,265	-	9,265
<b>Total derivative assets</b>	<b>\$ -</b>	<b>\$ 13,514</b>	<b>\$ -</b>	<b>\$ 13,514</b>
<b>Derivative liabilities:</b>				
Investments				
Currency forward contracts	\$ -	\$ 479	\$ -	\$ 479
Currency swaps	-	3,701	-	3,701
Interest rate swaps	-	13	-	13
Swaptions, exchange traded options and futures contracts	9	1	-	10
Other <sup>a</sup>	-	1	-	1
	9	4,195	-	4,204
Asset-liability management				
Currency forward contracts	-	8,871	-	8,871
<b>Total derivative liabilities</b>	<b>\$ 9</b>	<b>\$ 13,066</b>	<b>\$ -</b>	<b>\$ 13,075</b>

*a. These relate to TBA securities.*

In millions of U.S. dollars

Fair Value Measurements on a Recurring Basis				
As of June 30, 2016				
	Level 1	Level 2	Level 3	Total
<b>Derivative assets:</b>				
Investments				
Currency forward contracts	\$ -	\$ 689	\$ -	\$ 689
Currency swaps	-	3,929	-	3,929
Interest rate swaps	-	3	-	3
Swaptions, exchange traded options and futures contracts	-	2	-	2
Other <sup>a</sup>	-	1	-	1
	-	4,624	-	4,624
Asset-liability management				
Currency forward contracts	-	8,214	-	8,214
<b>Total derivative assets</b>	<b>\$ -</b>	<b>\$ 12,838</b>	<b>\$ -</b>	<b>\$ 12,838</b>
<b>Derivative liabilities:</b>				
Investments				
Currency forward contracts	\$ -	\$ 681	\$ -	\$ 681
Currency swaps	-	4,073	-	4,073
Interest rate swaps	-	20	-	20
Swaptions, exchange traded options and futures contracts	18	2	-	20
Other <sup>a</sup>	-	*	-	*
	18	4,776	-	4,794
Asset-liability management				
Currency forward contracts	-	7,943	-	7,943
<b>Total derivative liabilities</b>	<b>\$ 18</b>	<b>\$ 12,719</b>	<b>\$ -</b>	<b>\$ 12,737</b>

a. These relate to TBA securities.

\* Indicates amount less than \$0.5 million.

## Inter-level transfers

During the six months ended December 31, 2016 and December 31, 2015, there were no inter-level transfers in the derivatives portfolio.

## Valuation Methods and Assumptions

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and future contracts, currency swaps and interest rate swaps. 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—LOANS AND OTHER EXPOSURES

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

Loans are carried and reported at amortized cost. Of the total loans outstanding as of December 31, 2016, 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 loans outstanding are in the Medium and High risk classes.

As of December 31, 2016, loans outstanding totaling \$2,463 million (representing about 2% of the portfolio) from five borrowers, were in nonaccrual status.

## Credit Quality of Sovereign Loans

Based on an evaluation of IDA's loans, management has determined that IDA has one portfolio segment — Sovereign Exposures. Loans 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 loan losses.

IDA considers a loan 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 loan agreements.

The following tables provide an aging analysis of loans outstanding as of December 31, 2016 and June 30, 2016:

*In millions of U.S. dollars*

Days past due	December 31, 2016						Current	Total
	Up to 45	46-60	61-90	91-180	Over 180	Total Past Due		
Risk Class								
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,050	\$ 3,050
Medium	-	-	-	-	-	-	25,580	25,580
High	2	-	-	-	-	2	102,184	102,186
Loans in accrual status	2	-	-	-	-	2	130,814	130,816
Loans in nonaccrual status	11	1	5	21	1,080	1,118	1,345	2,463
Total	\$ 13	\$ 1	\$ 5	\$ 21	\$ 1,080	\$ 1,120	\$ 132,159	\$ 133,279

*In millions of U.S. dollars*

Days past due	June 30, 2016						Current	Total
	Up to 45	46-60	61-90	91-180	Over 180	Total Past Due		
Risk Class								
Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,579	\$ 3,579
Medium	-	-	-	-	-	-	26,978	26,978
High	1	*	-	-	-	1	103,636	103,637
Loans in accrual status	1	*	-	-	-	1	134,193	134,194
Loans in nonaccrual status	12	1	5	21	1,067	1,106	1,435	2,541
Total	\$ 13	\$ 1	\$ 5	\$ 21	\$ 1,067	\$ 1,107	\$ 135,628	\$ 136,735

\* Indicates amount less than \$0.5 million.

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

### Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA's exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses. Management reassesses the adequacy of the accumulated provision and the reasonableness of the inputs used, on a periodic basis, at least annually, 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 loans written off when the country reaches Completion Point, and becomes eligible for MDRI debt relief.

Changes to the accumulated provision for losses on loans and other exposures, as well as the debt relief under HIPC Debt Initiative and MDRI for the six months ended December 31, 2016 and the fiscal year ended June 30, 2016 are summarized below:

*In millions of U.S. dollars*

	December 31, 2016				June 30, 2016			
	Debt relief under				Debt relief under			
	Loans	HIPC/MDRI	Other	Total	Loans	HIPC/MDRI	Other	Total
<b>Accumulated provision, beginning of the fiscal year</b>	\$ 1,932	\$ 2,000	\$ 25	\$ 3,957	\$ 1,585	\$ 2,559	\$ 11	\$ 4,155
Provision, net - charge (release) <sup>a</sup>	111	(*)	1	112	386	(20)	14	380
Loans written off under:								
Buy-down mechanism	-	-	-	-	(27)	-	-	(27)
Prepayments	-	-	-	-	(3)	-	-	(3)
HIPC/MDRI	-	(5)	-	(5)	-	(534)	-	(534)
Translation adjustment	(71)	(26)	(*)	(97)	(9)	(5)	(*)	(14)
<b>Accumulated provision, end of the period</b>	<u>\$ 1,972</u>	<u>\$ 1,969</u>	<u>\$ 26</u>	<u>\$ 3,967</u>	<u>\$ 1,932</u>	<u>\$ 2,000</u>	<u>\$ 25</u>	<u>\$ 3,957</u>
Composed of accumulated provision for losses on:								
Loans in accrual status	\$ 1,720	\$ 132		\$ 1,852	\$ 1,667	\$ 136		\$ 1,803
Loans in nonaccrual status	252	1,837		2,089	265	1,864		2,129
<b>Total</b>	<u>\$ 1,972</u>	<u>\$ 1,969</u>		<u>\$ 3,941</u>	<u>\$ 1,932</u>	<u>\$ 2,000</u>		<u>\$ 3,932</u>
Loans:								
Loans in accrual status				\$ 130,816				\$ 134,194
Loans in nonaccrual status				2,463				2,541
<b>Total</b>				<u>\$ 133,279</u>				<u>\$ 136,735</u>

a. For the six months ended December 31, 2016, the provision includes nil for loans bought down (\$27 million-June 30, 2016) and \$3 million for the discount on prepayment of loans (\$3 million-June 30, 2016).

\* Indicates amount less than \$0.5 million.

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

### Loans to be written off under MDRI

During the six months ended December 31, 2016, there were no loans written off under the MDRI.

During the six months ended December 31, 2015, loans eligible for relief under MDRI totaling \$524 million were written off as a result of Chad reaching Completion Point under the HIPC Debt Initiative on April 28, 2015.

## Overdue Amounts

As of December 31, 2016, there were no principal or charges under loans in accrual status which were overdue by more than three months.

The following tables provide a summary of selected financial information related to loans in nonaccrual status as of December 31, 2016 and June 30, 2016 and for the three and six months ended December 31, 2016 and December 31, 2015:

*In millions of U.S. dollars*

<i>Borrower</i>	<i>Nonaccrual since</i>	<i>Recorded investment<sup>a</sup></i>	<i>Average recorded investment<sup>b</sup></i>	<i>Principal Outstanding</i>	<i>Provision for debt relief</i>	<i>Provision for loan losses<sup>c</sup></i>	<i>Overdue amounts</i>	
							<i>Principal</i>	<i>Charges</i>
Eritrea	March 2012	\$ 420	\$ 430	\$ 420	\$ 301	\$ 19	\$ 45	\$ 17
Somalia	July 1991	404	410	404	391	2	223	79
Sudan	January 1994	1,179	1,197	1,179	1,145	6	650	197
Syrian Arab Republic	June 2012	14	14	14	-	2	7	1
Zimbabwe	October 2000	446	457	446	-	223	193	50
Total - December 31, 2016		<u>\$ 2,463</u>	<u>\$ 2,508</u>	<u>\$ 2,463</u>	<u>\$ 1,837</u>	<u>\$ 252</u>	<u>\$ 1,118</u>	<u>\$ 344</u>
Total - June 30, 2016		<u>\$ 2,541</u>	<u>\$ 2,537</u>	<u>\$ 2,541</u>	<u>\$ 1,864</u>	<u>\$ 265</u>	<u>\$ 1,106</u>	<u>\$ 346</u>

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

b. For December 31, 2016, represents the average for the six months ended that date (June 30, 2016 - represents the average for the fiscal year then ended).

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

*In millions of U.S. dollars*

	<i>Three months ended December 31,</i>		<i>Six months ended December 31,</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Service charge revenue not recognized as a result of loans being in nonaccrual status	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 9</u>	<u>\$ 9</u>

During the six months ended December 31, 2016 and December 31, 2015, no loans were placed into nonaccrual status.

During the three and six months ended December 31, 2016 service charge revenue recognized on loans in nonaccrual status was \$1 million and \$1 million, respectively (less than \$1 million and \$1 million— three and six months ended December 31, 2015 respectively).

## Guarantees

Guarantees of \$1,025 million were outstanding as of December 31, 2016 (\$1,059 million—June 30, 2016). 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 December 31, 2016, liabilities related to IDA's obligations under guarantees of \$94 million (\$97 million—June 30, 2016), have been included in Other liabilities on the Condensed Balance Sheet. These include the accumulated provision for guarantee losses of \$20 million (\$19 million—June 30, 2016).

During the six months ended December 31, 2016 and December 31, 2015, no guarantees provided by IDA were called.

## Segment Reporting

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

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the six months ended December 31, 2016, loan revenue from three countries \$113 million, \$79 million and \$61 million, respectively were in excess of ten percent of total loan revenue.

The following table presents IDA's loans outstanding and associated loan revenue as of and for the six months ended December 31, 2016 and December 31, 2015, by geographic region:

*In millions of U.S. dollars*

Region	December 31, 2016		December 31, 2015	
	Loans Outstanding	Service and Interest Charges <sup>a</sup>	Loans Outstanding	Service and Interest Charges <sup>a</sup>
Africa	\$ 48,468	\$ 183	\$ 45,333	\$ 164
East Asia and Pacific	18,775	90	19,549	88
Europe and Central Asia	7,287	53	7,541	49
Latin America and the Caribbean	2,402	12	2,392	11
Middle East and North Africa	3,017	12	3,218	12
South Asia	53,330	260	53,269	235
Total	<u>\$ 133,279</u>	<u>\$ 610</u>	<u>\$ 131,302</u>	<u>\$ 559</u>

*a. Does not include guarantee fee revenue.*

### Fair Value Disclosures

IDA's loans are carried out and reported at amortized cost. The table below presents the fair value of loans for disclosure purposes, along with their respective carrying amounts as of December 31, 2016 and June 30, 2016:

*In millions of U.S. dollars*

	December 31, 2016		June 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Net Loans Outstanding	\$ 129,360	\$ 103,192	\$ 132,825	\$ 112,276

As of December 31, 2016, IDA's loans are classified as Level 3 within the fair value hierarchy.

### Valuation Methods and Assumptions

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

### NOTE G—AFFILIATED ORGANIZATIONS

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

### Transfers and Grants

Cumulative transfers and grants made to IDA as of December 31, 2016 were \$18,843 million (\$18,346 million—June 30, 2016). 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	\$ 18,346	\$ 497	\$ 18,843
Of which from:			
IBRD	14,629	497	15,126
IFC	3,491	-	3,491

### Subsequent Event

On January 30, 2017, IDA received a grant of \$101 million from the International Finance Corporation (IFC) towards IDA's resources under IDA 17.

## Receivables and Payables

As of December 31, 2016, and June 30, 2016, the total amounts receivable from or (payable to) affiliated organizations comprised:

<i>In millions of U.S dollars</i>					
	<i>Receivable From (Payable To) IBRD</i>				
	<i>Administrative Services <sup>a</sup></i>	<i>Pension and Other Postretirement Benefits</i>	<i>Derivative transactions</i>		<i>Total</i>
			<i>Receivable</i>	<i>Payable</i>	
December 31, 2016	\$ (365)	\$ 747	\$ 9,265	\$ (8,869)	\$ 778
June 30, 2016	\$ (397)	\$ 821	\$ 8,214	\$ (7,942)	\$ 696

a. Includes \$85 million as of December 31, 2016 (\$61 million-June 30, 2016) 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 Condensed Balance Sheet as follows:

<b>Receivables / Payables related to:</b>	<b>Reported as:</b>
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 <sup>a</sup>	Payable to affiliated organization
a. Includes amounts receivable from IBRD for IDA's share of investments associated with PCRF. This receivable is included in Receivable from affiliated organization on the Condensed Balance Sheet.	

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

For the three and six months ended December 31, 2016, IDA's share of joint administrative expenses totaled \$451 million and \$841 million, respectively (three and six months ended December 31, 2015—\$337 million and \$686 million, respectively).

**Other revenue:** Includes IDA's share of other revenue jointly earned with IBRD during the three and six months ended December 31, 2016 totaling \$63 million and \$100 million, respectively (three and six months ended December 31, 2015—\$61 million and \$101 million, respectively). The allocation of revenue is based upon an agreed revenue sharing formula, and amounts are settled quarterly.

For the three and six months ended December 31, 2016 and December 31, 2015, 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:

<i>In millions of U.S dollars</i>				
	<i>Three Months Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Fees charged to IFC	\$ 16	\$ 14	\$ 29	\$ 28
Fees charged to MIGA	1	1	2	2

**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 lives of the plan participants.

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

## Investments

During the fiscal year ended June 30, 2015, IDA purchased a debt security issued by IFC for a principal amount of \$1,179 million, amortizing over a period of 25 years. The investment carries a fixed interest rate of 1.84% and has a weighted average maturity of 5 years. As of December 31, 2016, the principal amount due on the debt security was \$1,035 million, and it had a fair value of \$1,019 million. The investment is reported under Investments in the Condensed Balance Sheet. During the three and six months ended December 31, 2016, IDA recognized interest income of \$5 million and \$10 million, respectively on this debt security (three and six months ended December 31, 2015—\$6 million and \$11 million respectively).

## NOTE H—DEVELOPMENT GRANTS

A summary of changes to the amounts payable for development grants for the six months ended December 31, 2016, and for the fiscal year ended June 30, 2016, is presented below:

<i>In millions of U.S dollars</i>		
	<i>December 31, 2016</i>	<i>June 30, 2016</i>
Balance, beginning of the fiscal year	\$ 6,099	\$ 6,637
Commitments	382	1,232
Disbursements (including PPA grant activity)	(917)	(1,731)
Translation adjustment	(234)	(39)
Balance, end of the period/ fiscal year	<u>\$ 5,330</u>	<u>\$ 6,099</u>

For the fiscal years ending June 30, 2017 and June 30, 2016, 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 and Trust, a Retired Staff Benefits Plan and Trust and a PEBP that cover substantially all of their staff members.

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

During the three and six months ended December 31, 2016, IDA's share of IBRD's benefit costs relating to all the three plans totaled \$111 million and \$210 million, respectively (three and six months ended December 31, 2015—\$53 million and \$110 million, respectively).

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

## NOTE 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 six months ended December 31, 2016 and December 31, 2015.

<i>In millions of U.S dollars</i>		
	<i>Six Months Ended December 31,</i>	
	<i>2016</i>	<i>2015</i>
Balance, beginning of the fiscal year	\$ (1,219)	\$ (875)
Currency translation adjustments on functional currencies	(5,782)	(2,004)
Balance, end of the period	<u>\$ (7,001)</u>	<u>\$ (2,879)</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 December 31, 2016 and June 30, 2016.

*In millions of U.S. dollars*

	December 31, 2016		June 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Due from Banks	\$ 778	\$ 778	\$ 672	\$ 672
Investments (including securities purchased under resale agreements)	29,143	29,143	31,493	31,493
Net Loans Outstanding	129,360	103,192	132,825	112,276
<b>Derivative Assets</b>				
Investments	4,249	4,249	4,624	4,624
Asset-Liability Management	9,265	9,265	8,214	8,214
<b>Liabilities</b>				
Borrowings	3,028	3,471	2,906	3,585
Securities sold/ lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	1,474	1,474	1,968	1,968
<b>Derivative Liabilities</b>				
Investments	4,204	4,204	4,794	4,794
Asset-Liability Management	8,871	8,871	7,943	7,943

### Valuation Methods and Assumptions

As of December 31, 2016 and June 30, 2016, IDA had no financial assets or liabilities measured at fair value on a non-recurring basis.

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

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

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

The following table reflects the components of the unrealized mark-to-market gains or losses on IDA's trading and non-trading portfolios, net, for the three and six months ended December 31, 2016 and December 31, 2015.

*In millions of U.S. dollars*

	Unrealized mark-to-market Gains (Losses)			
	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Investments- Trading—Note E	\$ (316)	\$ (130)	\$ (349)	\$ (8)
Non-trading portfolios, net				
Investment portfolio—Note C	\$ (33)	\$ (19)	\$ (38)	\$ (1)
Asset-liability management—Note E	(56)	(4)	(60)	(15)
<b>Total</b>	<b>\$ (89)</b>	<b>\$ (23)</b>	<b>\$ (98)</b>	<b>\$ (16)</b>

**NOTE L—CONTINGENCIES**

From time to time, IDA may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. IDA's Management does not believe the outcome of any existing legal action, in which IDA has been named as a defendant or co-defendant, as of and for the six months ended December 31, 2016, will have a material adverse effect on IDA's financial position, results of operations or cash flows.