Annual Report 2022

THE WORLD BANK
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The International Bank for Reconstruction and Development (IBRD) and
The International Development Association (IDA)

Management's Discussion & Analysis and Financial Statements (Fiscal 2022)

June 30, 2022

International Bank for Reconstruction and Development

Management's Discussion & Analysis and Financial Statements

June 30, 2022

Contents

This Management's Discussion and Analysis (MD&A) discusses the financial results of the International Bank for Reconstruction and Development (IBRD) for the fiscal year ended June 30, 2022 (FY22). IBRD undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform with the current year's presentation. For discussion of IBRD's financial results for the year ended June 30, 2021, as compared to the year ended June 30, 2020, see Section III – Financial Results in IBRD's MD&A and Financial Statements for the fiscal year ended June 30, 2021. For information relating to IBRD's development operations' results and corporate performance, refer to the World Bank Corporate Scorecard and Sustainability Review.

Box 1: Selected Financial Data

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

	As of and for the fiscal years ended June 30		
	2022	2021	2020
Lending Highlights (Section IV)			
Net commitments [a]	$ 33,072	$ 30,523	$ 27,976
Gross disbursements	28,168	23,691	20,238
Net disbursements	14,876	13,590	10,622
Income Statement (Section III)			
Board of Governors-approved and other transfers	$ (354)	$ (411)	$ (340)
Net income (loss)	3,990	2,039	(42)
Balance Sheet			
Total assets	$ 317,542	$ 317,301	$ 296,804
Net investment portfolio (Section VI)	82,057	85,831	82,485
Net loans outstanding (Section IV)	227,092	218,799	202,158
Borrowing portfolio [b] (Section VII)	256,909	253,656	237,231
Total equity	55,320	48,078	40,387
Non-GAAP Measures:			
Allocable Income (Section III)			
Allocable income	$ 806	$ 1,248	$ 1,381
Allocated as follows:			
General Reserve [c]	589	874	950
International Development Association	117	274	-
Surplus	100	100	431 [d]
Usable Equity [e] [f] (Section VIII)	$ 50,481	$ 49,997	$ 47,138
Equity-to-loans ratio [g] (See Section IX)	22.0%	22.6%	22.8%

a. Amounts include guarantee commitments and guarantee facilities that have been approved by the Executive Directors (referred to as "the Board" in this document) and are net of full terminations and cancellations relating to commitments approved in the same fiscal year.

b. Includes associated derivatives.

c. The June 30, 2022 amount represents the transfer to the General Reserve from FY22 net income, which was approved by the Board on August 4, 2022.

d. On January 25, 2021, the Board of Governors approved a transfer of $331 million to IDA from Surplus, which was made on February 1, 2021.

e. Excludes amounts associated with unrealized mark-to-market gains/losses on non-trading portfolios, net and related cumulative translation adjustments.

f. As defined in Table 28: Usable Equity. Usable Equity includes the transfer to the General Reserve from FY22 net income, which was approved by the Board on August 4, 2022.

g. As defined in Table 29: Equity-to-Loans Ratio.

Section I: Executive Summary

With its many years of experience and its depth of knowledge in the international development arena, IBRD plays a key role in achieving the World Bank Group's (WBG[1]) goal of helping countries achieve better development outcomes. IBRD contributes to both the WBG's twin goals of ending extreme poverty and promoting shared prosperity, and to the Forward Look[2], by providing countries with loans, advisory services and analytical support.

IBRD and its affiliated organizations seek to help countries achieve improvements in growth, job creation, poverty reduction, governance, the environment, climate adaptation and resilience, human capital, infrastructure and debt transparency, among others. To meet its development goals, the WBG has been increasing its focus on country programs in order to improve growth and development outcomes. Further, in response to the ongoing coronavirus disease (COVID-19) pandemic and other geopolitical events, IBRD continues to work in solidarity with partners at global and country levels to support its borrowing countries.

Further, the last fiscal year brought new challenges to the global outlook – high inflation and the rise in food insecurity that came on top of growing inequality, global fragility, the coronavirus disease (COVID-19) pandemic and other geopolitical events, rising debt, and macroeconomic imbalances. In response, IBRD, as part of the WBG efforts, continues to work with partners at global and country levels to support its borrowing countries in addressing the impact of these multiple crises, to enhance resilience, and lay the groundwork for rebuilding better. The responses all remain in compliance with IBRD's existing financial, operational and risk management policies.

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

[2] *The Forward Look: A Vision for the WBG in 2030, describes how the WBG will deliver on its twin goals and its three priorities of sustainable and inclusive growth, human capital, and resilience. The Forward Look rests on four pillars: serving all clients; mobilizing resources for development and creating markets; leading on global issues; and improving the business model.*

Summary Financial Results

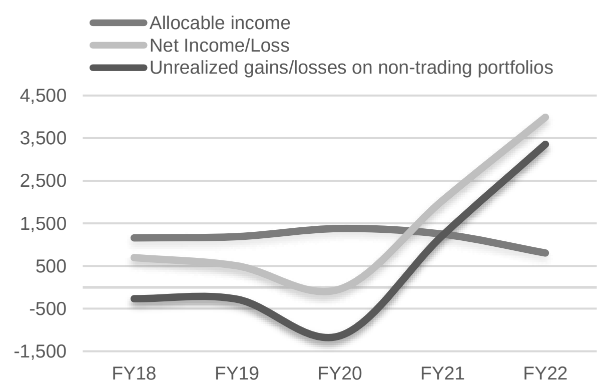
Net Income

IBRD recorded net income of $3,990 million for the fiscal year ended June 30, 2022, an increase of $1,951 million, compared with net income of $2,039 million for the fiscal year ended June 30, 2021. The increase in FY22 was largely due to higher unrealized mark-to-market gains on IBRD's non-trading portfolios compared to FY21, primarily from derivatives in the loan portfolio. Given IBRD's intention to maintain its non-trading portfolio positions to maturity, unrealized mark-to-market gains and losses are not included in IBRD's allocable income.

Allocable Income

Allocable income is the measure IBRD uses for making net income allocation decisions. For the fiscal year ended June 30, 2022, allocable income was $806 million, compared with $1,248 million for the fiscal year ended June 30, 2021. The decrease in allocable income was mainly due to higher provision for losses on loans and other exposures, primarily reflecting the increase in the loss given default (severity) due to the increase in the implied forward interest rates during the year (See Section III).

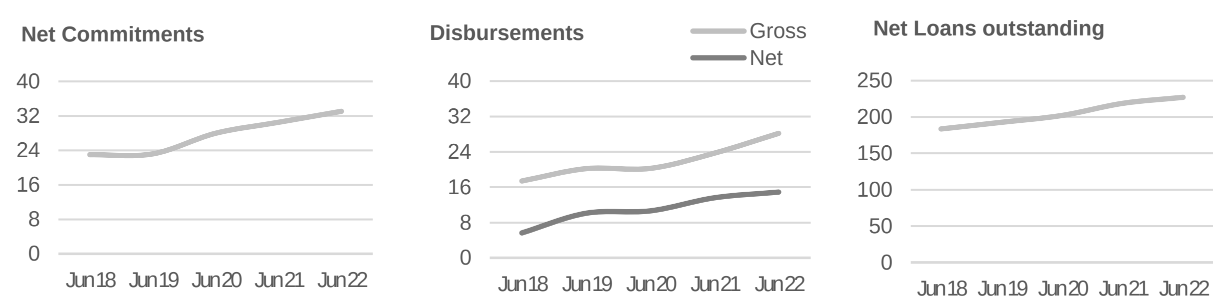
In millions of U.S. dollars



Lending Operations

IBRD's lending operations during the fiscal year ended June 30, 2022 provided $33.1 billion of net commitments, the highest annual amount in a decade, and $28.2 billion of gross loan disbursements. Net disbursements of $14.9 billion were the key driver for the increase in net loans outstanding, from $218.8 billion at the end of the fiscal year ended June 30, 2021, to $227.1 billion at the end of the fiscal year ended June 30, 2022.

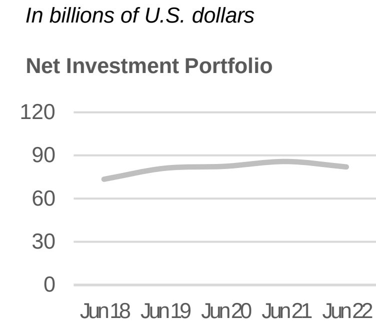
In billions of U.S. dollars



Net commitments were $2.6 billion higher compared with FY21 (Table 9), reflecting continued support for COVID-19 related efforts, including $3.3 billion of financing for COVID-19 vaccines. The regions with the largest share of commitments during FY22 were Latin America and the Caribbean with 28% and Europe and Central Asia with 18%.

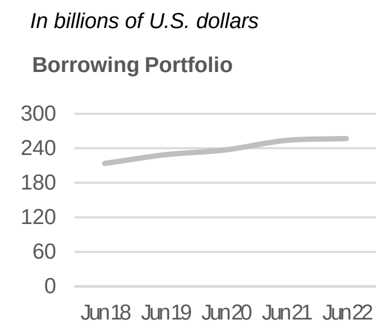
Net Investment Portfolio

IBRD's net investment portfolio decreased by $3.7 billion, from $85.8 billion as of June 30, 2021, to $82.1 billion as of June 30, 2022. The investments remain concentrated in the upper end of the credit spectrum, with 77% rated AA or above (Table 30), reflecting IBRD's objective of principal protection and its preference for high-quality investments.



Borrowing Portfolio

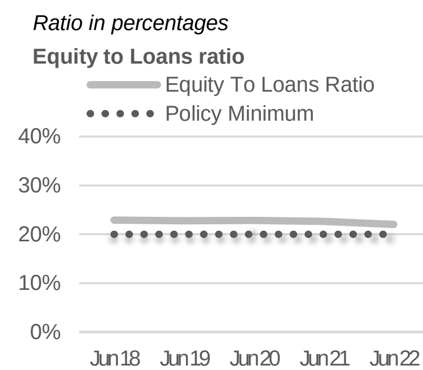
As of June 30, 2022, the borrowings portfolio was $256.9 billion, $3.2 billion higher than June 30, 2021. The increase was mainly due to net new debt issuances that financed development and lending operations and satisfied liquidity requirements. The debt issuances were highly diversified in terms of investor types and location, with an average maturity of 7.6 years.



Equity-to-Loans Ratio

The Equity-to-Loans ratio was 22.0% as of June 30, 2022, above the policy minimum of 20%. It was lower compared with 22.6% as of June 30, 2021, as the increase in the loan and other exposures outpaced the increase in usable equity. In line with IBRD's currency management policy, exchange rate movements during the year did not have an impact on IBRD's equity-to-loans ratio.

In FY22, IBRD received $1.3 billion of paid-in capital subscribed under the 2018 General and Selective Capital Increases (GCI and SCI), bringing the cumulative amounts received to $4.0 billion, 54% of the total amount expected over the subscription period.



Section II: Overview

Introduction

IBRD, an international organization owned by its 189-member countries, is one of the five institutions of the WBG. Each institution is legally and financially independent, with separate assets and liabilities. IBRD is not liable for the obligations of the other institutions.

IBRD is a multilateral development bank that combines knowledge services and financing with a global reach. IBRD's value derives from its ability to help eligible borrowing members address their development challenges and meet their rising demand for innovative products. IBRD provides loans, guarantees, and other financial products for development-focused projects and programs to creditworthy middle-income and lower-income countries to support sustainable development. By operating across a full range of country clients, IBRD maintains a depth of development knowledge, uses its convening power to promote development and advance the global public goods agenda, and coordinates responses to regional and global challenges.

Member countries use IBRD's technical advice and analysis and convening power to develop or implement better policies, programs, and reforms that help sustain development over the long term. The products delivered range from development data, to reports in key social economic and social issues at the local, country, regional and global levels. The products also include knowledge-sharing workshops focused on local issues, to flagship events and fora to address the most pressing global development challenges.

Presentation

This document provides management's discussion and analysis of the financial condition and results of operations for IBRD for the fiscal year ended June 30, 2022. At the end of this document there is a Glossary of Terms and a list of Abbreviations and Acronyms. Certain reclassifications of prior years' information have been made to conform to the current year's presentation.

Financial Business Model

IBRD's objective is not to maximize profits, but to earn adequate income to ensure that it has the long-term financial capacity necessary to support its development activities. IBRD seeks to generate sufficient revenue to finance its operations as well as to be able to set aside funds in reserves to strengthen its financial position.

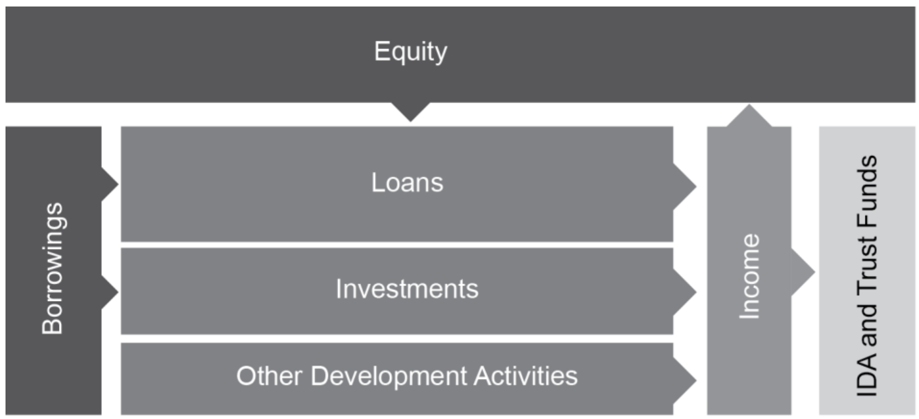
It also seeks to provide support to IDA and trust funds via income transfers for other developmental purposes.

IBRD's financial strength rests on the support it receives from its shareholders, and on its array of financial policies and practices. Shareholder support for IBRD is reflected in the capital backing it continues to receive from its members and in the record of its borrowing member countries in meeting their debt service obligations to IBRD. Sound financial and risk management policies and practices have enabled IBRD to maintain adequate capital, diversify its funding sources, hold a portfolio of liquid investments to meet its financial commitments, and limit its risks, including credit and market risks.

IBRD offers its borrowers, in creditworthy middle-income and lower-income countries, long-term loans with maturities up to 35 years. Borrowers may customize their repayment terms to meet their debt management or project needs, and loans have fixed or variable spread terms in multiple currencies. Effective April 1, 2021, IBRD's offering of loans on fixed spread terms has been suspended in the context of the global markets' transition away from the London Interbank Offer Rate (LIBOR). Borrowers have generally preferred loans denominated in U.S dollars and euros. IBRD also supports its borrowers by providing access to risk management products such as derivative instruments, including currency and interest rate swaps and interest rate caps and collars.

To meet its development goals, IBRD intermediates funds for lending from the international capital markets. IBRD's loans are financed through its equity, and from borrowings raised in the capital markets. IBRD is rated triple-A by the major rating agencies and its bonds are viewed as high-quality securities by investors. IBRD's funding strategy is aimed at achieving the best long-term value on a sustainable basis for its borrowing members. This strategy has enabled IBRD to borrow at favorable market terms and pass the savings on to its borrowing members. IBRD's annual funding volumes vary from year to year, and funds raised are used to finance IBRD's development projects and programs in member countries. Funds not deployed for lending are maintained in IBRD's investment portfolio to supply liquidity for its operations. Figure 1 below illustrates IBRD's financial business model.

Figure 1: IBRD's Financial Business Model



IBRD uses derivatives to manage its exposure to various market risks from the above activities. These are used to align the interest and currency composition of its assets (loan and investment trading portfolios) with that of its liabilities (borrowing portfolio), and to stabilize earnings on the portion of the loan portfolio funded by equity. See Section IX: Risk Management for additional details on how IBRD uses derivatives.

Management believes that these risk management strategies, taken together, effectively manage market risk in IBRD's operations from an economic perspective. However, these strategies entail the use of derivatives, which introduce the potential for volatility in net income through unrealized mark-to-market gains and losses (particularly given the long-term nature of some of IBRD's assets and liabilities). Accordingly, management makes decisions on income allocation without reference to unrealized mark-to-market gains and losses on risk management instruments in the non-trading portfolios – see Basis of Reporting – Allocable Income.

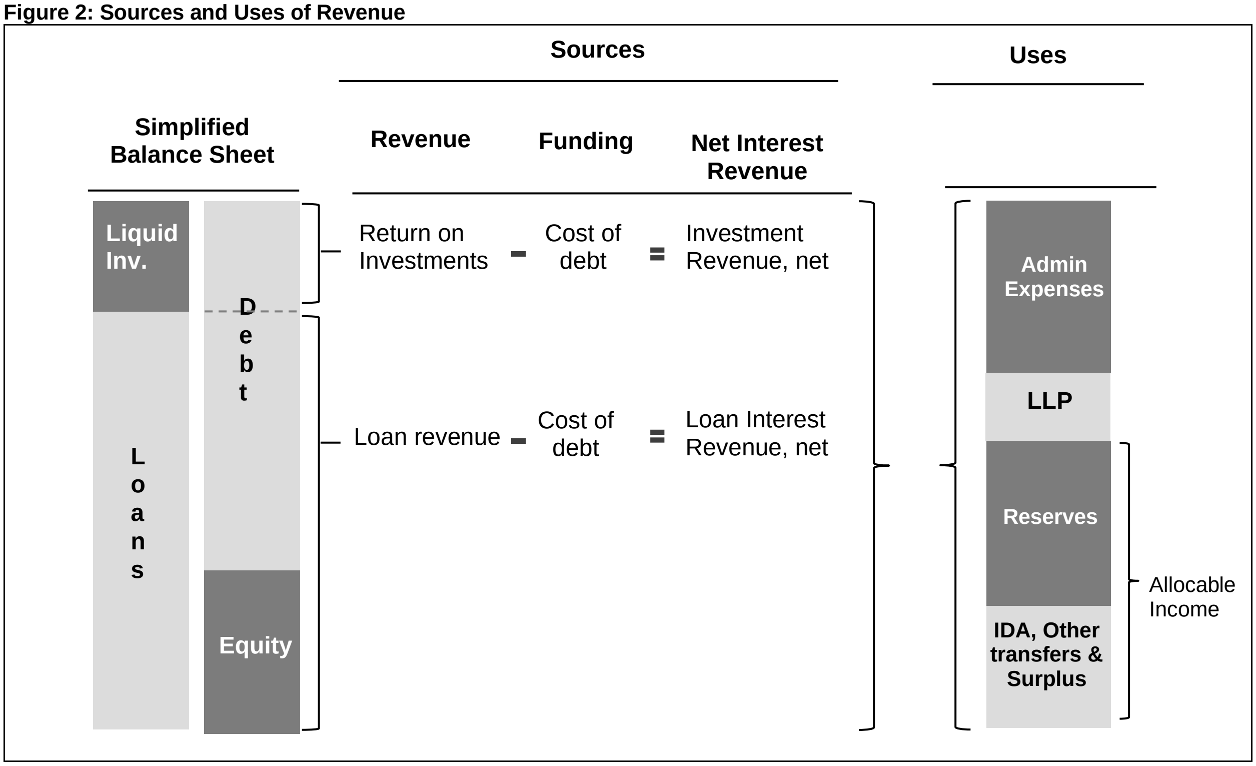
Financial Performance

IBRD's primary sources of revenue are from loans and investments, both net of funding costs (see Figure 2). These revenues cover administrative expenses, provisions for losses on loans and other exposures[3] (LLP), as well as transfers to Reserves, Surplus, and for other development purposes, including transfers to IDA.

In addition, other development activities generate non-interest revenue that is classified as *Revenue from externally funded activities*. These external funds include trust funds, reimbursable funds and revenues from fee-based services to member countries. Noninterest revenue from externally funded activities provides additional capacity to support the development needs of client countries.

[3] *Other exposures include deferred drawdown options (DDO), irrevocable commitments, exposures to member countries' derivatives and guarantees.*

Figure 2: Sources and Uses of Revenue



Basis of Reporting

Audited Financial Statements

IBRD's financial statements conform with accounting principles generally accepted in the United States of America (U.S. GAAP). All financial instruments in the investment and borrowing portfolios and all other derivatives are reported at fair value, with changes in fair value reported in the Statement of Income, except for changes in IBRD's own credit, which are reflected in Other Comprehensive Income. IBRD's loans are reported at amortized cost, except for loans with embedded derivatives, if any, which are reported at fair value. Management uses net income as the basis for deriving allocable income, as discussed below.

Allocable Income

IBRD's Articles of Agreement (the Articles) require that the Governors determine the allocation of income at the end of every fiscal year. Allocable income, which is a non-GAAP financial measure, is an internal management measure that reflects income available for allocation. IBRD defines allocable income as net income after certain adjustments, that are approved by the Board at the end of every fiscal year. These adjustments primarily relate to unrealized mark-to-market gains and losses associated with its non-trading portfolios, as well as the expenses for Board of Governors-approved and other transfers, which primarily relate to the allocation of the prior year's net income.

See Financial Results Section (Section III) for details of the adjustments to reported net income to calculate allocable income.

The volatility in IBRD's reported net income is usually driven by the unrealized mark-to-market gains and losses on the derivative instruments in IBRD's non-trading portfolios: loans, borrowings, and other asset/liability management (ALM). IBRD's risk management strategy entails the use of derivatives to manage market risk. These derivatives are primarily used to align the interest rate and currency bases of its assets and liabilities. IBRD has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are reported at fair value on the Balance Sheet, with changes in fair values accounted for through the Statement of Income.

In line with its financial risk management policies, for the non-trading portfolios, unrealized gains and losses from instruments carried at fair value (borrowings and associated derivatives, and derivatives in the loan and other ALM portfolios) are excluded from allocable income.

For the trading portfolio (investment portfolio), allocable income generally includes both realized and unrealized mark-to-market gains and losses. In some cases, the unrealized mark-to-market gains and losses on certain trades are excluded from allocable income when the hedged item is a physical asset held at amortized cost.

Section III: Financial Results

Financial Results and Portfolio Performance

The following is a discussion of the key drivers of IBRD's financial performance, including a reconciliation between IBRD's net income and allocable income.

Table 1: Condensed Statement of Income
In millions of U.S. dollars

For the fiscal year ended June 30,	2022	2021	Impact on income Decrease	Impact on income Increase
Revenue on interest earning assets, net of funding costs				
Loan interest revenue, net	$ 1,892	$ 1,754		138
Other ALM derivatives, net	583	604	(21)	
Investment revenue, net [a]	(3)	86	(89)	
Total revenue on interest earning assets, net	$ 2,472	$ 2,444		28
Provision for losses on loans and other exposures [b]	(562)	(147)	(415)	
Net non-interest expenses (Table 5)	(1,455)	(1,384)	(71)	
Pension cost, other than service cost (Table 5)	280	(11)		291
Net other revenue (Table 4)	103	295	(192)	
Board of Governors-approved and other transfers	(354)	(411)		57
Non-functional currency translation adjustments gains, net [c]	150	35		115
Unrealized mark-to-market gains on non- trading portfolios, net [d] (Table 7)	3,356	1,218		2,138
Net income	**$ 3,990**	**$ 2,039**		1,951
Adjustments to reconcile net income to allocable income:				
Pension [e] and other adjustments (Table 8)	(32)	51	(83)	
Board of Governors-approved and other transfers	354	411	(57)	
Non-functional currency translation adjustments gains, net [c]	(150)	(35)	(115)	
Unrealized mark-to-market (gains) on non- trading portfolios, net [d]	(3,356)	(1,218)	(2,138)	
Allocable Income	**$ 806**	**$ 1,248**	(442)	

a. Includes unrealized mark-to-market losses on the Investments-Trading portfolio of $21 million in FY22 (unrealized mark-to-market gains of $62 million for FY21) and excludes Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF) losses of $33 million in FY22 ($168 million gains for FY21) reported in Net other revenue (Table 4).
b. Includes changes on recoverable asset relating to Guarantee received under the Exposure Exchange Agreements (EEAs).
c. Translation adjustments relating to assets and liabilities denominated in non-functional currencies.
d. Adjusted to exclude amounts reclassified to realized gains (losses).
e. Adjustment to pension accounting expense to arrive at pension plan contributions. Pension plan and PCRF contributions were $250 million in FY22 and $245 million in FY21.

IBRD's principal assets are its loans to member countries. These are financed by IBRD's equity and borrowings from the capital markets.

Table 2: Condensed Balance Sheet
In millions of U.S. dollars

As of June 30,	2022	2021	Decrease / Increase
Investments and due from banks	$ 82,299	$ 90,251	(7,952)
Net loans outstanding [a]	227,092	218,799	8,293
Derivative Assets, net	804	3,355	(2,551)
Other assets	7,347	4,896	2,451
Total Assets	**$ 317,542**	**$ 317,301**	241
Borrowings	235,173	260,076	(24,903)
Derivative Liabilities, net	20,041	1,222	18,819
Other liabilities	7,008	7,925	(917)
Equity	55,320	48,078	7,242
Total Liabilities and Equity	**$ 317,542**	**$ 317,301**	241

a. The fair value of IBRD's loans was $225,046 million as of June 30, 2022 ($223,687 million – June 30, 2021).

The main drivers of the change in the Balance sheet items are: 1) decrease in investments and due from banks primarily from translation adjustment losses and the reduction in cash collateral balances, 2) increase in net loans outstanding due to net loan disbursements, partially offset by translation adjustment losses, and 3) decrease in borrowings from mark-to-market gains as a result of the increase in interest rates, with offsetting losses on derivatives that decreased derivative assets and increased derivative liabilities.

Net Income

IBRD's net income was $3,990 million in FY22, compared with net income of $2,039 million in FY21. The increase was primarily due to net unrealized mark-to-market gains on the loan-related derivatives of $5,988 million in FY22 compared to gains of $2,415 million in FY21. The gains in both years were mainly driven by the increase in interest rates, with a greater increase and resultant gains in FY22 (see Table 1 and Notes to Financial Statements, Note L: Fair Value Disclosures, Table L11).

Results from Lending activities

Loan Interest Revenue, net

Under IBRD's pricing policy, the lending rates for all of IBRD's loans are based on the underlying cost of the borrowings funding these loans. After the effect of related derivatives (see Figure 24 and Figure 25), the loan and borrowing portfolios are based on variable interest rates, and the portion of the loan portfolio funded by equity is sensitive to changes in short-term interest rates.

Figure 3: Loan interest revenue and funding cost (including derivatives)
In millions of U.S. dollars

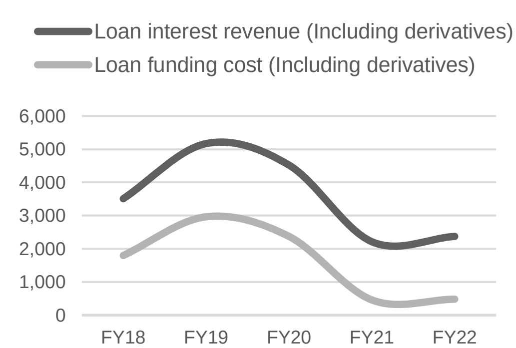
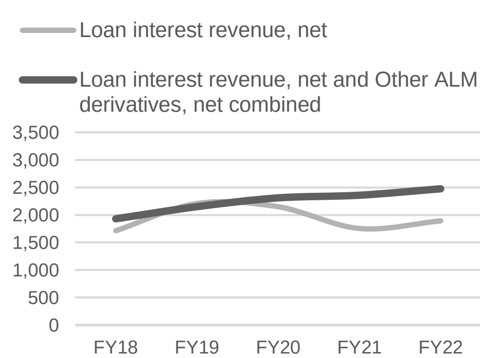


Figure 4: Loan interest revenue, net
In millions of U.S. dollars



The increase in IBRD's loan interest revenue and corresponding increase in the loan funding cost in FY22 compared to FY21 (Figure 3) was primarily due to the increase in the average balance of the loan and borrowing portfolios.

IBRD's FY22 loan interest revenue, net of funding costs was $1,892 million, an increase of $138 million compared with $1,754 million in FY21. The increase was primarily due to the higher average balance, as well as the impact of the pricing measures previously adopted.

Other ALM derivatives moderate the impact of interest rate changes on the portion of the loan portfolio that is sensitive to interest rate movements, thereby stabilizing the net interest revenue earned from these loans (see Figure 4). Other ALM derivatives comprise interest rate swaps which are used to convert the variable rate cash flows from these loans to fixed rate cash flows. The combined effect of the decrease in interest revenue from Other ALM derivatives, net of $21 million and the increase in loan interest revenue, net of $138 million from FY21 to FY22, resulted in a total increase in net loan interest revenue of $117 million.

Provision for losses on loans and other exposures

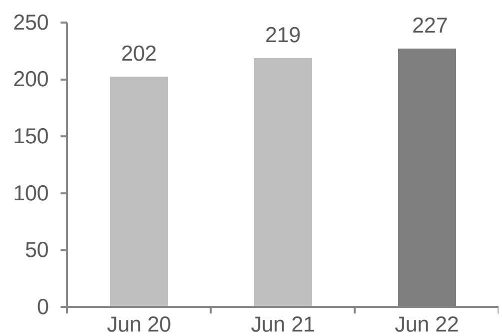
During FY22, IBRD recorded a provision for losses on loans and other exposures of $562 million, $415 million higher than the same period in FY21, primarily reflecting the increase in the loss given default (severity) due to the increase in the implied forward interest rates during the year. The severity reflects the expected losses from delays in receiving interest payments since IBRD does not charge for overdue interest. As the majority of IBRD's loans carry a variable interest rate, increases in forward interest rates increase the expected losses that are recorded through the provision for losses on loans and other exposures in the statement of income.

Table 3: Change in Net Loans Outstanding
In millions of U.S. dollars

Net Loans outstanding as of June 30, 2021	$	218,799
Activity during the period:		
Gross loan disbursements		28,168
Loan repayments		(13,292)
Change in accumulated provision for loan losses [a]		(509)
Change in deferred loan income		(29)
Translation adjustments		(6,045)
Total activity	$	8,293
Net Loans outstanding as of June 30, 2022	**$**	**227,092**

a. See Notes to Financial Statements, Note D: Loans and Other Exposures.

Figure 5: Net Loans Outstanding
In billions of U.S. dollars



As of June 30, 2022, IBRD's net loans outstanding totaled $227.1 billion, $8.3 billion or 4% higher than June 30, 2021 (see Figure 5). The increase was mainly attributable to $14.9 billion of net loan disbursements in FY22, partially offset by currency translation loss of $6.0 billion, primarily due to the 12.5% depreciation of the euro against the U.S. dollar during the year.

Gross disbursements were $28.2 billion, 19% higher compared to FY21, primarily due to higher disbursements for Investment Project Financing (IPF) operations.

Results from Investing activities

Investment Portfolio

IBRD's net investment portfolio was $82.1 billion as of June 30, 2022 ($85.8 billion as of June 30, 2021). Of this amount $78.8 billion related to the liquid asset portfolio ($82.8 billion as of June 30, 2021). See Note C: Investments in the Notes to the Financial Statements. The decreased level of liquidity reflects the lower debt service requirements and higher loan disbursements during the year (see Section VI).

Net Investment Revenue

During FY22, IBRD's net investment revenue decreased by $89 million, compared to FY21. This was mainly due to the unrealized mark-to market losses in FY22 compared to unrealized mark-to-market gains in FY21. The impact of the increase in interest rates drove the unrealized mark-to-market losses in FY22, while FY21 saw a decline in interest rates.

Figure 6: Net Investment Portfolio
In billions of U.S. dollars

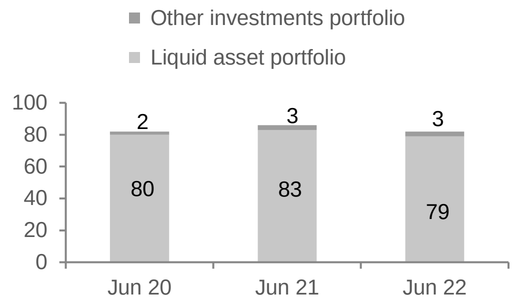
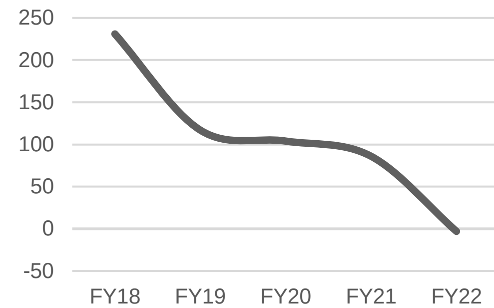


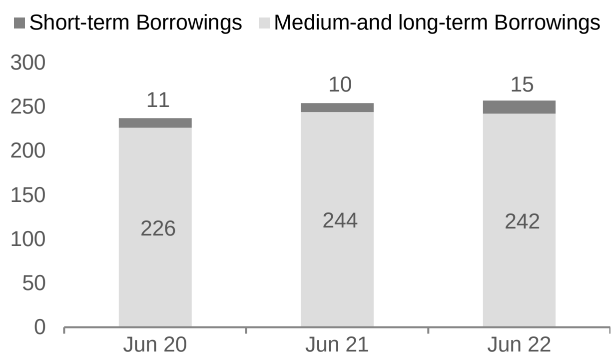
Figure 7: Investment Revenue, net
In millions of U.S. dollars



Results from Borrowing Activities

As of June 30, 2022, the borrowing portfolio was $256.9 billion, $3.2 billion higher than June 30, 2021 (see Note E: Borrowings in the Notes to the Financial Statements). The increase was primarily due to new net short-term debt issuances during the year. New issuances of medium-and long-term debt of $40.8 billion during the year (Table 24) were highly diversified by currencies, with an average maturity of 7.6 years. The decrease in medium-and long-term debt issuances in FY22 is primarily due to lower debt servicing and refinancing requirements.

Figure 8: Borrowing Portfolio (original maturities)
In billions of U.S. dollars



Net Other Revenue

Net other revenue represents certain non-interest sources of revenue, which was lower by $192 million during FY22. The decrease was mainly due to lower investment earnings from the PEBP and PCRF holdings, consistent with prevailing market conditions.

Table 4: Net Other Revenue
In millions of U.S. dollars

For the fiscal year ended June 30,	*2022*	*2021*	*Variance*
Loan commitment fees	$ 126	$ 115	$ 11
Guarantee fees	14	14	-
Net Earnings from Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF)	(33)	168	(201)
PEF and PAF [a]	(5)	(6)	1
Others	1	4	(3)
Net other revenue (Table 1)	$ 103	$ 295	$ (192)

a. Amounts are fully offset by fair value changes in trades (facing counterparties) related to the Pandemic Emergency Financing Facility (PEF) and Pilot Auction Facility for Methane and Climate Change Mitigation (PAF), which are included in Unrealized mark-to market gains/(losses) on non-trading portfolios, net (Table 1). All PEF and PAF trades matured as of June 30, 2022.

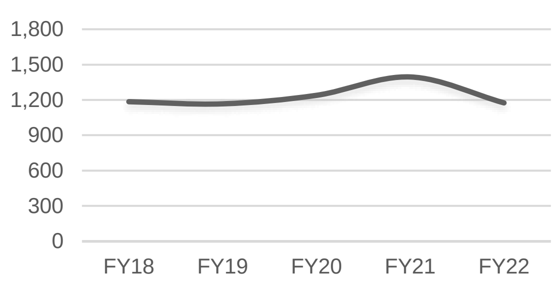
Net Non-Interest Expenses

As shown in Table 5, IBRD's net non-interest expenses primarily comprise administrative expenses, net of revenue from externally funded activities. IBRD/IDA's administrative budget is a single resource envelope that funds the combined work programs of IBRD and IDA. The allocation of net administrative expenses between IBRD and IDA is based on an agreed cost and revenue sharing methodology, approved by their Boards, which is primarily driven by the relative level of lending, knowledge services, and other services between these two institutions. The administrative expenses shown in Table 5 include costs related to IBRD-executed trust funds and other externally funded activities.

On a GAAP basis, net non-interest expenses in FY22 decreased by $220 million compared to FY21. This is primarily due to the decrease in pension costs, mainly driven by the higher return on plan assets in FY21, which resulted in lower amortization of unrecognized actuarial losses in FY22.

Figure 9: Net Non-Interest Expenses
(GAAP basis)

In millions of U.S. dollars



IBRD's net non-interest expenses for allocable income purposes were $1,245 million in FY22 compared to $1,182 million in FY21, an increase of $63 million. FY21's net non-interest expenses were significantly impacted by COVID-related restrictions. FY22's increase was driven by higher travel expenses due to the gradual easing of COVID-related travel restrictions/office closures, inflationary cost pressures, acceleration of work programs from the high level of lending activities during the year as well as additional support and engagement in FCV countries to address the growing needs and the increase in conflict situations. As a result, travel costs increased by $47 million but are still less than what they were before the COVID pandemic, approximately 33% of FY19 costs. The cost of operating in FCV countries also affected expenses including costs associated with evacuations and security in dangerous situations.

IBRD monitors its net administrative expenses as a percentage of its loan spread revenue (Box 2) and certain fee revenue, using an efficiency measure referred to as the Budget Anchor. In FY22, IBRD's Budget Anchor was 65.4%, a decline of 0.3 percentage point compared with 65.7% in FY21. The decline was due to increase in loan spread revenue partially offset by an increase in net non-interest expenses during the year due to the gradual easing of COVID related travel restrictions/office closures and acceleration of work programs in FY22 compared to FY21 (see Table 6 and Figure 10 for details of the Budget Anchor components).

Table 5: Net Non-Interest Expenses
In millions of U.S. dollars

For the fiscal year ended June 30,	*2022*	*2021*	*Variance*
Administrative expenses			
Staff costs	$ 1,003	$ 1,006	$ (3)
Travel	60	13	47
Consultant fees and contractual services	490	473	17
Pension and other post-retirement benefits [a]	451	441	10
Communications and Technology	73	63	10
Premises and equipment	128	123	5
Other expenses	20	23	(3)
Total administrative expenses	$ 2,225	$ 2,142	$ 83
Grant Making Facilities (See Section V)	17	18	(1)
Revenue from externally funded activities (See Section V)			
Reimbursable revenue – IBRD executed trust funds	(494)	(470)	(24)
Reimbursable advisory services	(47)	(53)	6
Revenue - Trust fund administration	(50)	(44)	(6)
Restricted revenue (primarily externally financed outputs)	(4)	(18)	14
Revenue - Asset management services	(18)	(18)	-
Other revenue	(174)	(173)	(1)
Total Revenue from externally funded activities	(787)	(776)	(11)
Net non-interest expenses (Table 1)	$ 1,455	$ 1,384	$ 71
Pension cost, other than service cost [b] (Table 1)	(280)	11	(291)
Net non-interest expenses - GAAP basis	**$ 1,175**	**$ 1,395**	**$ (220)**
Adjustments to arrive at net non-interest expenses - allocable income basis			
Pension, EFO and RAMP adjustments [c]	70	(213)	283
Net non-interest expenses - Allocable income basis	**$ 1,245**	**$ 1,182**	**$ 63**

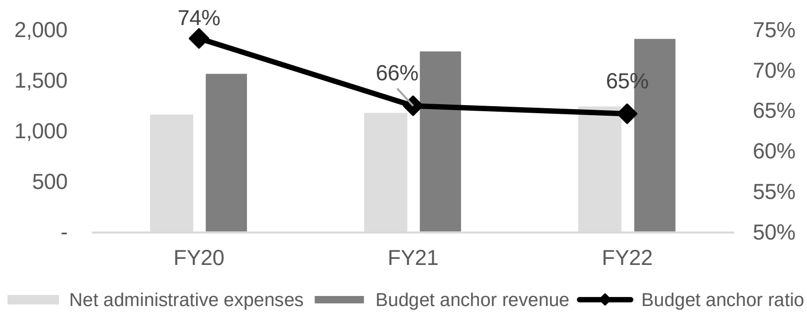
a. Represents the service cost component of net periodic pension cost. See Notes to Financial Statements, Note J: Pension and Other Post-Retirement Benefits.
b. Amount is included in Other Non-interest expenses in the Condensed Statement of Income (see Table 1).
c. Adjustments are included in the Pension and other adjustments line in Table 1. RAMP adjustment applies from FY22 prospectively.

Table 6: Budget Anchor Ratio
In millions of U.S. dollars

For the fiscal year ended June 30,	*2022*	*2021*	*Variance*
Total net Non-Interest Expenses (From Table 5)	$ 1,175	$ 1,395	$ (220)
Pension adjustment (From Table 8) [a]	79	(207)	286
RAMP adjustment [a]	7	-	7
EFO adjustment [a]	(16)	(6)	(10)
Net administrative expenses - for Budget Anchor	$ 1,245	$ 1,182	$ 63
Loan spread revenue, net	1,765	1,671	94
Loan commitment fees (From Table 4)	126	115	11
Guarantee fees (From Table 4)	14	14	-
Budget anchor revenue	$ 1,905	$ 1,800	$ 105
Budget Anchor	65.4%	65.7%	

a. These adjustments are made to arrive at net administrative expenses used for allocable income purposes. For more information, see Table 8 in Net Income Allocation section.

Figure 10: Budget Anchor
In millions of U.S. dollars



Unrealized mark-to-market gains and losses on non-trading portfolios

Unrealized mark-to-market gains and losses associated with the non-trading portfolios are excluded from reported net income to arrive at allocable income. As a result, from a long-term financial sustainability perspective, income allocations are generally based on amounts that have been realized (except for the Investments-Trading portfolio, as previously discussed). For FY22, $3,356 million of net unrealized mark-to-market gains ($1,218 million net unrealized mark-to-market gains in FY21) were excluded from reported net income to arrive at allocable income (see Table 1).

Table 7: Unrealized Mark-to-Market gains/losses on non-trading portfolios, net
In millions of U.S. dollars

	For the fiscal year ended June 30, 2022		
	Unrealized gains (losses)[a]	*Realized gains (losses)*	*Total*
Borrowings, including related derivatives	$ 747	$ 12	$ 759
Loan related derivatives	5,988	6	5,994
Other asset/liability management derivatives, net	(3,392)	-	(3,392)
Client operations derivatives	8	-	8
Others, net	5	-	5
Total	$ 3,356	$ 18	$ 3,374

	For the fiscal year ended June 30, 2021		
	Unrealized gains (losses)[a]	*Realized gains (losses)*	*Total*
Borrowings, including related derivatives	$ 140	$ 14	$ 154
Loan related derivatives	2,415	-	2,415
Other asset/liability management derivatives, net	(1,351)	-	(1,351)
Client operations derivatives	14	-	14
Total	$ 1,218	$ 14	$ 1,232

a. Excludes amounts reclassified to realized mark-to-market gains (losses).

Loan Portfolio

Loans are reported at amortized cost, whereas the derivatives which convert the loans from fixed-rate to variable-rate instruments for asset liability management purposes, are reported at fair value. As a result, while from an economic perspective, IBRD's loans after the effect of derivatives carry variable interest rates, and therefore have a low sensitivity to interest rates, the mark to market effect is not reflected in the reported net income. Net income includes only the unrealized mark to market gains and losses on loan related derivatives, which in FY22 was a gain of $5,988 million, primarily due to the increase in the interest rates during the year. See Section IX: Risk Management for additional details on how IBRD uses derivatives in the loan portfolio.

Borrowing Portfolio

IBRD's bonds and the related derivatives are reported at fair value. IBRD recorded $747 million of net unrealized mark-to-market gains on IBRD's bonds and associated derivatives for the year ended June 30, 2022. The gains on the bonds, due to the increase in interest rates, exceeded the losses on the bond-related derivatives as the bonds are more sensitive to changes in interest rates (Figure 23). The net unrealized mark-to-market gains on IBRD's bonds exclude changes in IBRD's own credit, referred to as the Debit Valuation Adjustment (DVA), which is recorded in Accumulated Other Comprehensive Income (AOCI). In FY22, the DVA was $582 million of unrealized mark-to-market gains, resulting mainly from the widening of IBRD's credit spreads relative to the applicable reference rate during the year. As of June 30, 2022, IBRD's Balance Sheet included a cumulative DVA of $364 million of mark-to-market gains reflected in AOCI (See Notes to the Financial Statements, Note L –Fair Value Disclosures).

Other ALM Portfolio

IBRD uses derivatives to stabilize its interest revenue from the portion of loans which are sensitive to changes in short-term interest rates. The Other ALM portfolio consists of derivatives which convert variable rate cash flows to fixed rate cash flows. In FY22, IBRD recorded unrealized mark-to-market losses of $3,392 million on this portfolio, primarily due to the increase in interest rates during the year. As of June 30, 2022, the duration of this portfolio was 3.4 years, within the Board established limit of 5 years.

Net Income Allocation

Net income allocation decisions are based on allocable income. Management recommends allocations out of net income to the Board at the end of each fiscal year to augment reserves and support developmental activities. As illustrated in Table 8, the key differences between allocable income and reported net income relate to unrealized mark-to-market gains and losses on IBRD's non-trading portfolios, and expenses related to Board of Governors-approved and other transfers.

Table 8: Allocable Income
In millions of U.S. dollars

For the fiscal years ended June 30,	*2022*	*2021*
Net Income	$ **3,990**	$ **2,039**
Adjustments to Reconcile Net Income to Allocable Income:		
Board of Governors-approved and other transfers	354	411
Non-functional currency translation adjustments gains, net [a]	(150)	(35)
Unrealized mark-to-market gains on non-trading portfolios, net [b]	(3,356)	(1,218)
Pension [c]	(79)	207
PEBP and PCRF adjustment	33	(168)
Other	14	12
Allocable Income	**$ 806**	**$ 1,248**
Recommended Allocations		
General Reserve	589	874
Surplus	100	100
Transfer to IDA	117	274
Total Allocations	**$ 806**	**$ 1,248**

a. Translation adjustments relating to assets and liabilities in non-functional currencies.
b. Adjusted to exclude amounts reclassified to realized gains (losses).
c. Represents the difference between the pension cost incurred and pension contributions.

All of the adjustments between reported net income and allocable income are recommended by management and approved by the Board:

Board of Governors-approved and other transfers

Board of Governors-approved and other transfers refer to the allocations recommended by the Board and approved by the Governors, as part of the prior year's net income allocation process and subsequent decisions on uses of surplus, as well as on payments from restricted retained earnings.

Since these amounts primarily relate to allocations out of IBRD's FY21 allocable income, Surplus, or restricted retained earnings, they are excluded from FY22 reported net income in calculating FY22 allocable income.

Non-functional currency translation adjustment gains/losses

Translation gains and losses relating to non-functional currencies are reflected in reported net income. Since these are unrealized gains/losses that relate to asset/liability positions still held by IBRD, they are excluded from reported net income to arrive at allocable income.

Unrealized mark-to-market gains/losses on non-trading portfolios

These mainly comprise unrealized mark-to-market gains and losses on the loan, borrowing, and other ALM portfolios as discussed previously.

Unrealized mark-to-market gains/losses on certain positions in the investments-trading portfolio, net

This adjustment applies to trades where the unrealized gains and losses on derivative forward contracts are recorded in the statement of income and the underlying physical assets being purchased and sold are recorded at amortized cost during the holding period. In these cases, the unrealized gains and losses on the forward contract at the end of the reporting period (if any) are excluded from net income when calculating allocable income. As of June 30, 2022, there were no active trades requiring adjustment.

Pension, PEBP and PCRF adjustments

The Pension adjustment reflects the difference between the accounting expense and IBRD's cash contributions to the pension plans, the Post-Employment Benefit Plan (PEBP) and the Post-Retirement Contribution Reserve Fund (PCRF). It also includes investment revenue earned on pension plan, PEBP, and PCRF assets. The PCRF was established by the Board to stabilize contributions to the pension and post-retirement benefits plans. Management bases allocation decisions on IBRD's cash contributions to the pension plans, PEBP and PCRF, rather than pension accounting expenses. In addition, Management has designated the income from these assets to meet the future needs of the pension plans. As a result, PEBP and PCRF investment revenues are excluded from allocable income.

Other Adjustments

- Under certain arrangements (such as Externally Financed Outputs), IBRD enters into agreements with donors under which it receives grants to finance specified IBRD outputs or services. These funds may be utilized only for the purposes specified in the agreements and are, therefore, considered restricted until IBRD has fulfilled those purposes. Management excludes amounts arising from these arrangements from allocable income, because IBRD has no discretion over the use of the related funds. In line with this, the income is transferred out of restricted retained earnings and in FY22, the net balance of these restricted funds decreased by $16 million.
- The income recognized for the right to receive reimbursement from the FIF related to the PAF for Methane and Climate Change Mitigation[4] is excluded, as this is required for the payout for the changes in market value on put options under the PAF. Therefore, it is not available for other uses. In FY22, $5 million of expense was recognized in reported net income, and thus excluded to arrive at the FY22 allocable income. The change in the market value of the put option is also excluded from reported net income to arrive at allocable income, as part of the unrealized mark-to market gains/(losses) on non-trading portfolios. All PAF trades matured during FY22.

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[4] *In FY16, IBRD issued put options for methane and climate change mitigation. The PAF is a climate finance model developed by IBRD to stimulate investment in projects that reduce greenhouse gas emissions in developing countries. The PAF is a pay-for-performance mechanism which uses auctions to allocate public funds and attract private sector investment to projects that reduce methane emissions by providing a medium-term guaranteed floor price on emission rights.*

- Effective from FY22, the difference between fee revenue and expenses from the Reserve Advisory and Management Partnership (RAMP) program is excluded from the reported net income to arrive at allocable income. Under the Board-approved framework, RAMP fees are dedicated for the purpose of providing technical assistance and asset management services to external clients. Due to the potential timing mismatch between fee revenue (recognized as earned) and program expenditures (recognized when incurred), fees earned in a given fiscal year may be used to provide services in a future fiscal year. To ensure that RAMP revenues are only used for the delivery of RAMP services, and not allocated for other purposes, any difference between fee revenue and expenses from RAMP included in reported net income are excluded to arrive at allocable net income. In FY22, the difference between fee revenue and expenses from RAMP of $7 million was excluded to arrive at the FY22 allocable income.

Income Allocation

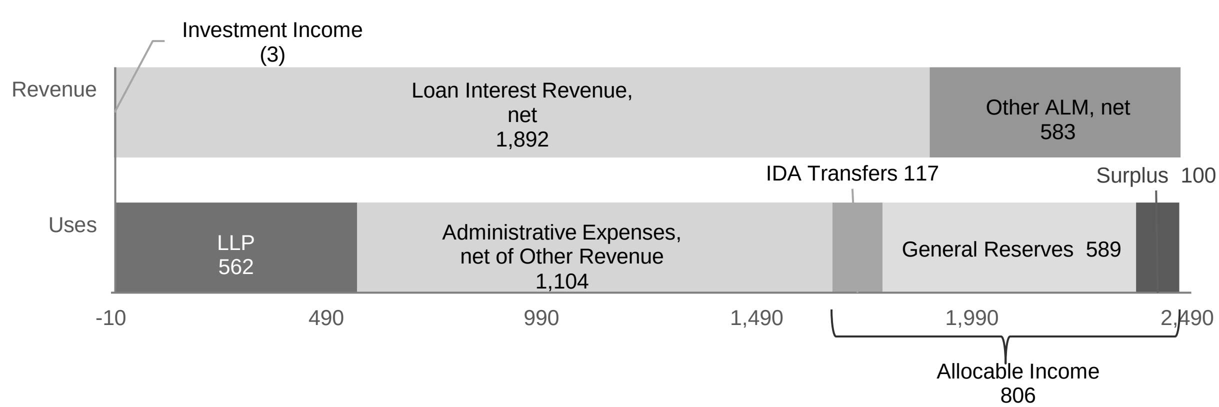
Since 1964, IBRD has made transfers to IDA from its net income, upon approval by the Board of Governors. In FY17, the Board approved a formula-based approach for determining IBRD's transfers to IDA. The approach links transfers to IBRD's allocable income for the year, ensuring that most allocable income is retained to grow IBRD's reserves. In addition, as part of the commitment made under the 2018 capital package, the incremental revenue from the 2018 price increase is excluded from the formula used to calculate the amount to be transferred to IDA, and fully retained in IBRD's reserves.

IBRD's strong support of IDA is reflected in the $16.4 billion of cumulative income transfers it has made since IDA's first replenishment.

Annual IDA transfer recommendations are subject to approval by the Governors as part of the net income allocation process in accordance with IBRD's Articles. In making their decisions, Governors will continue to take the overall financial standing of IBRD into consideration.

Allocable income in FY22 was $806 million, and of this, the Board approved the allocation of $589 million to the General Reserve on August 4, 2022, and the Board recommended to IBRD's Governors a transfer of $117 million to IDA and $100 million to Surplus.

Figure 11: FY22 Allocable Income and Income Allocation
In millions of U.S. dollars



Section IV: Lending Activities

IBRD provides financing instruments and knowledge services to middle-income and creditworthy low-income countries to reduce poverty and promote shared prosperity, while ensuring that social, environmental, and governance considerations are taken into account. Country teams with an understanding of each country's circumstances work with clients to tailor the mix of instruments, products, and services.

Engagements with borrowing members are aligned with IBRD's strategic priorities, including engagements that support global public goods such as climate, fragility and gender.

Projects and programs supported by IBRD are designed to achieve a positive social impact and undergo a rigorous review and internal approval process, aimed at safeguarding equitable and sustainable economic growth, that includes early screening to identify environmental and social impacts and designing mitigation actions.

Identifying and appraising a project, and approving and disbursing a loan, can often take several years. However, IBRD has shortened the preparation and approval cycle for countries in emergency situations (e.g., natural disasters) and in crises (e.g., food, fuel, and global economic crises).

Loan disbursements must meet the requirements set out in loan agreements. During implementation of IBRD-supported operations, IBRD's staff review progress, monitor compliance with IBRD policies, and help resolve any problems that may arise. The Independent Evaluation Group, an IBRD unit whose Director General reports to the Board, evaluates the extent to which operations have met their development objectives.

All IBRD loans, are made to, or guaranteed by, member countries. IBRD may also make loans to IFC without any guarantee. In most cases, IBRD's Board approves each loan and guarantee after appraisal of a project by staff. Under the Multiphase Programmatic Approach, the Board may approve an overall program framework, its financing envelope and the first appraised phase, and then authorize Management to appraise and commit financing for later program phases.

For FY23, eligible countries with 2021 per capita Gross National Income (GNI) of more than $1,255 are eligible to borrow from IBRD.

Net Lending Commitments and Gross Disbursements

IBRD provided $33.1 billion of new net loan commitments in FY22, through 136 operations (including blend operations), an increase of $2.6 billion (8%) compared to FY21, mainly driven by the increase in Development Policy Financing (DPF) commitments (Figure 12).

Table 9: Net Commitments by Region
In millions of U.S. dollars

For the fiscal year ended June 30,	*2022*	*% of total*	*2021*	*% of total*	*Variance*
Eastern and Southern Africa	$ 2,907	9%	$ 1,525	5%	$ 1,382
Western and Central Africa	386	1	500	2	(114)
East Asia and Pacific	5,482	17	6,753	22	(1,271)
Europe and Central Asia	5,974	18	4,559	15	1,415
Latin America and the Caribbean	9,407	28	9,464	31	(57)
Middle East and North Africa	4,135	13	3,976	13	159
South Asia	4,781	14	3,746	12	1,035
Total	$ 33,072	100%	$ 30,523	100%	$ 2,549

Table 10: Gross Disbursements by Region
In millions of U.S. dollars

For the fiscal year ended June 30,	*2022*	*% of total*	*2021*	*% of total*	*Variance*
Eastern and Southern Africa	$ 2,441	9%	$ 325	1%	$ 2,116
Western and Central Africa	261	1	132	1	129
East Asia and Pacific	5,439	19	4,439	19	1,000
Europe and Central Asia	4,580	16	3,625	15	955
Latin America and the Caribbean	8,911	32	8,741	37	170
Middle East and North Africa	3,407	12	2,764	12	643
South Asia	3,129	11	3,665	15	(536)
Total	$ 28,168	100%	$ 23,691	100%	$ 4,477

Lending Categories

IBRD's lending is classified in three categories: investment project financing, development policy financing, and program-for-results (Figure 12).

Investment Project Financing (IPF)

IPF provides financing for a wide range of activities aimed at creating the physical and social infrastructure necessary to reduce poverty and create sustainable development. IPF is usually disbursed over the long-term (roughly a 5 to 10-year horizon). FY22 net commitments under this lending category were $14.1 billion, compared with $14.5 billion in FY21.

Development Policy Financing (DPF)

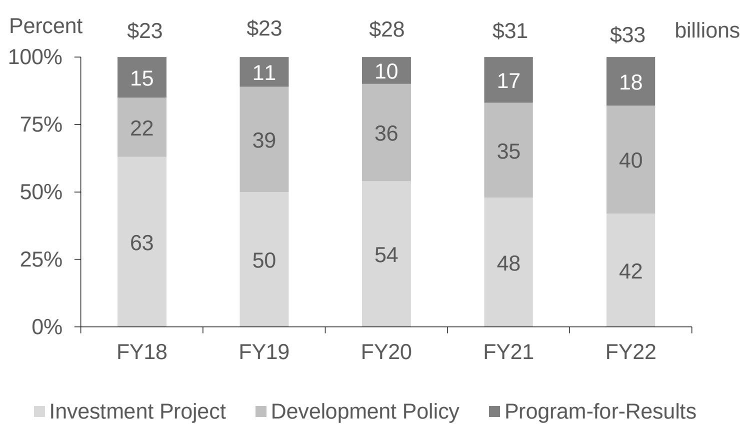
DPF aims to support borrowers in achieving sustainable development through a program of policy and institutional actions. Examples of DPF projects include strengthening public financial management, improving the investment climate, addressing bottlenecks to improve service delivery, and diversifying the economy. DPF supports reforms through non-earmarked general budget financing. DPF provides fast-disbursing financing (roughly 1 to 3 years) to help borrowers address actual or anticipated financing requirements. FY22 net commitments under this lending category were $13.2 billion, compared with $10.8 billion in FY21.

Program-for-Results (PforR)

PforR helps countries improve the design and implementation of their development programs and achieve specific results by strengthening institutions and building capacity. PforR disburses when agreed results are achieved and verified. Results are identified and agreed upon during the loan preparation stage.

FY22 net commitments under this lending category were $5.8 billion compared with $5.2 billion in FY21.

Figure 12: Share of Lending Categories for Annual Net Commitments



Currently Available Lending Products

As of June 30, 2022, 85 member countries were eligible to borrow from IBRD. See Appendix for a list of eligible countries.

IBRD Flexible Loans (IFLs)

IFLs allow borrowers to customize their repayment terms (i.e., grace period, repayment period, and amortization profile) to meet their debt management or project needs. The IFL previously offered two types of loan terms: variable-spread terms and fixed-spread terms. Effective April 1, 2021, IBRD's offering of loans on fixed spread terms as well as a related conversion feature from the variable spread terms to fixed spread terms was suspended (see section IX: Risk Management). As of June 30, 2022, 71% of IBRD's loans outstanding carried variable-spread terms and 29% had fixed-spread terms. See Table 13 for details of loan terms for IFL loans.

IFLs include options to manage the currency and/or interest rate risk over the life of the loan. The outstanding balance of loans, for which currency or interest rate conversions have been exercised was $41.6 billion as of June 30, 2022 and $38.8 billion as of June 30, 2021. IFLs may be denominated in the currency or currencies chosen by the borrower if IBRD can efficiently intermediate in that currency. Using currency conversions, some borrowing member countries have converted their IBRD loans into domestic currencies to reduce their foreign currency exposure for projects or programs that do not generate foreign currency revenue. These local currency loans may carry fixed or variable-spread terms. The balance of such loans outstanding was $3.7 billion as of June 30, 2022 and $3.5 billion as of June 30, 2021. Box 2 below shows the components of the spread on IBRD's IFLs and how these are determined.

Box 2: Components of Loan spread

Contractual lending spread	Subject to the Board's periodic review
Maturity Premium	
Market Risk Premium	Set by Management
Funding Cost Margin	

The ability to offer long-term financing distinguishes development banks from other sources of funding for member countries. Since IBRD introduced maturity-based pricing in 2010, most countries continue to choose loans with the longer maturities with a higher maturity premium, highlighting the value of longer maturities to member countries. However, in FY22, due to the ongoing multiple crises, some countries requested more fast-disbursing loans with shorter maturities (See Table 11).

Table 11: Net Commitments by Maturity
In millions of U.S. dollars

	For the fiscal year ended June 30, 2022	*For the fiscal year ended June 30, 2021*		
Maturity	*Variable Spread*	*Fixed Spread* [a]	*Variable Spread*	*Total*
< 8 years	$ 2,992	$ 4,680	$ 3,188	$ 7,868
8-10 years	5,885	187	3,492	3,679
10-12 years	15,716	1,225	7,337	8,562
12-15 years	1,922	1,326	637	1,963
15-18 years	3,330	280	2,489	2,769
>18 years	3,227	663	5,014	5,677
Guarantee Commitments	-	-	-	5
Total Net Commitments	$ 33,072	$ 8,361	$ 22,157	$ 30,523

a. Effective April 1, 2021, IBRD's offering of loans on fixed spread terms has been suspended.

Other Lending Products Currently Available

In addition to IFLs, IBRD offers loans with a deferred drawdown option, Special Development Policy Loans (SDPLs), loan-related derivatives, and loans to IFC (See Box 3).

Box 3: Other Lending Products Currently Available

Lending Product	Description
Loans with a Deferred Drawdown Option	The Development Policy Loan Deferred Drawdown Option (DPL DDO) gives borrowers the flexibility to rapidly obtain the financing they require. For example, such funds could be needed owing to a shortfall in resources caused by unfavorable economic events, such as declines in growth or unfavorable shifts in commodity prices or terms of trade. The Catastrophe Risk DDO (CAT DDO) enables borrowers to access immediate funding to respond rapidly in the wake of a natural disaster. Under the DPL DDO, borrowers may defer disbursement for up to three years, renewable for an additional three years. The CAT DDO has a revolving feature, and the three-year drawdown period may be renewed up to four times, for a total maximum drawdown period of 15 years (Table 13). As of June 30, 2022, the amount of DDOs disbursed and outstanding was $8.8 billion (compared to $9.6 billion on June 30, 2021), and the undisbursed amount of effective DDOs were $0.6 billion, compared to Nil a year earlier.
Special Development Policy Loans (SDPLs)	SDPLs support structural and social reforms by creditworthy borrowers that face a possible global financial crisis or are already in a crisis and have extraordinary and urgent external financing needs. As of June 30, 2022 and June 30, 2021, the outstanding balance of such loans was Nil. IBRD made no new SDPL commitments in either FY22 or FY21.
Loan-Related Derivatives	IBRD assists its borrowers with access to better risk management tools by offering derivative instruments, including currency and interest rate swaps and interest rate caps and collars, associated with their loans. These instruments may be executed either under a master derivatives agreement, which substantially conforms to industry standards, or under individually negotiated agreements. Under these arrangements, IBRD passes through the market cost of these instruments to its borrowers. The balance of loans outstanding for which borrowers had entered into currency or interest rate derivative transactions under a master derivatives agreement with IBRD was $9 billion as of June 30, 2022, compared with $11.1 billion a year earlier.
Loans with IFC	IBRD provides loans to IFC in connection with the release of a member's National Currency Paid-In Capital (NCPIC) to IBRD. (See Section VIII for explanation of NCPIC). There was no outstanding amount as of June 30, 2022 and June 30, 2021.

Lending Terms Applicable to IBRD Products

Until the end of FY19, loans for all eligible members were subject to the same pricing. However, as part of the 2018 capital package, IBRD implemented a new pricing structure that classifies member countries into four pricing groups, based on income and other factors, and relates the maturity premium to the exemptions, discounts or surcharges applicable to each pricing group (See Table 12 below).

Table 12: Country Pricing Group and Maturity Premium (in basis points)

Country pricing group	*Description*	*Maturity Premium* [a]
A	Blends [b], small states, countries in fragile and conflict-affected situations (FCS) and recent IDA graduates. These countries are exempt from the maturity premium increase regardless of their income levels.	0-50 [c]
B	Countries below-GDI which do not qualify for an exemption listed in Group A.	0-70
C	Countries above-GDI, but below high-income status and which do not qualify for an exemption listed in Group A.	0-90
D	Countries with high income status and which do not qualify for an exemption listed in Group A.	5-115

a. Based on the weighted average maturity of the loan, borrower's income, and other factors, approved by the Board and reviewed annually.
b. Countries eligible for IDA and IBRD loans.
c. Member countries in group A are exempt from the maturity premium increase applicable from July 1, 2018.

Table 13: Loan Terms Available During Fiscal Year Ended June 30, 2022
Basis points, unless otherwise noted

	IBRD Flexible Loan (IFL) [a]		*Special Development*
	Variable-spread Terms	*Fixed-spread Terms* [b]	*Policy Loans (SDPL)*
Final maturity	35 years	35 years	10 years
Maximum weighted average maturity	20 years	20 years	7.5 years
Reference market rate	Market-based variable rate index	Market-based variable rate index	Market-based variable rate index
Spread			
Contractual lending spread	50	50	min. 200
Maturity premium	0-115 [c]	0-115 [c]	–
Market risk premium	–	10-15 [d]	–
Funding cost margin	Actual average funding cost incurred during the preceding six-month period	Projected funding spread to six-month variable rate index [e]	–
Charges			
Front-end fee	25	25	100
Late service charge on principal payments received after 30 days of due date [f]	50	50	–
Commitment Fee [g i]	25	25	25

	Development Policy Loan Deferred Drawdown Option	*Catastrophe Risk Deferred Drawdown Option*
Reference market rate	Market-based variable rate index	Market-based variable rate index
Contractual lending spread	IFL variable in effect at the time of withdrawal	IFL variable in effect at the time of withdrawal
Front-end fee	25	50 [h]
Renewal fee	–	25
Stand-by fee	50 [g]	–

a. There is an implicit floor of zero on the overall interest rate in IBRD's loans.
b. Effective April 1, 2021, IBRD suspended offering loans with fixed spread terms.
c. Based on the weighted average maturity of the loan and on country pricing group.
d. Based on the weighted average maturity of the loan.
e. Projected funding spread to variable rate index was based on the weighted average maturity of the loan.
f. See Box 7 in Section IX for a discussion of overdue payments.
g. Certain waivers of commitment / stand-by fees payable during the first year of financing for health-related COVID-19 operations are approved under the Fast-Track COVID-19 Facility.
h. For CAT-DDOs approved under the Fast-Track COVID-19 Facility, the Front-End Fee is reduced to 25bps.
i. For operations approved under the Additional Financing to the COVID-19 Strategic Preparedness and Response Program (SPRP), the commitment fee is waived for a period of up to 18 months starting from the date of approval of the relevant operation.

Discontinued Lending Products

IBRD's loan portfolio includes lending products whose terms are no longer available for new commitments. These products include currency pool loans and fixed-rate single-currency loans. As of June 30, 2022, loans outstanding of $468 million (0.2% of the portfolio) carried terms no longer offered, with final maturity in May 2026.

Waivers

Loan terms offered prior to September 28, 2007 included a partial waiver of interest and commitment charges on eligible loans. For these loans, waivers are approved annually by the Board. For FY23, the Board has approved the same waiver rates as in FY22 for all eligible borrowers with eligible loans. The foregone income in FY22 due to previously approved waivers was $20 million (FY21: $31 million).

Figure 13 illustrates a breakdown of IBRD's loans outstanding and undisbursed balances by loan terms, as well as loans outstanding by currency composition. The interest and currency profile of loans outstanding after the use of derivatives for risk management purposes is discussed under Market Risk in Section IX.

Table 14: Loans outstanding by interest rate structure, excluding derivatives
In millions of U.S. dollars, except for ratios

June 30, 2022					
Product terms	*Total*	*% of Total*	*Of which reference rate is*	*Total*	*% of Total*
Fixed Spread Loans	$ 66,075	29%	Fixed	$ 33,097	14%
			Variable	32,978	15
Variable Spread Loans	163,269	71	Fixed	7,150	3
			Variable	156,119	68
Total	$ 229,344	100%		$ 229,344	100%

June 30, 2021					
Product terms	*Total*	*% of Total*	*Of which reference rate is*	*Total*	*% of Total*
Fixed Spread Loans	$ 66,226	30%	Fixed	$ 33,151	15%
			Variable	33,075	15
Variable Spread Loans	154,338	70	Fixed	4,479	2
			Variable	149,859	68
Total	$ 220,564	100%		$ 220,564	100%

Figure 13: Loan Portfolio

Figure 13a. Undisbursed Balances by Loan Terms
In millions of U.S. dollars, except for ratios

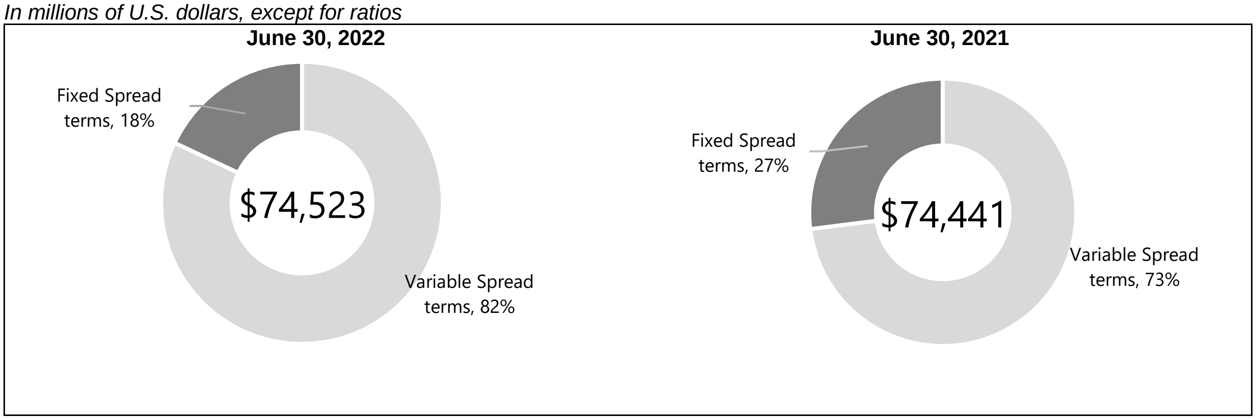
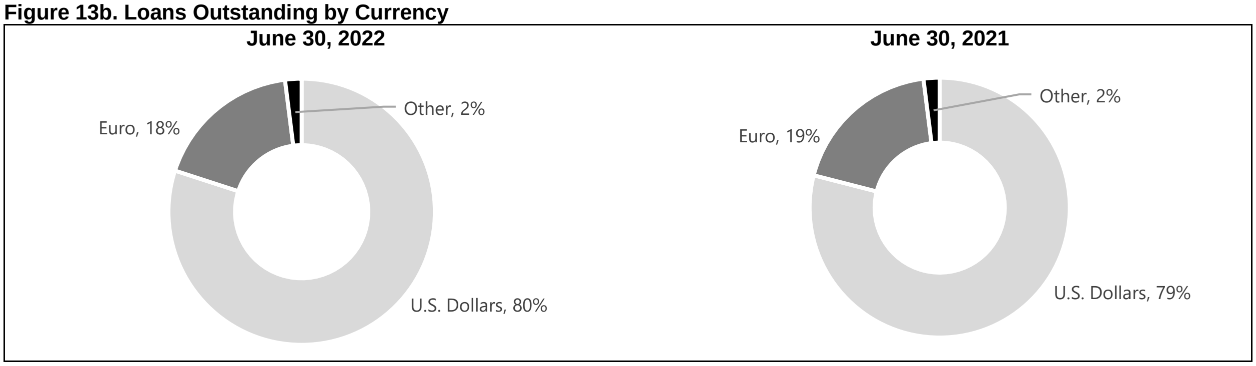


Figure 13b. Loans Outstanding by Currency



Section V: Other Development Activities

IBRD continues to deliver value to its client countries through its knowledge services, convening power, and capacity to implement solutions that address global issues where coordinated action is critical.

IBRD also assists clients with designing financial products and structuring transactions to help mobilize resources for development projects and mitigate the financial effects of market volatility and disasters.

Other financial products and services provided to borrowing member countries, and to affiliated and non-affiliated organizations, include financial guarantees, grants, externally-funded activities (described below), and advisory services and analytics.

Guarantees

IBRD's exposure on its guarantees was $6.3 billion as of June 30, 2022 compared to $6.7 billion as of June 30, 2021 (see Table 15). Exposure is measured by discounting each guaranteed amount from its next call date.

IBRD offers project-based and policy-based guarantees for priority projects and programs in member countries. Project-based guarantees are provided to mobilize private financing for projects; they are also used to mitigate projects' payment- and performance-related risks. Policy-based guarantees are provided to mobilize private financing for sovereigns or sub- sovereigns. IBRD's guarantees are partial and are intended to provide only the coverage necessary to obtain the required private financing, considering country, market and, if appropriate, project circumstances. All guarantees require a sovereign counter-guarantee and indemnity, comparable to the requirement of a sovereign guarantee for IBRD lending to sub-sovereign and non-sovereign borrowers (see Box 4). The Corporate Risk Guarantee Committee reviews the choice of instrument for all proposed new guarantee operations.

Box 4: Types of Guarantees Provided by IBRD

Guarantee	Description
Project-based guarantees	Two types of project-based guarantees are offered: 1. Loan guarantees: these cover loan-related debt service defaults caused by the government's failure to meet specific payment and/or performance obligations arising from contract, law or regulation, in relation to a project. Loan guarantees include coverage for debt service defaults on: (i) commercial debt, normally for a private sector project where the cause of debt service default is specifically covered by IBRD's guarantee; and, (ii) a specific portion of commercial debt irrespective of the cause of such default, normally for a public-sector project. 2. Payment guarantees: These cover payment default on non-loan related government payment obligations to private entities and foreign public entities arising from contract, law or regulation.
Policy-based guarantees	These cover debt service default, irrespective of the cause of such default, on a specific portion of commercial debt owed by national or sub national government and associated with the supported government's program of policy and institutional actions.
Guarantees for enclave operations	IBRD extends guarantees for projects in IDA-only member countries that (i) are expected to generate large economic benefits with significant developmental impact in the member country; and (ii) cannot be fully financed out of the country's own resources, IDA resources, or other concessional financing. Those projects are known as enclave operations. The provision of IBRD support to enclave operations is subject to credit enhancement features that adequately mitigate IBRD's credit risk.

Table 15: Guarantees Exposure
In millions of U.S. dollars

As of June 30,	*2022*	*2021*
Guarantees (project, policy and enclave)	$ 2,703	$ 3,079
Exposure Exchange Agreements	3,630	3,640
Total	$ 6,333	$ 6,719

Table 16: Pricing for IBRD Project-Based and Policy-Based Guarantees

	Basis Points	
Charges	*FY22*	*FY21*
Front-end fee	25	25
Processing fee [a b]	50	50
Initiation fee [c b]	15	15
Standby fee	25	25
Guarantee fee [d]	50-165	50-165

a. Determined on a case-by-case basis. In exceptional cases, projects can be charged over 50 bps of the guarantee amount.
b. Not applicable for public projects.
c. The initiation fee is 15 basis points of the guaranteed amount or $100,000, whichever is greater.
d. Based on the weighted average maturity of the guarantee and country pricing group.

In addition, IBRD has entered into the following arrangements, which are treated as financial guarantees under U.S. GAAP:

- *Advance Market Commitment (AMC):* AMC is a multilateral initiative to accelerate the creation of a market and sustainable production capacity for pneumococcal vaccines for developing countries. IBRD provides a financial platform for AMC by holding donor-pledged assets as an intermediary agent and passing them on to the Global Alliance for Vaccines and Immunization (GAVI) when appropriate conditions are met. Moreover, should a donor fail to pay, or delay paying any amounts due, IBRD has committed to pay from its own funds any amounts due and payable by the donor, to the extent there is a shortfall in total donor funds received. During FY22, the AMC initiative concluded and there was no exposure for IBRD as of June 30, 2022.
- *Exposure Exchange Agreements (EEA):* IBRD has an exposure exchange agreement outstanding with MIGA under which IBRD and MIGA exchanged selected exposures through reciprocal guarantees, with each divesting itself of exposure in countries where their lending capacities are limited, in return for exposure in countries where they had excess lending capacity.

  IBRD also has an EEA with the African Development Bank (AfDB) and the Inter-American Development Bank (IADB), a Multilateral Development Bank (MDB) EEA. Under this EEA, each MDB exchanged credit risk exposure of a reference portfolio supported by underlying loans to borrowing member countries. For each MDB, EEAs through diversification benefits, help reduce credit risk at the portfolio level; improve the risk-weighted capital ratios especially by addressing exposure concentration concerns; and create lending headroom for individual borrowing countries where MDBs may be constrained. The EEA involved the receipt of a guarantee and the provision of a guarantee against nonpayment in the reference portfolio by each MDB to the other. The guarantee received and the guarantee provided are two separate transactions: (a) a receipt of an asset for the right to be indemnified and receive risk coverage (recoverable asset) and (b) the provision of a financial guarantee, respectively (see Notes to the Financial Statements, Note D: Loans and Other Exposures).
- *Other guarantee arrangements*: As of June 30, 2022, IBRD had received guarantees totaling $2,116 million ($1,544 million for FY21) on borrowing member loans. These guarantees serve as a credit enhancement to increase IBRD's lending capacity in certain countries.

Table 17: Exposure Exchange Agreements
In millions of U.S. dollars

As of June 30,	*2022*		*2021*	
	Guarantee Received	*Guarantee Provided*	*Guarantee Received*	*Guarantee Provided*
Exposure Exchange Agreement				
MIGA	$ 21	$ 21	$ 31	$ 31
IADB	2,021	2,021	2,021	2,021
AfDB	1,588	1,588	1,588	1,588
Total notional	$ 3,630	$ 3,630	$ 3,640	$ 3,640

Grants

Grant-Making Facilities (GMFs) are complementary to IBRD's work. In FY22, IBRD deployed $17 million under this program, compared with $18 million in FY21. These amounts are reflected in contributions to special programs on IBRD's Statement of Income, after IDA's share is determined in accordance with the cost sharing ratio.

Externally-Funded Activities

Mobilization of external funds from third-party partners includes trust funds. Additional external funds include reimbursable funds and revenues from fee-based services to member countries, which are related to RAS, EFOs, and other financial products and services, including RAMP.

Trust Funds

Trust Funds provide development solutions that serve member recipients and donors. Trust funded partnerships often serve as a platform for IBRD and the partners to access WBG's diverse technical and financial resources, and achieve development goals whose complexity, scale, and scope exceed any individual partner's capabilities. IBRD's roles and responsibilities in managing trust funds depend on the type of fund, outlined as follows:

- *IBRD-Executed Trust Funds (BETFs)*: IBRD, alone or jointly with one or more of its affiliated organizations, manages the funds and implements the activities financed. These trust funds support IBRD's work program. IBRD disbursed $494 million in FY22 ($470 million in FY21) of trust fund program funds.
- *Recipient-Executed Trust Funds (RETFs)*: Funds are provided to a third party, normally in the form of project grant financing, and are supervised by IBRD.
- *Financial Intermediary Funds (FIFs)*: IBRD, as trustee, administrator, or treasury manager, offers specific administrative or financial services with a limited operational role. Arrangements include the administration of debt service trust funds, fiscal agency funds and other more specialized limited fund management roles.

IBRD uses a cost recovery framework for trust funds, which aims to recover the costs of performing agreed roles in administering trust funds, and is guided by principles of transparency, fairness, simplification, standardization, predictability and consistent treatment across all trust fund donors.

Management continues to implement measures to improve planning, support sustainability and enhance alignment of External Funds with mission priorities through greater use of umbrella trust fund programs, increased cost recovery, and new budgetary measures to manage External Funds usage.

During FY22, IBRD's share of revenue and fees from trust fund administration was $50 million ($44 million in FY21) (see Notes to Financial Statements, Note I: Management of External Funds and Other Services).

Reimbursable Advisory Services (RAS)

While most of IBRD's advisory and analytical work is financed by its own budget or donor contributions (e.g., trust funds), clients may also pay for services. IBRD offers technical assistance and other advisory services to its member countries, in connection with, and independent of, lending operations. Available services include, for example, assigning qualified professionals to survey developmental opportunities in member countries; analyzing member countries fiscal, economic, and developmental environments; helping members devise coordinated development programs; and improving their asset and liability management techniques. In FY22, IBRD earned revenue of $47 million ($53 million in FY21) from RAS.

Externally Financed Outputs (EFOs)

IBRD offers donors the ability to contribute to specific projects and programs. EFO contributions are recorded as restricted revenue when received because they are for contractually specified purposes. In FY22, IBRD had $4 million of restricted revenue, compared with $18 million in FY21, which are included in Net non-interest expenses – GAAP basis in Table 5.

Restrictions are released once the funds are used for the purposes specified by donors. In FY 22, there was a release of $20 million ($24 million in FY21).

Other Financial Products and Services

Managing Financial Risks for Clients

IBRD helps member countries build resilience to shocks by facilitating access to risk management solutions to mitigate the financial effects of currency, interest rate, and commodity price volatility, disasters, and extreme weather events.

Box 5 below lists some financial solutions and disaster risk financing instruments IBRD offers:

Box 5: Financing Instruments

Hedging Transactions	*Disaster Risk Financing*
Interest Rate	Catastrophe Derivatives and Bonds
Currency	Insurance and Reinsurance
Commodity Price	Regional Pooling Facilities

IBRD also intermediates the following risk management transactions for clients:

- *Affiliated Organization:* To assist IDA with its asset/liability management, IBRD executes currency forward contracts on its behalf.
- *Unaffiliated Organization*: To assist the International Finance Facility for Immunization (IFFIm) with its asset/liability management strategy, IBRD executes currency and interest rate swaps on its behalf. In addition, IBRD, as Treasury Manager, is a counterparty to IFFIm and enters into offsetting swaps with market counterparties. During FY22, IBRD executed currency swaps with notional amounts of $250 million under this agreement.

(See Risk Management, Section IX, for a detailed discussion of IBRD's risk mitigation of these derivative transactions).

Asset Management

The Reserves Advisory and Management Partnership (RAMP) provides services that build clients' capacity to support the sound management of their official sector assets. Clients include central banks, sovereign wealth funds, national pension funds, and supranational organizations. RAMP helps clients to upgrade their asset management capabilities, including portfolio and risk management, operational infrastructure, and human resources capacity. Under most of these arrangements, IBRD is responsible for managing a portion of the institution's assets and, in return, receives a fee based on the average value of the portfolio managed (see Table 18). The fees earned are used to provide training and capacity-building services. In addition to RAMP, IBRD invests and manages investments on behalf of IDA, MIGA, and trust funds; those investments are not included in IBRD's assets.

Table 18: RAMP – Assets and Revenues
In millions of U.S. dollars

As of June 30,	*2022*	*2021*
Assets managed under RAMP	$ 23,884	$ 27,873
Revenue from RAMP [a]	$ 15	$ 17

a. RAMP revenue of $7 million was excluded to arrive at the FY22 allocable income.

As noted in the discussion of Trust Fund Activities above, IBRD, alone or jointly with one or more of its affiliated organizations, administers on donors' behalf funds restricted for specific uses. Such administration is governed by agreements with donors, who include members, their agencies and other entities. These funds are held in trust and are not included on IBRD's Balance Sheet, except for $566 million of undisbursed third-party contributions made to IBRD-executed trust funds, which are recognized on the Balance Sheet as an asset and a liability. The cash and investment assets held in trust by IBRD as administrator and trustee totaled $33.7 billion in FY22, of which $108 million ($93 million in FY21) relates to IBRD contributions to these trust funds (Table 19).

Table 19: Cash and Investment Assets Held in Trust
In millions of U.S. dollars

As of June 30,	2022	2021
IBRD-administered	$ 249	$ 263
Jointly administered with affiliated organizations	1,004	1,025
Recipient-executed	2,965	3,082
Financial intermediary funds	22,399	19,757
Execution not yet assigned [a]	7,114	7,187
Total fiduciary assets	**$ 33,731**	**$ 31,314**

a. These represent assets held in trust for which the determination as to the type of execution is yet to be finalized.

Other Financing Solutions

From time to time, IBRD uses its debt issuance platform for other financing support for clients and other development organizations with complementary objectives. For example, during FY22, IBRD issued a five-year $150 million Wildlife Conservation bond (WCB) which contains features aimed to protect and increase black rhino populations in protected areas in South Africa. The pay-for-success financial structure enables private sector investment in global public goods such as biodiversity conservation.

Section VI: Investment Activities

IBRD's investment portfolio consists mainly of the liquid asset portfolio. As of June 30, 2022, the net investment portfolio totaled $82.1 billion with $78.8 billion representing the liquid asset portfolio. This compares with $85.8 billion a year earlier, of which $82.8 billion represented the liquid asset portfolio (see Note C: Investments in the Notes to the Financial Statements). The decreased level of liquidity reflects the lower debt service requirements and higher loan disbursements during the year.

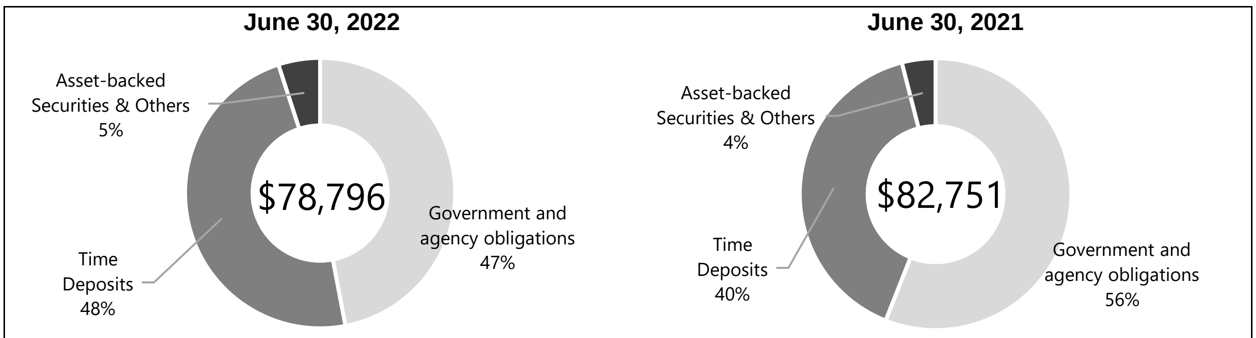
Liquid Asset Portfolio

Funds raised through IBRD's borrowing activities that have not yet been deployed for lending are held in the liquid asset portfolio to provide liquidity for IBRD's operations. The portfolio is managed with the goal of ensuring sufficient cash flows to meet all IBRD's financial commitments. While it seeks a reasonable return on this portfolio, IBRD restricts its liquid assets to high-quality investments, consistent with its investment objective of prioritizing principal protection over yield. Liquid assets are managed conservatively and are primarily held against any disruptions in IBRD's access to capital markets.

IBRD's liquid assets are held mainly in highly rated, fixed-income instruments (see Box 8: Eligibility Criteria for IBRD's Investments) and include the following:

- Government and agency obligations
- Time deposits and other unconditional obligations of banks and financial institutions
- Asset-backed securities (including agency mortgage-backed securities)
- Currency, interest rate and other risk management derivatives
- Exchange-traded options and futures

Figure 14: Liquid Asset Portfolio by Asset Class
In millions of U.S. dollars, except for ratios



IBRD keeps liquidity volumes above a Prudential Minimum which is defined as 80% of the twelve-month Target Liquidity Level. The twelve- month Target Liquidity Level is calculated before the end of each fiscal year based on Management's estimates of projected net loan disbursements approved at the time of projection and twelve months of debt-service for the upcoming fiscal year. This twelve-month estimate becomes the target for the upcoming fiscal year and the Prudential Minimum is 80% of this target (see Section IX for details of how IBRD manages liquidity risk).

The liquid asset portfolio is composed largely of assets denominated in, or swapped into, U.S. dollars, with net exposure to short-term interest rates after derivatives. The portfolio has an average duration of less than three months, and the debt funding these liquid assets has a similar currency and duration profile. This is a direct result of IBRD's exchange-rate and interest-rate-risk-management policies (see Section IX), combined with appropriate investment guidelines (see Box 8).

The maturity profile of IBRD's liquid asset portfolio reflects a high degree of liquidity. As of June 30, 2022, $69.6 billion (approximately 88% of total volume) was due to mature within six months, of which $29.3 billion was expected to mature within one month.

The liquid asset portfolio is held in three sub-portfolios: Stable, Operational, and Discretionary, each may have different risk profiles and performance guidelines (see Table 20).

- *Stable portfolio* is mainly an investment portfolio holding all or a portion of the Prudential Minimum level of liquidity, set at the start of each fiscal year.
- *Operational portfolio* is used to meet IBRD's day-to-day cash flow requirements.
- *Discretionary portfolio* gives IBRD the flexibility to execute its borrowing program and can be used to tap attractive market opportunities. Additional portions of the Prudential Minimum may also be held in this portfolio.

Table 20: Liquid Asset Portfolio Composition
In millions of U.S. dollars, except ratios which are in percentages

As of June 30,	2022	%	2021	%
Liquid asset portfolio				
Stable	$ 49,296	63%	$ 57,143	69%
Operational	13,345	17	17,502	21
Discretionary	16,155	20	8,106	10
Total	$ 78,796	100%	$ 82,751	100%

Table 21: Liquid Asset Portfolio - Average Balances and Returns
In millions of U.S. dollars, except rates which are in percentages

	Average Balances		Financial Returns %	
	2022	2021	2022	2021
Liquid asset portfolio				
Stable	$ 55,925	$ 56,842	0.31%	0.44%
Operational	13,736	20,026	0.24	0.03
Discretionary	9,398	7,892	0.61	0.31
Total	$ 79,059	$ 84,760	0.32%	0.33%

During FY22, IBRD's total return of 0.32% on the liquid asset portfolio was relatively stable, compared to last year.

In addition to monitoring gross investment returns relative to their benchmarks, IBRD also monitors overall earnings from the investment portfolio, net of funding costs. In FY22, IBRD had $3 million of losses, net of funding costs on the investment portfolio as discussed in Section III.

Other Investments

In addition to the liquid asset portfolio, the investment portfolio also includes holdings related to AMC, PCRF, PEBP and the Local Currency Market Development program (LCMD, see Notes to Financial Statements Note C: Investments for additional details). Table 22 below summarizes the net carrying value of other investments (see Notes to Financial Statements, Note I: Management of External Funds and Other Services for additional details on AMC):

Table 22: Net Carrying Value of Other Investments
In millions of U.S. dollars

As of June 30,	2022	2021
AMC	$ -	$ 10
PEBP	2,456	2,476
PCRF	766	555
LCMD	39	39
Total	$ 3,261	$ 3,080

Section VII: Borrowing Activities

IBRD has been issuing bonds in the international capital markets since 1947. The proceeds of these bonds support IBRD's lending operations which are aimed at promoting sustainable development for IBRD's borrowing member countries.

Borrowing Portfolio

IBRD borrows at attractive rates underpinned by its strong financial profile and shareholder support that together are the basis for its triple-A credit rating. As a result of its financial strength and triple-A credit rating, IBRD is recognized as a premier borrower and its bonds and notes are viewed as a high credit quality investment in the global capital markets.

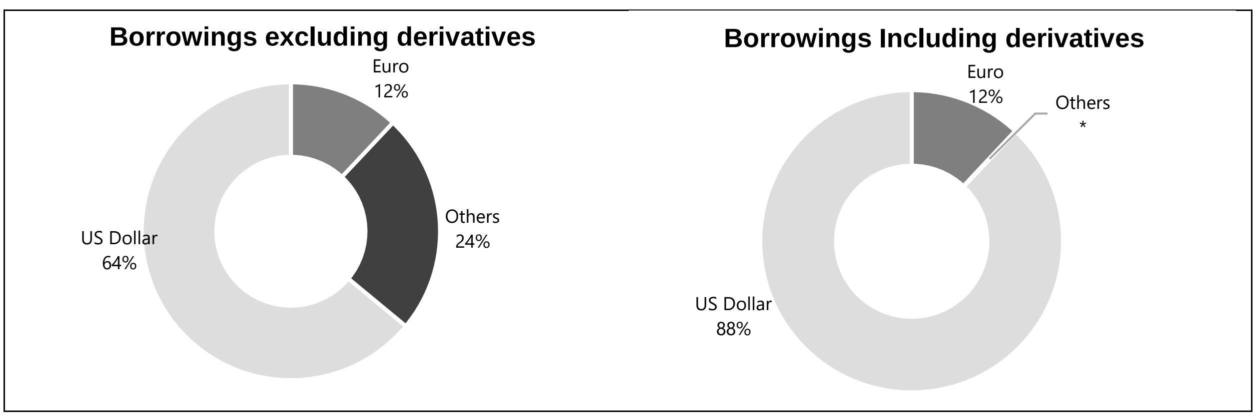
IBRD uses the proceeds to finance development activities in creditworthy middle-income and low-income countries eligible to borrow from IBRD at market-based rates. Funding raised in any given year is used for IBRD's operations, including loan disbursements, replacement of maturing debt, and prefunding for lending activities. IBRD determines its funding requirements based on a three-year rolling horizon and funds about one-third of the projected amount in the current fiscal year.

As discussed in Section II, IBRD uses currency and interest rate derivatives in connection with its borrowings for asset and liability management purposes. New medium- and long-term funding is swapped into variable-rate U.S. dollar instruments, with conversion to other currencies carried out subsequently. This is in accordance with loan funding requirements, so that IBRD can minimize interest rate and currency risk. IBRD also uses derivatives to manage the re-pricing risks between loans and borrowings. Further discussion on how IBRD manages this risk is included in the Risk Management Section, Section IX.

IBRD issues short-term debt (maturing in one year or less), and medium- and long-term debt (with a maturity greater than one year). From time to time, IBRD exercises the call option in its callable bond issues; it may also repurchase its debt to meet other operational or strategic needs such as providing liquidity to its investors (Table 24). In FY22, IBRD raised a total of $40.8 billion of medium- and long-term debt (Table 24).

As of June 30, 2022, the borrowing portfolio totaled $256.9 billion, $3.2 billion higher than June 30, 2021 (see Note E: Borrowings in the Notes to the Financial Statements). The increase was primarily due to new net short-term debt issuances during the year (Table 23).

Figure 15: Effect of Derivatives on Currency Composition of the Borrowing Portfolio–June 30, 2022



** Denotes percentage less than 0.5%.*

As of June 30, 2022, IBRD's total borrowing portfolio, after the effects of derivatives, carried variable rates, with a weighted average cost of 1.0% (0.1% as of June 30, 2021). The increase in the weighted average cost from the prior year reflects the increase in the short-term market interest rates during the year. The increase in short-term market interest rates also resulted in an increase in IBRD's weighted average loan rates, which are also based on IBRD's funding cost. IBRD's lending spread was therefore not impacted by the increase in short-term interest rates (Figure 3).

Short-Term Borrowings

Table 23 summarizes IBRD's short-term borrowings, which mainly include discount notes, securities lent or sold under securities lending and repurchase agreements, and other short-term borrowings.

Discount Notes

IBRD's short-term borrowings consist mainly of discount notes issued in U.S. dollars. These borrowings have a weighted average maturity of approximately 136 days. As of June 30, 2022, the outstanding balance of discount notes was $15.0 billion, $5.0 billion higher compared with the previous year.

Securities Lent or Sold under Repurchase Agreements

These short-term borrowings are secured mainly by highly-rated collateral in the form of securities, including government-issued debt, and have an average maturity of less than 30 days.

Other Short-Term Borrowings

Other short-term borrowings have maturities of one year or less. The outstanding balance of $199 million as of June 30, 2022, remains stable compared to last year ($199 million in FY21).

Table 23: Short-Term Borrowings
In millions of U.S. dollars, except rates which are in percentages

As of June 30,	*2022*	*2021*
Discount notes [a]		
Balance at year-end	$ 14,973	$ 10,022
Average daily balance during the fiscal year	$ 10,276	$ 10,392
Maximum month-end balance	$ 14,973	$ 11,344
Weighted-average rate at the end of fiscal year	1.12%	0.07%
Weighted-average rate during the fiscal year	0.29%	0.16%
Securities lent or sold under repurchase agreements [b]		
Balance at year-end	$ -	$ -
Average monthly balance during the fiscal year	$ 145	$ -
Maximum month-end balance	$ 614	$ -
Weighted-average rate at the end of fiscal year	-	-
Weighted-average rate during the fiscal year	0.02%	-
Other short-term borrowings [a]		
Balance at year-end	$ 199	$ 199
Average daily balance during the fiscal year	$ 199	$ 177
Maximum month-end balance	$ 199	$ 199
Weighted-average rate at the end of the fiscal year	1.22%	0.11%
Weighted-average rate during the fiscal year	0.28%	0.17%

a. At amortized cost which approximates fair value.
b. Excludes securities related to PEBP.

Medium- and Long-Term Borrowings

In FY22, medium- and long-term debt raised directly by IBRD in the capital markets amounted to $40.8 billion with an average maturity to first call of 7.6 years (Table 24). The decrease in medium-and-long-term debt issuances in FY22 is primarily due to lower debt servicing and refinancing requirements. IBRD called and repurchased a lower volume of debt in FY22, compared with FY21.

Table 24: Funding Operations Indicators
In millions of U.S. dollars, except maturities which are in years

For the fiscal year ended June 30,	*2022*	*2021*
Issuances [a]		
Medium- and long-term funding raised	$ 40,820	$ 67,471
Average maturity to first call date	7.6	8.1
Average maturity to contractual final maturity	8.8	8.8
Maturities		
Medium- and long-term funding matured	$ 35,057	$ 41,281
Average maturity of debt matured	5.7	5.0
Called/Repurchased		
Medium- and long-term funding called/repurchased	$ 2,797	$ 11,321

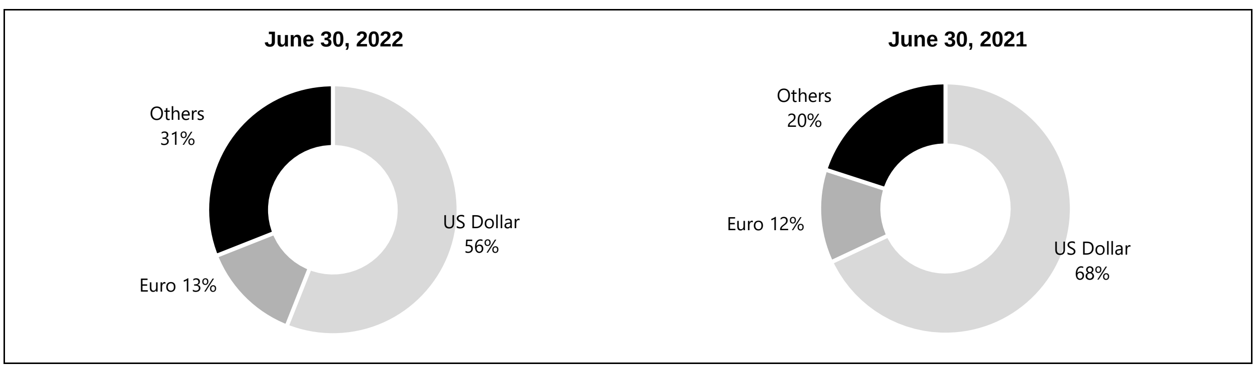
a. Expected life of IBRD's bonds are generally between first call date and the contractual final maturity.

Table 25: Maturity Profile of Medium and Long-Term Debt
In millions of U.S. dollars

	As of June 30, 2022						
	Less than 1 year	*1 to 2 years*	*2 to 3 years*	*3 to 4 years*	*4 to 5 years*	*Due After 5 years*	*Total*
Medium and Long-Term Debt	$ 27,135	$ 28,483	$ 32,274	$ 27,479	$ 19,163	$ 85,485	$ 220,019

As shown below, 56% of IBRD's medium-and long-term borrowings issued during the year were in U.S. dollars:

Figure 16: Medium- and Long-Term Borrowings Raised by Currency during the year, Excluding Derivatives



Section VIII: Capital Activities

Capital Structure

Principal Shareholders and Voting Power

As of June 30, 2022, IBRD had 189 member countries, with the top six accounting for 41% of the total voting power (Figure 17). The percentage of votes held by members rated AA and above by at least two major rating agencies was 37% (Figure 18).

The United States is IBRD's largest shareholder, with 16% of total voting power. Accordingly, it also has the largest share of IBRD's uncalled capital, $47,785 million, or 17% of total uncalled capital.

Subscribed Capital

Total subscribed capital is comprised of paid-in capital and uncalled subscribed capital. See Statement of Subscriptions to Capital Stock and Voting Power in IBRD's Financial Statements for balances by country.

Figure 17: Voting Power of Top Six Members as of June 30, 2022

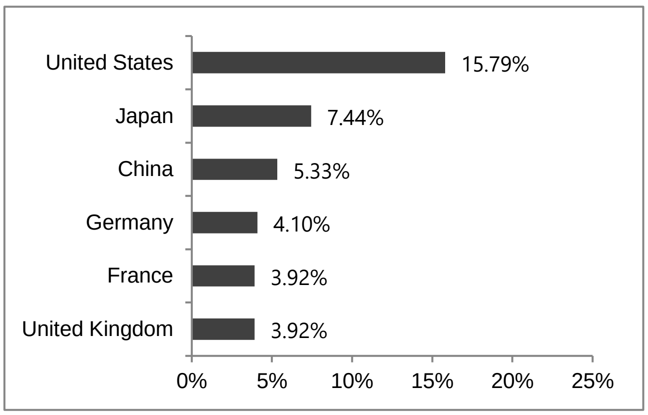


Figure 18: Percentage of Votes held by Member Countries, as of June 30, 2022

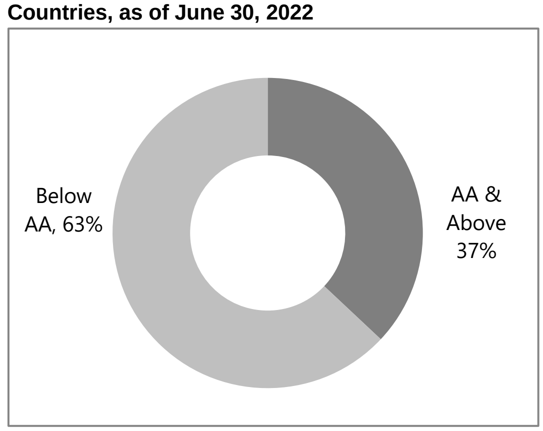


Table 26: Breakdown of IBRD Subscribed Capital
In millions of U.S. dollars, except ratios which are in percentages

As of June 30,	%		2022		2021		Variance
Subscribed capital							
Uncalled Subscribed capital	93%	$	286,636	$	278,612	$	8,024
Paid-in capital	7		20,499		19,244		1,255
Total subscribed capital	100%	$	307,135	$	297,856	$	9,279

Uncalled Subscribed Capital

As of June 30, 2022, the total uncalled portion of subscriptions was $286,636 million. The amount may be called only when required to meet IBRD's obligations for funds borrowed or loans guaranteed and is, thus, not available for use by IBRD in making loans. Of this amount, $40,928 million was restricted pursuant to resolutions of the Governors (though such conditions are not required by IBRD's Articles). While these resolutions are not legally binding on future Governors, they do record an understanding among members that this amount will not be called for use by IBRD in its lending activities or for administrative purposes.

No call has ever been made on IBRD's capital. Any such calls are required to be uniform, but the obligations of IBRD's members to make payment on such calls are independent of one another. If the amount received on a call is insufficient to meet the obligations of IBRD for which the call is made, IBRD has the right to make further calls until the amounts received are sufficient to meet such obligations. On any such call or calls, however, no member is required to pay more than the unpaid balance of its capital subscription.

Under the Bretton Woods Agreements Act and other U.S. legislation, the Secretary of the U.S. Treasury is permitted to pay approximately $7,663 million of the uncalled portion of the subscription of the United States, if called for use by IBRD, without need for further congressional action.

The balance of the uncalled portion of the U.S. subscription, $40,122 million, has been authorized but not appropriated by the U.S. Congress. Further action by the U.S. Congress is required to enable the Secretary of the Treasury to pay any portion of this balance. The General Counsel of the U.S. Treasury has rendered an opinion that the entire uncalled portion of the U.S. subscription is an obligation backed by the full faith and credit of the U.S., notwithstanding those congressional appropriations have not been obtained with respect to certain portions of the subscription.

Capital Increases

In October 2018, the Governors approved a new GCI and SCI as part of a capital package endorsed by the Governors in April 2018 that includes institutional and financial reforms designed to ensure long-term financial sustainability. The capital increases will result in additional subscribed capital of up to $60.1 billion, with $7.5 billion of paid-in capital and $52.6 billion of callable capital.

Paid-In Capital

Paid-in capital has two components:

- The U.S. dollar portion, which is freely available for use by IBRD.
- National Currency Paid-In Capital (NCPIC) portion, usage of which is subject to certain restrictions under IBRD's Articles and is subject to Maintenance-Of-Value (MOV) requirements. For additional details see the Notes to the Financial Statements, Note A: Summary of Significant Accounting and Related Policies.

Usable Paid-in Capital

Usable paid-in capital represents the portion of paid-in capital that is available to support IBRD's risk bearing capacity and includes all U.S. dollar paid-in capital, as well as NCPIC for which use restrictions have been lifted (referred to as released NCPIC). The adjustments made to paid-in capital to arrive at usable paid-in capital are provided in Table 27.

The $769 million increase in usable paid-in capital between FY22 and FY21 was primarily due to the receipt of $998 million for GCI and $257 million for SCI during FY22, partially offset by the NCPIC adjustment.

Table 27: Usable Paid-In Capital

In millions of U.S. dollars

As of June 30,	*2022*	*2021*	*Variance*
Paid-in Capital	$ 20,499	$ 19,244	$ 1,255
Adjustment on released NCPIC for net deferred MOV (receivable) payable [a]	(424)	67	(491)
Adjustments for unreleased NCPIC:			
Restricted cash	(55)	(60)	5
Demand notes	(316)	(332)	16
MOV receivable	(354)	(343)	(11)
MOV payable	2	7	(5)
Total Adjustments for unreleased NCPIC	(723)	(728)	5
Usable paid-in capital	$ 19,352	$ 18,583	$ 769

a. The MOV on released NCPIC is considered to be deferred.

Usable Equity

Usable equity represents the amount of equity that is available to support IBRD's lending operations. Usable equity is central to the three frameworks IBRD uses to manage its capital adequacy, credit risk, and equity earnings. These frameworks, described in Section IX, are:

- Strategic Capital Adequacy Framework
- Credit Risk and Loan Loss Provisioning Framework
- Other ALM Framework

Usable equity consists of usable paid-in capital, and elements of retained earnings and reserves (see Table 28). The components of retained earnings and reserves included in usable equity are as follows:

Special Reserve: Amount set aside pursuant to IBRD's Articles, held in liquid form and to be used only for meeting IBRD's liabilities on its borrowings and guarantees;

General Reserve: Generally consists of earnings from prior fiscal years which the Board has approved for retention in IBRD's equity. On August 4, 2022, the Board approved the transfer of $589 million to the General Reserve from FY22 net income;

Cumulative Translation Adjustments: Comprise translation adjustments that arise upon revaluing currency balances to U.S. dollars for reporting purposes. IBRD's functional currencies are the U.S. dollar and euro and changes in cumulative translation adjustments only relate to translation adjustments on euro-denominated balances. Translation adjustments associated with non-functional currencies are reflected in other adjustments in Table 28. Usable equity excludes cumulative translation adjustments associated with unrealized mark-to-market gains/losses on non-trading portfolios;

Other Adjustments: These adjustments relate to the income earned on PEBP assets before FY11, and currency translation adjustments on non-functional currencies. These also reflect the measure of the under-funded status of the pension plans, if any, which is based on the funding methodology used by the Pension Finance Committee to determine sustainable funding levels for the pension plans.

The increase in usable equity in FY22 primarily reflects the increase in reserve retention out of the FY22 allocable income and the increase in usable paid-in capital.

Table 28: Usable Equity
In millions of U.S. dollars

			Variance		
As of June 30,	*2022*	*2021*	*Total*	*Due to Activities*	*Due to Translation Adjustment*
Usable paid-in capital	$ 19,352	$ 18,583	$ 769	$ 1,257	$ (488)
Special reserve	293	293	-	-	-
General reserve [a]	32,053	31,464	589	589	-
Cumulative translation adjustment	(1,342)	(268)	(1,074)	-	(1,074)
Other adjustments [b]	125	(75)	200	-	200
Equity (usable equity)	**$ 50,481**	**$ 49,997**	**$ 484**	**$ 1,846**	**$ (1,362)**

a. Includes transfer to the General Reserve, which for FY22 (FY21) was approved by the Board on August 4, 2022 (August 5, 2021).
b. Includes cumulative translation gains on non-functional currencies of $173 million for FY22 ($27 million losses for FY21).

Section IX: Risk Management

Risk Governance

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

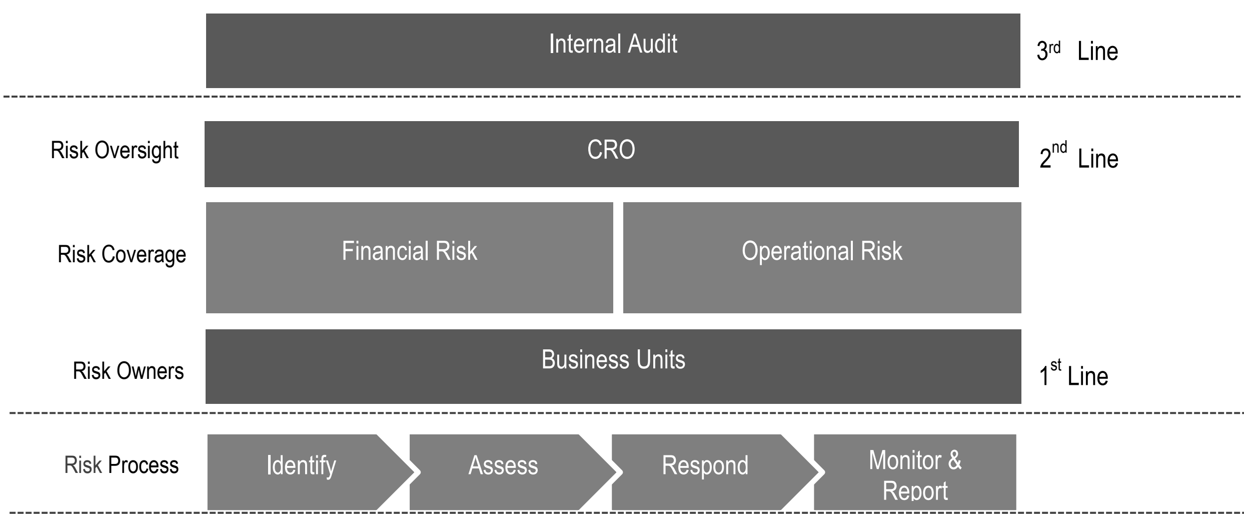
Management believes that effective risk management is critical for its overall operations. Accordingly, the risk management governance structure is designed to manage the principal risks IBRD assumes in its activities, and supports Management in its oversight function, particularly in coordinating different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

IBRD's financial and operational risk governance structure is built on the "Three Lines Model" (Figure 19) where:

i. Business units are responsible for directly managing risks in their respective functional areas;
ii. The Vice President and WBG Chief Risk Officer (CRO) provides direction, challenge, and oversight over financial and operational risk activities; and
iii. Internal Audit provides independent oversight.

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

Figure 19: Financial and Operational Risk Management Structure



Risk Oversight and Coverage

Financial and Operational Risk Management

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

The following three departments report directly to the CRO:

Credit Risk Department

- Identifies, measures, monitors, and manages country credit risk faced by IBRD. By agreement with the Board, the individual country credit risk ratings are not shared with the Board and are not made public.
- Assesses loan portfolio risk, determines the adequacy of provisions for losses on loans and other exposures, and monitors borrowers that are vulnerable to crises in the near term. These reviews are taken into account in determining the overall country programs and lending operations, and they are included in the assessment of IBRD's capital adequacy.
- Reviews proposed new financial products for any implications for country credit risk.

Market and Counterparty Risk Department

- Responsible for market, liquidity, and counterparty credit risk oversight, assessment, and reporting. It does these in coordination with IBRD's financial managers who are responsible for the day-to-day execution of trades for the liquid asset and derivative portfolios, within applicable policy and guideline limits.
- Ensures effective oversight, including: (i) maintaining sound credit assessments, (ii) addressing transaction and product risk issues, (iii) providing an independent review function, (iv) monitoring market and counterparty risk in the investment, borrowing and client operation portfolios, and (v) implementing the model risk governance framework. It also provides reports to the Audit Committee and the Board on the extent and nature of risks, risk management, and oversight.

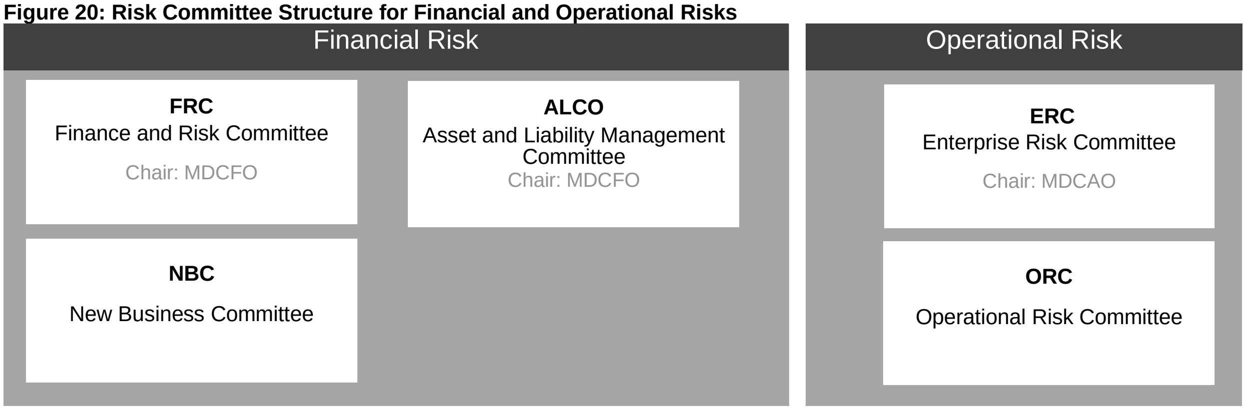
Operational Risk Department

- Provides direction and oversight for operational risk activities by business function.
- Key operational risk management responsibilities include: (i) administering the Operational Risk Committee (ORC) for IBRD, (ii) implementing the operational risk management framework which is aligned with Basel principles and provides direction to business unit partners to ensure consistent application, (iii) assisting and guiding business units in identifying and prioritizing significant operational risks and enabling monitoring and reporting of risks through suitable metrics (or risk indicators), (iv) helping identify emerging risks and trends through monitoring of internal and external risk events, (v) supporting risk response and mitigating actions, and prepares a corporate Operational Risk Report for review and discussion by the ORC.
- Responsible for business continuity management, enterprise risk management functions and corporate insurance.

The risk of IBRD's operations not meeting their development outcomes (development outcome risk) in IBRD's lending activities is monitored at the corporate level by Operations Policy and Country Services (OPCS). Where fraud and corruption risks may impact IBRD-financed projects, OPCS, the regions and practice groups, and the Integrity Vice Presidency jointly address such issues.

Figure 20 depicts IBRD's management risk committee structure for financial and operational risks.

Figure 20: Risk Committee Structure for Financial and Operational Risks



Financial Risk Committees:

The Finance and Risk Committee (FRC), a Vice President level committee, provides a high-level governance structure for decisions that may have financial risks. The FRC was created under the authority of the Managing Director and WBG Chief Financial Officer (MDCFO) to approve, clear, or discuss: (a) risk policy and procedure documents related to financial integrity, income sustainability and balance sheet strength, and (b) issues new business initiatives with policy implications related to IBRD's financial risks, including country credit, market, counterparty, liquidity and model risks; and operational risks related to the finance business functions. The FRC helps to integrate individual components of finance and risk management activities by building on mechanisms and processes already in place and provides a forum for discussing and communicating significant risk related issues. The FRC meets regularly to discuss new products and services, and financial risk management of IBRD.

New Business Committee (NBC) is a standing subcommittee of the FRC. The NBC provides advice, guidance and recommendations to the FRC, by performing due diligence over new financial products or services to ensure that Management has a full understanding of the rationale, costs, risks and rewards of the product or service being considered.

Asset Liability Management Committee (ALCO), a Vice President-level committee chaired by the MDCFO, provides a high-level forum to ensure prudent balance sheet management of IBRD by: a) monitoring its financial positions and Asset-Liability Management (ALM) activities for compliance with its respective guidelines, policies and procedures, including borrowing and investment activities; b) identifying and providing recommendations on emerging ALM issues for IBRD, as well as those related to capital, balance-sheet planning, and financial sustainability and c) serving as reviewing and recommending body for ongoing decisions as part of implementing the ALM policies and procedures of IBRD, including those that impact lending rates and net income.

Operational Risk Committees:

The Enterprise Risk Committee (ERC) is a corporate committee that has oversight over operational and non-financial risks across IBRD. Chaired by the Managing Director and Chief Administrative Officer (MDCAO), it consists of a Vice President level committee to review and discuss enterprise risk matters. Specifically, the Committee has a governance role over risk matters relating to corporate security, business continuity and IT security.

Operational Risk Committee (ORC) is the main governance committee for operational risk and provides a mechanism for an integrated review and response across IBRD units on operational risks associated with people, processes, and systems, including business continuity, and recognizing that business units remain responsible for managing operational risks. The Committee's key responsibilities include monitoring significant operational risk matters and events on a quarterly basis to ensure that appropriate risk-response measures are taken and reviewing and concluding on IBRD's overall operational risk profile. The ORC is chaired by the CRO and escalates significant risks/decisions to the FRC and ERC.

Box 6: Summary of IBRD's Specific Risk Categories

Types of Risk	How the Risk is Managed
Credit Risk	
Country Credit Risk	IBRD's credit-risk-bearing capacity and individual country exposure limits
Counterparty Credit Risk	Counterparty credit limits and collateral
Market Risk	
Interest Rate Risk	Interest rate derivatives to match the sensitivity of assets and liabilities
Exchange Rate Risk	Currency derivatives to match the currency composition of assets and liabilities
Liquidity Risk	Prudential minimum liquidity level
Operational Risk	Risk assessment and monitoring of key risk indicators and internal and external operational risk events

Management of IBRD's Risks

IBRD assumes financial risks in order to achieve its development and strategic objectives. IBRD's financial risk management framework is designed to enable and support the institution in achieving its goals in a financially sustainable manner. IBRD manages credit, market and operational risks for its financial activities, which include lending, borrowing and investing (Box 6). The primary financial risk to IBRD is the country credit risk inherent in its loan portfolio. IBRD is also exposed to risks in its liquid asset and derivative portfolios, where the major risks are interest rate, exchange rate, commercial counterparty, and liquidity risks. IBRD's operational risk management framework is based on a structured and uniform approach to identify, assess and monitor key operational risks across business units.

In an effort to maximize IBRD's capacity to lend to member countries for development purposes, IBRD limits its exposure to market and counterparty credit risks. In addition, to ensure that the financial risks associated with its loans and other exposures do not exceed its risk-bearing capacity, IBRD uses a strategic capital adequacy framework as a key medium-term capital planning tool.

Geopolitical Events and COVID-19 Pandemic

Ukraine

The war in Ukraine that began in February 2022 has negatively impacted regional and global financial markets and economic conditions. It has also created significant needs for humanitarian and other critical support. From the outbreak of the conflict, through June 30, 2022, IBRD committed $1,073 million and disbursed $1,428 million (including commitments made prior to the start of the war) to help the government of Ukraine provide critical services.

As of June 30, 2022, IBRD's loans outstanding to Ukraine and the Russian Federation were $7.8 billion and $0.1 billion, respectively (3.4% and 0.1% of the total loans outstanding, respectively). Of the total loans outstanding to Ukraine, $1.1 billion are guaranteed by third parties. In addition, IBRD issued $685 million of guarantees to Ukraine that were outstanding as of June 30, 2022.

COVID-19

As a result of the ongoing COVID-19 pandemic, IBRD continues to respond to client needs and operate its core business functions effectively by utilizing technology for remote work, where needed. IBRD will continue to prioritize the health and safety of its staff through mitigation measures, including vaccination, masking, and testing.

As of June 30, 2022, despite the broad impact of geopolitical events and the COVID-19 pandemic on macroeconomic conditions, IBRD had sufficient resources to meet its liquidity requirements and continues to have access to capital market resources. The liquid asset portfolio was 138% of the Target Liquidity Level.

Management remains vigilant in assessing funding needs in the medium and longer-term to manage the effect of possible severe market movements.

IBRD's capital adequacy, as indicated by Equity-to-Loans ratio, remains stable (Figure 21 and Table 29) and above the minimum level.

As of the reporting date, country credit risk and counterparty credit risk remain in line with the existing governance framework and established credit limits. The loan loss provisions include IBRD's current assessment of country credit risk. The fair values of related financial instruments reflect counterparty credit risk in IBRD's portfolios. Developments in the market continue to be closely monitored and managed.

Capital Adequacy

IBRD holds capital to cover the credit, market and operational risks inherent in its operating activities and financial assets. Country credit risk is the most substantive risk covered by IBRD's equity.

IBRD's capital adequacy is the degree to which its equity is sufficient to withstand unexpected shocks. IBRD's Board monitors IBRD's capital adequacy within a strategic capital adequacy framework and uses the equity-to-loans ratio as a key indicator of capital adequacy. The framework seeks to ensure that IBRD's equity is aligned with the financial risk associated with its loan portfolio as well as other exposures over a medium-term capital-planning horizon. Under the currency management policy, to minimize exchange rate risk, IBRD matches its borrowing obligations in any one currency (after derivatives) with assets in the same currency. In addition, IBRD periodically undertakes currency conversions to align the currency composition of its equity with that of its outstanding loans, across major currencies.

Figure 21: Equity-to-Loans Ratio

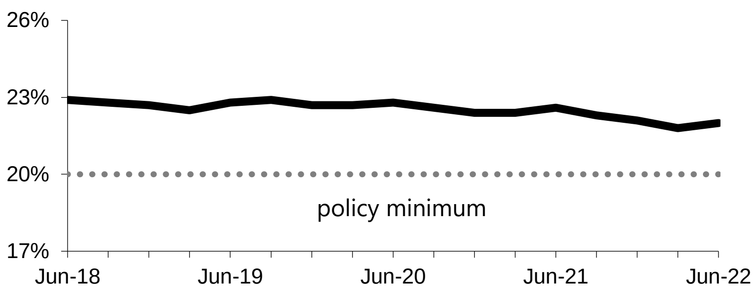


Table 29: Equity-to-Loans Ratio
In millions of U.S. dollars

As of June 30,	2022	2021	Variance: Total	Variance: Due to Activities	Variance: Due to Translation Adjustment
Usable paid-in capital	$ 19,352	$ 18,583	$ 769	$ 1,257	$ (488)
Special reserve	293	293	-	-	-
General reserve [a]	32,053	31,464	589	589	-
Cumulative translation adjustment [b]	(1,342)	(268)	(1,074)	-	(1,074)
Other adjustments [c]	125	(75)	200	-	200
Equity (usable equity)	**$ 50,481**	**$ 49,997**	**$ 484**	**$ 1,846**	**$ (1,362)**
Loans exposure	$ 229,344	$ 220,564	$ 8,780	$ 14,874	$ (6,094)
Present value of guarantees	2,703	3,079	(376)	(159)	(217)
Effective but undisbursed DDOs	598	-	598	598	-
Relevant accumulated provisions	(2,142)	(1,630)	(512)	(562)	50
Deferred loan income	(510)	(495)	(15)	(29)	14
Other exposures	(743)	(723)	(20)	(20)	-
Loans (total exposure)	**$ 229,250**	**$ 220,795**	**$ 8,455**	**$ 14,702**	**$ (6,247)**
Equity-to-Loans Ratio	**22.0%**	**22.6%**			

a. Includes transfer to the General Reserve, which for FY22 (FY21) was approved by the Board on August 4, 2022 (August 5, 2021).
b. Excludes cumulative translation amounts associated with the unrealized mark-to-market gains/losses on non-trading portfolios, net.
c. Includes cumulative translation gains on non-functional currencies of $173 million for FY22 ($27 million losses for FY21).

IBRD's equity-to-loans ratio decreased to 22.0% as of June 30, 2022, compared with 22.6% as of June 30, 2021, above the 20% minimum threshold level (Table 29). The decline was due to the increase of approximately $14.7 billion in total exposure, partially offset by the receipt of capital subscription payments of $1.3 billion and the retention of $0.6 billion in the General Reserve out of FY22 allocable income.

Credit Risk

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

Country Credit Risk

IBRD's mandate is to take only sovereign credit risk in its lending activities. Within country credit risk, three distinct types of risks can be identified: idiosyncratic risk, correlation risk, and concentration risk. Idiosyncratic risk is the risk of an individual borrowing country's exposure falling into nonaccrual status for country-specific reasons (such as policy slippage or political instability). Correlation risk is the risk that exposure to two or more borrowing countries will fall into nonaccrual in response to common global or regional economic, political, or financial developments. Concentration risk is the risk resulting from having a large portion of exposure outstanding which, if the exposure fell into nonaccrual, would result in IBRD's financial health being excessively impaired. Concentration risk needs to be evaluated both on a stand-alone basis (exposure of one borrowing country) and when taking into account correlation when more than one borrowing country is affected by a common event, such that when combined, IBRD's exposure to a common risk is elevated.

To estimate idiosyncratic risk and stand-alone concentration risk, the Credit Risk Department looks at IBRD's exposure to each borrowing country and each borrowing country's expected default to IBRD as captured in its credit rating. Credit ratings and default probabilities reflect country economic, financial and political circumstances, and also consider environmental, social and governance (ESG) risk factors. For correlation risk, the Credit Risk Department models the potential common factors that could impact borrowing countries simultaneously. The existence of correlation increases the likelihood of large nonaccrual events, as most of these nonaccrual events involve the joint default of two or more obligors in the portfolio.

IBRD manages country credit risk by using individual country exposure limits and produces credit risk ratings for all its borrowing countries. In addition, IBRD conducts stress tests of the effects of changes in market variables and of potential geopolitical events on its portfolio to complement its capital adequacy framework.

Portfolio Concentration Risk

Portfolio concentration risk, which arises when a small group of borrowers, accounts for a large share of loans outstanding, is a key concern for IBRD. It is carefully managed for each borrowing country, in part, through an exposure limit for the aggregate balance of loans outstanding, the present value of guarantees, and the undisbursed portion of Deferred Drawdown Options (DDOs) that have become effective, among other potential exposures. Under current guidelines, IBRD's exposure to a single borrowing country is restricted to the lower of an Equitable Access Limit (EAL) or the Single Borrower Limit (SBL).

Equitable Access Limit

The EAL is equal to 10% of IBRD's Statutory Lending Limit (SLL). Under IBRD's Articles, as applied, total loans outstanding, including participations in loans and callable guarantees, may not exceed the sum of unimpaired subscribed capital, reserves and surplus, referred to as the SLL. The SLL seeks to ensure that sufficient resources are available to meet IBRD's obligations to bondholders in the highly unlikely event of substantial and historically unprecedented losses on IBRD's loans. As of June 30, 2022, the SLL totaled $339.0 billion, of which the outstanding loans and callable guarantees totaled $235.7 billion, or 69.5% of the SLL. The EAL was $34.0 billion, as of June 30, 2022.

Single Borrower Limit

The SBL amount is established, in part, by assessing its impact on overall portfolio risk relative to equity. The SBL caps the maximum exposure to IBRD's most creditworthy and largest borrowing countries in terms of population and economic size. The SBL framework reflects a dual-SBL system, with the SBL for countries above the Graduation Discussion Income (GDI) threshold set lower than the SBL for countries below GDI. GDI is the level of GNI per capita of a member country above which graduation from IBRD starts being discussed. The GDI threshold was $7,155 as of July 1, 2021. Under the dual-SBL system, the SBL for FY22 was $24.9 billion for highly creditworthy countries below the GDI and $21.2 billion for highly creditworthy countries above the GDI. The SBL framework also contains a 50-basis point surcharge (SBL surcharge) payable on the incremental exposure in excess of the SBL surcharge threshold (defined as $2.5 billion below the SBL for the respective GDI group). In the event that a borrowing country eligible for one of the limits set under the SBL framework is downgraded to the high-risk category, management may determine that the borrowing country continue to be eligible for borrowing at the currently applicable limit, but the borrowing country would not be eligible for any future increases in the SBL approved by the Board. During FY22, there were two countries below-GDI and two countries above-GDI, which have their exposure limits set at the applicable SBLs. For all other countries, the individual country exposure limits were set below the relevant SBL. In the context of IBRD's overall response to the impact of the COVID 19 crisis, on June 17, 2021, the Board approved temporary relief from the SBL surcharge by excluding all financings approved between May 20, 2021 and the end of FY22 for purposes of calculating whether a country's exposure exceeds the SBL surcharge threshold. Operations excluded from the SBL surcharge calculation will continue to count towards SBL compliance.

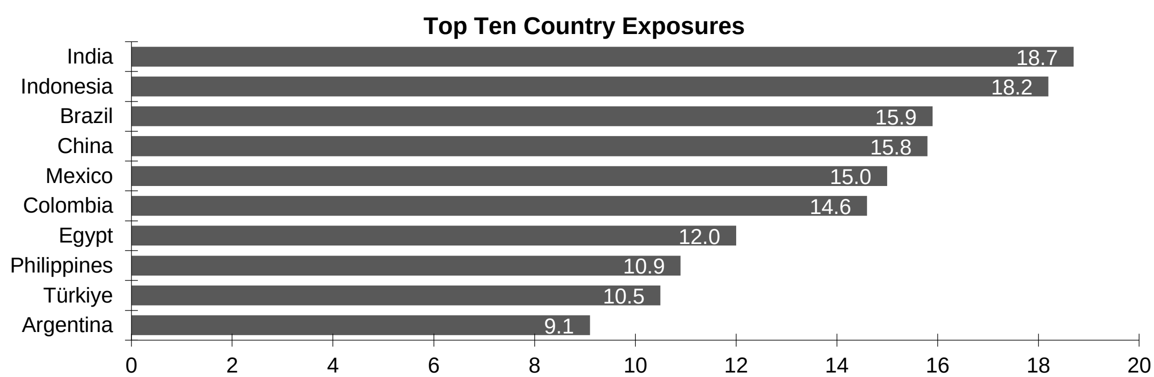
As of June 30, 2022, the ten countries with the highest exposures accounted for about 61% of IBRD's total exposure (Figure 22: Country Exposures as of June 30, 2022). IBRD's largest exposure to a single borrowing country was $18.7 billion on June 30, 2022. Monitoring these exposures relative to the limits, however, requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

Sustainable Annual Lending Limit (SALL)

The Financial Sustainability Framework (FSF) requires IBRD to align its annual lending levels to its long-term sustainable capacity, while retaining flexibility to respond to crises by maintaining a crisis buffer.

The SALL is the maximum annual commitment level sustainable, in real terms, for 10 years in line with IBRD's capital adequacy framework and the Statutory Lending Limit set out in IBRD's Articles, as determined by management. Under the FSF, the Board annually approves a crisis buffer. The crisis buffer-adjusted sustainable annual lending limit (SALL-Adj) serves as the upper bound for regular lending in the next year. For the fiscal year ending June 30, 2022 the SALL-Adj was $28.0 billion. On June 28, 2022, the Board approved a crisis buffer of $5.0 billion, resulting in a SALL-Adj of $27.0 billion for FY23. Based on the final lending outcome for FY22, resulting in a carryover of $4.5 billion from the FY22 crisis buffer, the applicable FY23 lending ceiling is $36.5 billion.

Figure 22: Country Exposures as of June 30, 2022
In billions of U.S. dollars



Credit-Risk-Bearing Capacity

Management uses risk models to estimate the size of a potential nonaccrual shock that IBRD could face over the next three years at a given confidence level. The model-estimated nonaccrual shock is a single measure of the credit quality of the portfolio that combines the following:

- IBRD's country-credit-risk ratings and their associated expected risk of default;
- Covariance risks;
- The loan portfolio's distribution across risk rating categories; and
- The exposure concentration.

The shock estimated by this risk model is used in IBRD's capital adequacy testing to determine the impact of potential nonaccrual events on equity and income earning capacity.

Expected Losses, Overdue Payments, and Non-Performing Loans

The loan loss provision is calculated by taking into account IBRD's total estimated exposure, the Expected Default Frequency (EDF), i.e. probability of default, and the assumed loss in the event of default. Expected losses inherent in the loan portfolio attributable to country credit risk are covered by the accumulated provision for losses on loans and other exposures, while unexpected losses owing to country credit risk are covered by equity (see Notes to the Financial Statements, Note A: Summary of Significant Accounting and Related Policies and Note D: Loans and Other Exposures).

When a borrower fails to make payments due to IBRD on any principal, interest, or other charges, IBRD may suspend disbursements immediately on all loans to that borrower. IBRD's current practice is to exercise this option using a graduated approach (Box 7). These practices also apply to member countries eligible to borrow from both IBRD and IDA, and whose payments on IDA loans may become overdue. It is IBRD's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of June 30, 2022, there were no principal or interest amounts on loans in accrual status, that were overdue by more than three months.

As of June 30, 2022, 0.2% of IBRD's loans were in nonaccrual status and all related to Zimbabwe. The exposures to Zimbabwe were $428 million as of June 30, 2022, compared with $432 million as of June 30, 2021. IBRD received a payment of $3 million from Zimbabwe in FY22 (FY21: $1.5 million).

Box 7: Treatment of Overdue Payments

Overdue by 30 days	Where the borrower is the member country, no new loans to the member country, or to any other borrower in the country, will be presented to the Board for approval, nor will any previously approved loan be signed, until payments for all amounts 30 days overdue or longer have been received. Where the borrower is not the member country, no new loans to that borrower will be signed or approved. In either case, the borrower will lose its eligibility for any waiver of interest charges in effect at that time for loans signed before May 16, 2007, and those loans signed between May 16, 2007, and September 27, 2007, if the borrowers elected not to convert the terms of their loans to the pricing terms effective September 27, 2007. For loans with the pricing terms applicable from May 16, 2007, an overdue interest penalty will be charged at a rate of 50 basis points on the overdue principal. In addition, if an overdue amount remains unpaid for a period of 30 days, then the borrower will pay a higher interest rate (LIBOR + fixed spread) plus 50 basis points on the overdue principal amount until the overdue amount is fully paid.
Overdue by 45 days	In addition to the provisions cited above for payments overdue by 30 days, to avoid proceeding further on the notification process leading to suspension of disbursements, the country as borrower or guarantor and all borrowers in the country must pay not only all payments overdue by 30 days or more, but also all payments due regardless of the number of days since they have fallen due. Where the borrower is not the member country, no new loans to, or guaranteed by, the member country, will be signed or approved. Additionally, all borrowers in the country will lose eligibility for any waivers of interest in effect at the time.
Overdue by 60 days	In addition to the suspension of approval for new loans and signing of previously approved loans, disbursements on all loans to, or guaranteed by, the member country are suspended until all overdue amounts are paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements can be made to a member country upon the Board's approval.
Overdue by more than six months	All loans made to, or guaranteed by, a member of IBRD are placed in nonaccrual status, unless IBRD determines that the overdue amount will be collected in the immediate future. Unpaid interest and other charges not yet paid on loans outstanding are deducted from the income for the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, if collectability risk is considered to be particularly high, the member's exposures may not automatically emerge from nonaccrual status. In such instances, a decision is made on the restoration of accrual status on a case-by-case basis; in certain cases, this decision may be deferred until after a suitable period of payment performance has passed.

Counterparty Credit Risk

IBRD is exposed to commercial and non-commercial counterparty credit risk.

Commercial Counterparty Credit Risk

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

IBRD mitigates the counterparty credit risk from its investment and derivative holdings through the credit approval process, the use of collateral agreements and risk limits, and other monitoring procedures. The credit approval process involves evaluating counterparty and product-specific creditworthiness, assigning internal credit ratings and limits, and determining the risk profile of specific transactions. Credit limits are set and monitored throughout the year. Counterparty exposure is updated daily, considering the current market values of assets held, estimates of potential future movements of exposure for derivative instruments, and related counterparty collateral agreements, where collateral posting requirements are based on thresholds driven by public credit ratings. Collateral held includes cash and highly rated liquid investment securities. Commercial credit risk management includes ESG related assessments in the approval and monitoring of higher exposure counterparties for the liquid asset portfolio and for derivative counterparties. In addition, third-party ESG scores of the liquid asset portfolio and derivative exposures are monitored.

IBRD's liquid asset investment portfolio consists mostly of sovereign government bonds, debt instruments issued by sovereign government agencies, and bank time deposits. More than half of these investments are with issuers and counterparties rated triple-A and AA (Table 30).

Derivative Instruments

In the normal course of its business, IBRD enters into various derivative instruments to manage foreign exchange and interest rate risks. These derivatives are used mainly to meet the financial needs of IBRD borrowers and to manage the institution's exposure to fluctuations in interest and exchange rates. These transactions are conducted with other financial institutions and, by their nature, entail commercial counterparty credit risk.

While the volume of derivative activity can be measured by the contracted notional value of derivatives, notional value is not an accurate measure of credit or market risk. IBRD uses the estimated replacement cost of the derivative instrument, or potential future exposure to measure counterparty credit risk with these trading partners.

Under IBRD's collateral arrangements, IBRD receives collateral when mark-to-market exposure is greater than the ratings based collateral threshold. As of June 30, 2022, IBRD had received collateral of cash and securities totaling $0.6 billion.

IBRD is not required to post collateral under its derivative agreements as long as it maintains a triple-A credit rating. (For the contractual value, notional amounts, related credit risk exposure amounts, and the amount IBRD would be required to post in the event of a downgrade, see Notes to Financial Statements, Note F: Derivative Instruments).

Investment Securities

The Board-approved General Investment Authorization provides the basic authority for IBRD to invest its liquid assets. Furthermore, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines. The Investment Guidelines are approved by the MDCFO and implemented by the Treasurer. These Investment Guidelines set out detailed trading and operational rules, including which instruments are eligible for investment, and establish risk parameters relative to benchmarks. These include an overall consultative loss limit and duration deviation, specifying concentration limits on counterparties and instrument classes, as well as clear lines of responsibility for risk monitoring and compliance. Credit risk is controlled by applying eligibility criteria (Box 8).

The overall market risk of the investment portfolio is subject to a consultative loss limit to reflect a level of tolerance for the risk of underperforming the benchmark in any fiscal year. IBRD has procedures in place to monitor performance against this limit and potential risks, and it takes appropriate actions if the limit is reached. All investments are subject to additional conditions specified by the Chief Risk Officer, as deemed necessary.

IBRD's exposure to futures and options and resale agreements is marginal. For futures and options, IBRD generally closes out open positions prior to expiration. Futures are settled on a daily basis. In addition, IBRD monitors the fair value of resale securities received and, if necessary, closes out transactions and enters into new repriced transactions.

Management has broadened its universe of investment assets in an effort to achieve greater diversification in the portfolio and better risk-adjusted investment performance. This exposure is monitored by the Market and Counterparty Risk Department.

Box 8: Eligibility Criteria for IBRD's Investments [a]

Instrument Securities	Description
Sovereigns	IBRD may only invest in obligations issued or unconditionally guaranteed by governments of member countries with a minimum credit rating of AA-. However, no rating is required if government obligations are denominated in the national currency of the issuer.
Agencies	IBRD may invest only in obligations issued by an agency or instrumentality of a government of a member country, a multilateral organization, or any other official entity (other than the government of a member country), with a minimum credit rating of AA-.
Corporates and asset-backed securities	IBRD may only invest in securities with a triple-A credit rating.
Time deposits [b]	IBRD may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.
Commercial Paper	IBRD may only invest in short-term borrowings (less than 190 days) from commercial banks, corporates, and financial institutions with at least two Prime-1 ratings.
Securities lending, and borrowing, repurchases, resales, and reverse repurchases	IBRD may engage in securities lending against adequate collateral, repurchases and reverse repurchases, against adequate margin protection, of the securities described under the sovereigns, agencies, and corporates and asset-backed security categories.
Collateral Assets	IBRD may engage in collateralized forward transactions, such as swap, repurchase, resale, securities lending, or equivalent transactions that involve certain underlying assets not independently eligible for investment. In each case, adequate margin protection needs to be received.

a. All investments are subject to approval by the Market and Counterparty Risk Department and must appear on the "Approved List" created by the department.

b. Time deposits include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks or other financial institutions.

Commercial Counterparty Credit Risk Exposure

As a result of IBRD's use of collateral arrangements for swap transactions, its residual commercial counterparty credit risk is concentrated in the investment portfolio, in instruments issued by sovereign governments and non-sovereign holdings (including agencies and asset-backed securities) (Table 30).

Table 30: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating
In millions of U.S. dollars

	As of June 30, 2022				
	Investments				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 21,582	$ 10,398	$ -	$ 31,980	40%
AA	1,520	28,413	68	30,001	37
A	6,060	11,890	88	18,038	23
BBB	-	48	-	48	*
BB or lower/unrated	39	5	2	46	*
Total	$ 29,201	$ 50,754	$ 158	$ 80,113	100%

	As of June 30, 2021				
	Investments				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 25,186	$ 10,136	$ -	$ 35,322	41%
AA	2,828	23,525	628	26,981	31
A	12,188	11,999	191	24,378	28
BBB	-	56	-	56	*
BB or lower/unrated	40	8	-	48	*
Total	$ 40,242	$ 45,724	$ 819	$ 86,785	100%

a. *Average rating is calculated using available ratings from the three major rating agencies; however, if ratings are not available from each of the three rating agencies, IBRD uses the average of the ratings available from any of such rating agencies or a single rating to the extent that an instrument or issuer (as applicable) is rated by only one rating agency.*
* *Indicates amount less than $0.5 million or percentage less than 0.5%.*

IBRD's overall commercial counterparty credit exposure, net of collateral held, was $80.1 billion as of June 30, 2022. As shown on Table 30, the credit quality of IBRD's portfolio remains concentrated in the upper end of the credit spectrum, with 77% of the portfolio rated AA or above and the remaining portfolio primarily rated A. The A rated counterparties primarily consisted of sovereigns and financial institutions (limited to short-term deposits and swaps).

Non-Commercial Counterparty Credit Risk

In addition to its derivative transactions with commercial counterparties, IBRD offers derivative-intermediation and other services to borrowing member countries, as well as to affiliated and non-affiliated organizations, to help meet their development needs or to carry out their development mandates (see Table 31).

Table 31: Non-Commercial Counterparty Credit Risk
In millions of U.S. dollars
Exposures as of June 30, 2022

Non-Commercial Counterparty	Instrument used	Purpose of derivative transaction	Notional	Net Exposure
Borrowing Member Countries	Derivatives	Assist borrowing member countries with managing risks	$ 8,467	$ 272
Affiliated Organization	Derivatives	Intermediation on behalf of IDA	278	8
Non-Affiliated Organization	Derivatives	Assist IFFIm with managing risks	3,236	4
			$ 11,981	$ 284

- *Borrowing Member Countries:* Currency and interest rate swap transactions are executed between IBRD and its borrowers under master derivative agreements. As of June 30, 2022, the notional amounts and net fair value exposures under these agreements were $8.5 billion and $0.3 billion, respectively. Expected losses inherent in these exposures due to country credit risk are incorporated in the fair value of these instruments.
- *Affiliated Organizations:* Derivative contracts are executed between IBRD and IDA, under an agreement allowing IBRD to intermediate derivative contracts on behalf of IDA. As of June 30, 2022, the notional amount under this agreement was $0.3 billion. As of June 30, 2022, IBRD had exposure of $8 million to IDA. 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 June 30, 2022, IDA was not required to post any collateral with IBRD.
- *Non-Affiliated Organizations:* IBRD has a master derivatives agreement with IFFIm, under which several transactions have been executed. As of June 30, 2022, the notional amounts and net fair value exposures under this agreement were $3.2 billion and $4 million, respectively. IBRD has the right to call for collateral above an agreed specified threshold. As of June 30, 2022, IBRD had not exercised this right, but it reserves the right under the existing terms of the agreement. Rather than calling for collateral, IBRD and IFFIm have agreed to manage IBRD's exposure by applying a risk management buffer to the gearing ratio limit. The gearing ratio limit represents the maximum amount of IFFIm's net financial obligations less cash and liquid assets, as a percentage of the net present value of its financial assets.

Credit and Debit Valuation Adjustments

Most outstanding derivative positions are transacted over the counter and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IBRD has a net exposure (net receivable position), IBRD calculates a Credit Valuation Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IBRD is in a net payable position, IBRD calculates a Debit Valuation Adjustment (DVA) to reflect its own credit risk.

The CVA is calculated using the fair value of the derivative contracts, net of collateral received under credit support agreements, and the probability of counterparty default based on the Credit Default Swaps (CDS) spread and, where applicable, proxy CDS spreads. IBRD does not currently hedge this exposure. The DVA calculation is generally consistent with the CVA methodology and incorporates IBRD's own credit spread as observed through the CDS market. As of June 30, 2022, IBRD recorded a CVA on its Balance Sheet of $2 million, and a DVA of $571 million.

Effect of Changes in Credit Spreads

The sensitivity of IBRD's portfolios to changes in credit spreads is shown in Table 32, where the amount represents the dollar change in fair value which corresponds to a one basis point parallel upward shift in credit spreads.

- *Investments:* IBRD purchases investment-grade securities for its liquid asset portfolio. Credit risk is controlled through appropriate eligibility criteria (see Box 8). The overall risk of the investment portfolio is also constrained by a consultative loss limit. In line with these risk management strategies, the potential effect of default risk on IBRD's investment portfolio is therefore small. The effect of credit changes on the market value of the investment portfolio is also relatively limited; a one-basis-point change in the credit spreads of the investment assets would have an estimated impact of $1 million on the market value of the portfolio.
- *Borrowings:* IBRD had $564 million of unrealized mark-to-market gains due to the change in IBRD's own credit relative to LIBOR in FY22. As shown in Table 32, the dollar value change corresponding to a one basis-point upward parallel shift in credit spreads (IBRD's own credit relative to LIBOR) is $92 million of unrealized mark-to-market gains.
- *Loans.* IBRD's fair value model represents a hypothetical exit price of the loan portfolio. It incorporates CDS spreads as an indicator of the credit risk for each borrower, after adjusting recovery levels to incorporate IBRD's institutional experience and assumptions. These assumptions are reviewed annually. The dollar value change corresponding to a one-basis-point parallel rise in CDS rates on the loan portfolio is $2 million of unrealized mark-to-market losses. IBRD does not hedge its sovereign credit exposure, but Management assesses its credit risk through a proprietary loan-loss provisioning model. Loan-loss provision represents the expected losses inherent in its accrual and nonaccrual portfolios. As discussed earlier, IBRD's country credit risk is managed by using individual country exposure limits and by monitoring its credit-risk-bearing capacity.

- *Derivatives.* IBRD uses derivatives to manage exposures to currency and interest rate risks in its investment, loan, other ALM and borrowing portfolios. It is therefore exposed to commercial counterparty credit risk on these instruments. This risk is managed through:
  - Stringent selection of commercial derivative counterparties,
  - Daily marking-to-market of derivative positions, and
  - Use of collateral and collateral thresholds for all commercial counterparties.

Table 32: Effect of Credit on IBRD's Portfolios
In millions of U.S. dollars

As of June 30, 2022		*Credit Effect on Portfolio Sensitivity* [a]
Borrowing portfolio	$	92
Loan portfolio [b]		(2)
Other ALM portfolio		(*)
Investment portfolio		(1)
Total gains	**$**	**89**

a. Excludes CVA and DVA on derivatives.
b. If loans were measured at fair value
** Sensitivity is marginal.*

Market Risk

IBRD is exposed to changes in interest and exchange rates, and it uses various strategies to minimize its exposure to market risk.

Interest Rate Risk

Under its current interest rate risk management strategy, IBRD seeks to match the interest rate sensitivity of its assets (loan and investment trading portfolios) with those of its liabilities (borrowing portfolio) by using derivatives, such as interest rate swaps. These derivatives effectively convert IBRD's financial assets and liabilities into variable-rate instruments. After considering the effects of these derivatives, virtually the entire loan and borrowing portfolios are carried at variable interest rates (Figure 24 and Figure 25).

The sensitivity of these portfolios to interest rate movements, after the effect of derivatives, is shown in Table 33 below where the amount represents the dollar change in fair value corresponding to a one basis point parallel upward shift in interest rates as of June 30, 2022.

- *Investment Trading Portfolio:* After the effects of derivatives, the duration of the investment trading portfolio is less than three months. As a result, the portfolio has a low sensitivity to changes in interest rates, resulting in small fair value adjustments to income.
- *Loan and Borrowing Portfolios:* In line with IBRD's financial risk management strategies, the sensitivity of IBRD's loan and borrowing portfolios to changes in interest rates is relatively small. As noted earlier, IBRD intends to maintain its positions for these portfolios and thus manages these instruments on a cash flow basis. The resulting net unrealized mark-to-market gains and losses on these portfolios, associated with the small sensitivity to interest rates, are therefore not expected to be realized.
- *Other ALM Portfolio:* At the end of FY22, a one basis-point increase in interest rates would result in unrealized mark-to-market losses of $15 million on the other ALM portfolio (unrealized mark-to-market losses of $16 million at the end FY21).

Table 33: Effect of Interest Rates on IBRD's Portfolios
In millions of U.S. dollars

As of June 30, 2022		*Interest Rate Effect on Portfolio Sensitivity* [a]
Borrowing portfolio	$	5
Loan portfolio [b]		(7)
Other ALM portfolio		(15)
Investment portfolio		(1)
Total losses	**$**	**(18)**

a. After the effects of derivatives.
b. If loans were measured at fair value.

Figure 23 depicts how the use of derivatives affects the overall sensitivity of the borrowing, loan, other ALM and investment portfolios. It indicates the extent to which each portfolio is economically hedged. For example, for the borrowing portfolio, a one basis point increase in interest rates would result in $92 million of unrealized mark-to-market gains on bonds, which would be offset by $87 million of unrealized mark-to-market losses on swaps. Loan sensitivities are illustrative as loans are carried at amortized cost on the Balance Sheet.

Figure 23: Sensitivity to Interest Rates
(Dollar change in fair value corresponding to a one-basis-point upward parallel shift in interest rates)
In millions of U.S. dollars

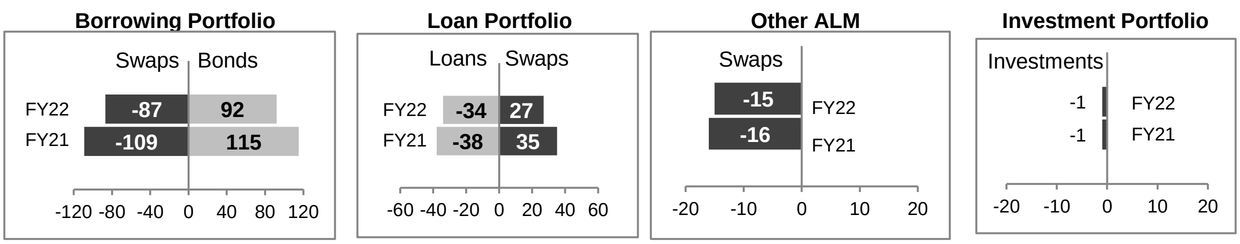
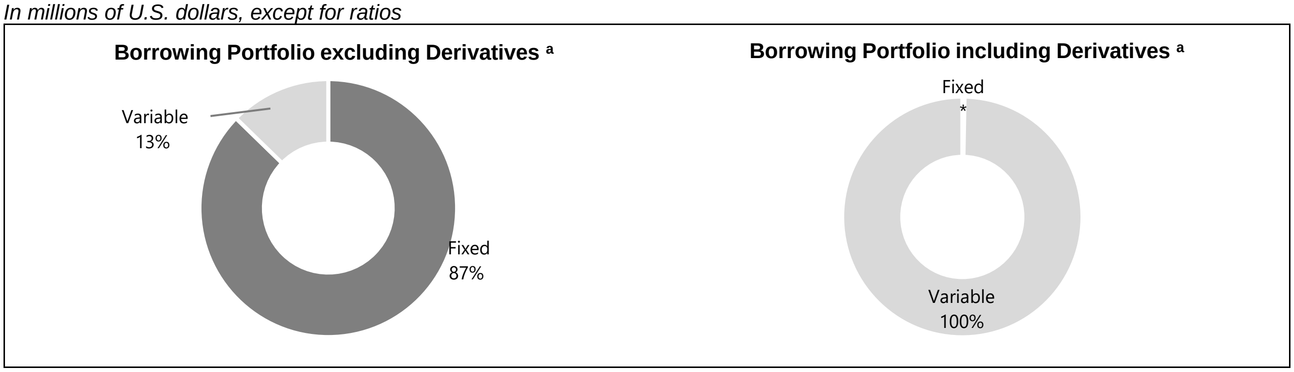
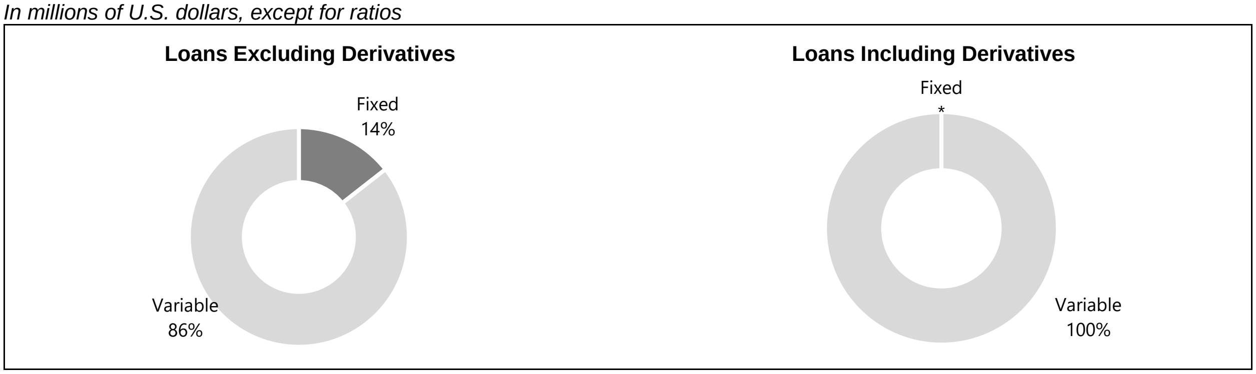


Figure 24: Effect of Derivatives on Interest Rate Structure of the Borrowing Portfolio - June 30, 2022
In millions of U.S. dollars, except for ratios



a. Excludes discount notes.
** Denotes percentage less than 0.5%.*

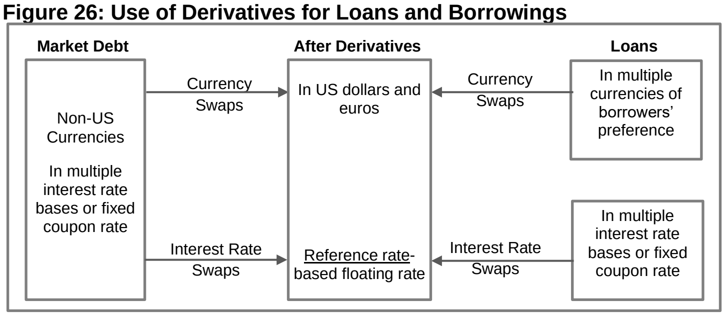
Figure 25: Effect of Derivatives on Interest Rate Structure of the Loan Portfolio - June 30, 2022
In millions of U.S. dollars, except for ratios



* *Denotes percentage less than 0.5%.*

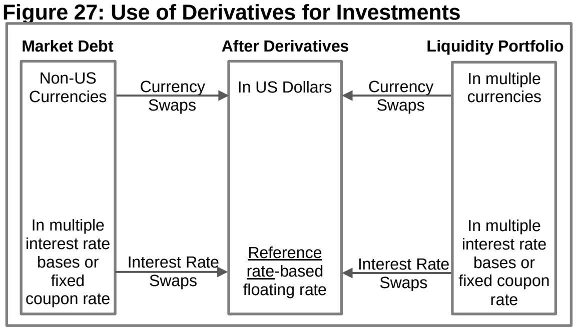
Alignment of Assets and Liabilities – IBRD borrows in multiple currency and interest rate bases worldwide and lends the proceeds of those borrowings to eligible member countries. IBRD offers its borrowers the option of converting the currency and interest rate bases on their loans where there is a liquid swap market, thereby enabling them to select loan terms that are best suited to their circumstances. Such options meet borrowers' preferences and help mitigate their currency and interest rate risk. In the absence of active risk management, IBRD would be exposed to substantial market risk and asset-liability management imbalances. To address such imbalances, IBRD uses derivatives to swap its payment obligations on bonds to a currency and interest rate basis that is aligned with its loan portfolio. Likewise, when a borrower exercises a conversion option on a loan to change its currency or interest rate basis, IBRD uses derivatives to convert its exposure back to a currency and interest rate basis that is aligned with its loan portfolio. Thus, IBRD's payment obligations on its borrowings are aligned with its loans funded by such borrowings – generally, after the effect of derivatives, IBRD primarily pays U.S. dollar, short-term variable rates on its borrowings, and receives U.S. dollar, short-term variable rates on its loans. Figure 26 below illustrates the use of derivatives in the loan and borrowing portfolios:

Figure 26: Use of Derivatives for Loans and Borrowings



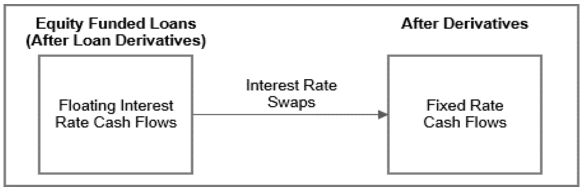
Derivatives are also used to manage market risk in the liquidity portfolio. In line with its development mandate, IBRD maintains a large liquidity balance to ensure that it can make payments on its borrowing obligations and loan disbursements, even in the event of severe market disruptions. Pending disbursement, the liquidity portfolio is invested on a global basis in multiple currencies and interest rates. Derivatives are also used to align the currency and duration of investments with the debt funding the liquidity portfolio. Figure 27 below illustrates the use of derivatives in the liquidity portfolio:

Figure 27: Use of Derivatives for Investments



Other ALM – Given most loans carry variable rates, for the portion of loans that are funded by equity, loan interest revenue, if left unmanaged, would be highly sensitive to fluctuations in short-term interest rates. The equity-to-loans ratio of 22.0% indicates the portion of loans funded by equity. To manage this exposure, Management has put in place a framework with the primary goal of stabilizing this revenue. Under this framework, IBRD uses derivatives to convert the variable rate cash flows on loans funded by equity back to fixed rate cash flows, thereby stabilizing loan interest revenue over time. See Figure 28 below.

Figure 28: Use of Derivatives for Other ALM



Although interest rates have been rising, low and negative interest rates present a challenge for various IBRD portfolios.

Loans to borrowing countries:

Under IBRD's loan agreements, if an interest rate formula yields a negative rate, the interest rate charged is zero.

Liquid Asset Portfolio:

IBRD's existing guidelines allow for the investment in a wide variety of credit products in both developed and emerging market economies (see investment eligibility criteria in Box 8). However, even markets with negative rates can provide positive spread returns once the investment is swapped back into a U.S. dollar floating rate basis. In FY22, IBRD's liquid asset portfolio incurred unrealized mark-to-market losses due to the sharp increase in interest rates. However, excluding these unrealized mark-to-market losses, IBRD was able to generate a positive spread on its liquid asset portfolio.

The interest rate risk on IBRD's liquid asset portfolio, including the risk that the value of assets in the portfolio will fluctuate in response to changes in market interest rates, is managed within specified duration-mismatch limits. The liquid asset portfolio has spread exposure because IBRD holds instruments other than the short-term bank deposits represented by the portfolios' London Interbank Bid Rate (LIBID) benchmark. These investments generally yield positive returns over the benchmark but can generate mark-to-market losses if their spreads relative to LIBOR widen.

Fixed Spread Loan Refinancing Risk

Refinancing risk for funding fixed-spread loans relates to the potential impact of any future deterioration in IBRD's funding spread relative to what was computed in the fixed spread. IBRD does not match the maturity of its funding with that of its fixed spread loans as this would result in significantly higher financing costs for all loans. Instead, IBRD targets a shorter average funding maturity and manages the refinancing risk through two technical components of the fixed spread loans pricing, both of which can be changed at Management's discretion for new loan offers. (see Table 13):

- *Projected funding cost:* Management's best estimate of average funding costs over the life of the loan.
- *Risk premium:* A charge for the risk that actual funding costs are higher than projected Liquid Asset Portfolio Spread Exposure.

Effective April 1, 2021, IBRD's offering of loans on fixed spread terms has been suspended.

Other Interest Rate Risks

Interest rate risk also arises from other variables, including differences in timing between the contractual maturities or re-pricing of IBRD's assets, liabilities, and derivative instruments. On variable-rate assets and liabilities, IBRD is exposed to timing mismatches between the re-set dates on its variable-rate receivables and payables. IBRD monitors these exposures and may execute overlay interest rates swaps to reduce sizable timing mismatches.

Alternative Reference Rate

In July 2017, the Financial Conduct Authority (FCA), the regulator of LIBOR, announced that it would no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021, and therefore, market participants, including IBRD and its borrowers needed to move to alternative reference rates. In March 2021, the FCA confirmed that all the LIBOR settings will either cease to be provided by any administrator or no longer be representative, as follows:

Type of LIBOR	Setting	Date of cessation
GBP LIBOR EUR LIBOR CHF LIBOR JPY LIBOR	All settings	December 31, 2021
USD LIBOR	1-week, 2-month	December 31, 2021
USD LIBOR	Remaining settings, including 6-month	June 30, 2023

In consideration of the regulatory guidance and in preparation for the global markets' transition away from LIBOR, IBRD took the necessary steps to facilitate a smooth and orderly transition of its financial instruments effected by alternative reference rates.

In FY20, the Board endorsed an omnibus amendment process with borrowers for certain existing loan agreements to address inadequate fallback provisions for LIBOR replacement and a notification process, allowing IBRD to maintain and preserve the pre-existing relationship between its funding costs and lending rates and maintain the principles of fairness and equivalence for any replaced reference rate. The majority of IBRD loans were denominated in USD, EUR, GBP and JPY as of December 31, 2021. IBRD adopted the following alternative reference rates: SOFR for USD denominated loans, Euro Interbank Offered Rate (EURIBOR) for EUR denominated loans, Sterling Overnight Index Average (SONIA) for GBP denominated loans, and Tokyo Overnight Average Rate (TONA) for JPY denominated loans. Through these processes, the vast majority of its borrowers' loans were ready for transition by December 31, 2021. Effective January 1, 2022, IBRD offers new loans with alternative reference rates and ceased to offer LIBOR based loans.

Out of the total loans outstanding of $229,344 million as of June 30, 2022, approximately 62% have transitioned and 10% are still subject to transition to alternative reference rates. The remaining 28% of the total loans outstanding are not required to transition to alternative reference rates. The switch over of existing variable spread and non-USD fixed spread loans to alternative reference rates began in January 2022, at the loan reset dates, which concluded as of June 30, 2022. The remaining USD fixed spread loans will begin transitioning in July 2023, as the loans reset.

Out of the total derivative portfolio notional value as of June 30, 2022, less than 1% have transitioned and 71% are still subject to transition to alternative reference rates. The remaining 29% of the total derivative portfolio notional is not subject to transition to alternative reference rates. For the vast majority of these trades, IBRD either has sufficient provisions in the derivative agreements with its counterparties, has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol) or works bilaterally with counterparties, to ensure a smooth transition to alternative reference rates.

As of June 30, 2022, about 98% of IBRD's borrowing portfolio either carries fixed interest rates or is not subject to transition to alternative reference rates.

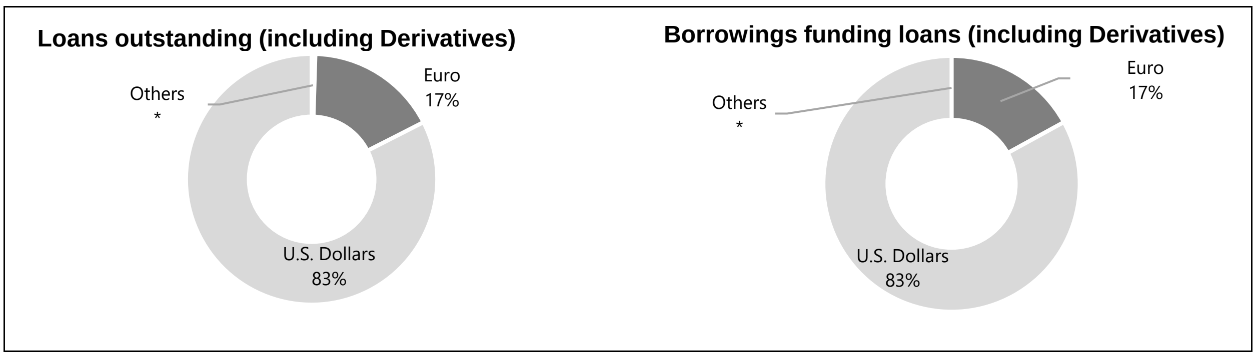
IBRD will continue to work with key stakeholders, including internal subject matter experts, senior management, borrowers, industry groups and other market participants, to mitigate potential financial and operational risks to which IBRD is exposed, and to ensure an orderly transition to the alternative reference rates.

Exchange Rate Risk

IBRD holds the majority of its assets and liabilities in U.S. dollars and euro. However, the reported levels of its assets, liabilities, income, and expenses in the financial statements are affected by exchange rate movements in all the currencies in which IBRD transacts, relative to its reporting currency, the U.S. dollar. IBRD's functional currencies are the U.S. dollar and euro. Currency translation adjustments relating to euro-denominated balances are reflected in other comprehensive income, a component of equity. Currency translation adjustments relating to non-euro denominated balances (non-functional currencies) are reported in the Statement of Income. While IBRD's equity could be affected by exchange rate movements, IBRD's risk management policies work to minimize the exchange rate risk in its capital adequacy, by immunizing the equity-to-loans ratio against exchange rate movements.

To minimize exchange rate risk, IBRD matches its borrowing obligations in any one currency (after derivative activities) with assets in the same currency (Figure 29). In addition, IBRD undertakes periodic currency conversions to align the currency composition of its equity with that of its outstanding loans across major currencies. Together, these policies are designed to minimize the impact of exchange rate fluctuations on the equity-to-loans ratio; thereby preserving IBRD's ability to better absorb unexpected losses from arrears on loan repayments, regardless of exchange movements. As a result, exchange rate movements during the year generally do not have a material impact on the overall equity-to-loans ratio.

Figure 29: Currency Composition of Loan and Borrowing Portfolios as of June 30, 2022



** Denotes percentage less than 0.5%.*

Liquidity Risk

Liquidity risk arises in the general funding of IBRD's activities and in managing its financial position. It includes the risk of IBRD being unable to fund its portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Under IBRD's liquidity management guidelines, aggregate liquid asset holdings are kept at or above a specified Prudential Minimum to safeguard against cash flow interruptions.

The Target Liquidity Level represents twelve-months' coverage as calculated at the start of every fiscal year. The Prudential Minimum is defined as 80% of the Target Liquidity Level. The maximum guideline of 150% of Target Liquidity Level continues to function as a guideline rather than a hard ceiling (see Table 34).

Table 34: Liquidity Levels

Effective for FY22	*In billions of U.S. dollars*	*% of Target Liquidity Level*
Target Liquidity Level	$ 57.0	
Guideline Maximum Liquidity Level	85.5	150%
Prudential Minimum Liquidity Level	45.6	80%
Liquid Asset Portfolio as of June 30,2022	$ 78.8	138%

The FY23 Target Liquidity Level is set at $54 billion, $3 billion lower than the FY22 Target Liquidity Level due to the lower projected debt service for FY23.

Operational Risk

Operational risk is defined as the risk of financial loss or damage to IBRD's reputation resulting from inadequate or failed internal processes, people and systems, or from external events.

IBRD recognizes the importance of operational risk management activities, which are embedded in its financial operations. As part of its business activities, IBRD is exposed to a range of operational risks including physical security and staff health and safety, data and cyber security, business continuity, and third-party vendor risks. IBRD's approach to identifying and managing operational risk includes a dedicated program for these risks and a robust process that includes assessing and prioritizing operational risks, monitoring and reporting relevant key risk indicators, aggregating and analyzing internal and external events, and identifying emerging risks that may affect business units and developing risk response and mitigating actions.

Cybersecurity Risk Management

IBRD's operations rely on the secure processing, storage and transmission of confidential and other information in computer systems and networks. As is the case for financial institutions generally, cybersecurity risk continues to be significant for IBRD due to the evolving sophistication and complexity of the cyber threat landscape. These risks are unavoidable and IBRD seeks to manage them on a cost-effective basis consistent with its risk appetite.

To protect the security of its computer systems, software, networks and other technology assets, IBRD has developed its cybersecurity risk management program, consisting of cybersecurity policies, procedures, compliance and awareness programs. IBRD deploys a multi-layered approach for cybersecurity risk management to help prevent and detect malicious activity, both from within the organization and from external sources. In managing emerging cyber threats such as malware including ransomware, denial of service and phishing attacks, IBRD strives to adapt its technical and process-level controls and raise the level of user awareness to mitigate the risk.

IBRD periodically assesses the maturity and effectiveness of its cyber defenses through risk mitigation techniques, including but not limited to, targeted testing, internal and external audits, incident response tabletop exercises and industry benchmarking.

Section X: Contractual Obligations

In conducting its business, IBRD takes on contractual obligations that may require future payments. These include borrowings, operating leases, contractual purchases, capital expenditures, and other long-term liabilities. Table 35 shows IBRD's contractual obligations for the next five years and thereafter; it excludes the following obligations reflected on IBRD's balance sheet: undisbursed loans, amounts payable for currency and interest rate swaps, amounts payable for investment securities purchased, guarantees, and cash received under agency arrangements.

- *Borrowings:* IBRD issues debt in the form of securities to private and governmental buyers.
- *Operating Leases:* IBRD leases real estate and equipment under lease agreements for varying periods. Operating lease expenditures represent future cash payments for real estate-related obligations and equipment, based on contractual amounts.
- *Contractual Purchases:* IBRD is a party to various obligations to purchase products and services, which are purchase commitments in the ordinary course of business.
- *Other Long-Term Liabilities:* IBRD provides a variety of benefits to its employees. As some of these benefits are of a long-term nature, IBRD records the associated liability on its balance sheet. The obligations payable represents expected benefit payments as well as contributions to the pension plans. These include future service and pay accruals for current staff and new staff projections for the next 10 years.

Operating leases, contractual purchases and capital expenditures, and other long-term obligations, include obligations shared with IDA, IFC, and MIGA under cost-sharing and service arrangements. These arrangements reflect the WBG strategy of maximizing synergies, to best leverage resources for development (see Notes to Financial Statements, Note H: Transactions with Affiliated Organizations).

Table 35: Contractual Obligations
In millions of U.S. dollars

	As of June 30, 2022				
	Due in 1 year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due After 5 years	Total
Borrowings (at fair value)	$ 42,289	$ 60,757	$ 46,642	$ 85,485	$ 235,173
Operating leases	58	112	95	1,232	1,497
Contractual purchases	49	60	-	-	109
Other long-term liabilities	686	144	96	181	1,107
Total	$ 43,082	$ 61,073	$ 46,833	$ 86,898	$ 237,886

Section XI: Pension and Other Post-Retirement Benefits

Governance

IBRD participates, along with IFC and MIGA, in pension and post-retirement benefit plans. The Staff Retirement Plan (SRP), Retired Staff Benefits Plan (RSBP), and PEBP (collectively called the "Plans") are defined benefit plans and cover substantially all WBG employees, retirees and their beneficiaries. Costs, assets, and liabilities associated with the Plans are allocated among IBRD, IFC, and MIGA, based on their employees' respective participation in the Plans. Costs allocated to IBRD are subsequently shared with IDA, based on an agreed cost-sharing ratio (see Notes to Financial Statements, Note J: Pension and Other Post-Retirement Benefits).

The benefits of the Plans at retirement are determined pursuant to the Plan Documents adopted by the Board (Plan Document). IBRD has a contractual obligation to make benefit payments to the Plans' beneficiaries. The governance mechanism of the Plans, including the funding and investment policies described here, are designed to support this objective.

There are two committees that govern the Plans. From a governance standpoint, both committees are independent of IBRD and the Board.

- The Pension Finance Committee (PFC), which is responsible for the financial management of the Plans and is supported by the Pension Finance Administrator.
- The Pension Benefits Administration Committee (PBAC), which is responsible for the administration of the benefits of the Plans.

Contributions to the SRP and RSBP are irrevocable, with assets held in separate trusts, and the PEBP assets are included in IBRD's investment portfolio. IBRD acts as trustee for the Plans and the assets are used for the exclusive benefit of the participants and their beneficiaries. The objective of the Plans is to accumulate sufficient assets to meet future pension benefit obligations. As of June 30, 2022, IBRD and IDA's share of the assets amounted to $29.6 billion (see Table 36). This represents the accumulated contributions paid into the plans net of benefit payments, together with the accumulated value of investment earnings, net of related expenses.

Funding and Investment Policies

The key policies underpinning the financial management of the Plans, including the determination of WBG contributions and the investment of Plan assets, are the funding and investment policies. The objective of these policies is to ensure that the Plans have sufficient assets to meet benefit payments over the long term. The funding policy, as approved by the PFC, establishes the rules that determine the WBG's contributions. The policy seeks to fund the Plans in a consistent and timely manner, while at the same time avoiding excessive volatility in WBG contributions. The funding policy determines how much the WBG must contribute annually to sustain and ensure the accumulation of sufficient assets over time to meet the expected benefit payments. Under the Plan Document, the PFC determines the WBG contribution based on actuarial valuations. IBRD is required to make the contribution determined by the PFC. In FY22, the WBG's rate for contributions to the Plans was 19.33% of net salaries.

The Projected Benefit Obligation (PBO) is derived from AA-rated corporate bonds, as required by U.S. GAAP. The selection of this rate as the basis for the discount rate is to establish a liability equivalent to an amount that if invested in high-quality fixed income securities would match the benefit payment stream. While this measure is based on an objective, observable market rate, it does not necessarily reflect the realized or expected returns of the Plan which depend on how the Plans are managed and invested. The PBO for funding purposes is discounted using a 3.5% real discount rate since the funding strategy for the Plans is based on a target of 3.5% real return on investments. This rate constitutes the long-term return objective for the Plan's assets, referred to as the Long-Term Real Return Objective (LTRRO), which Management has followed since the year ended June 30, 1999 and recently reaffirmed under the strategic asset allocation review in April 2021. If the return on pension assets is 3.5% in real terms and contributions are made at the actuarially required rates (which reflect the long- term cost of the plan benefit), the Plan benefits will be funded over time.

The assets of the Plans are diversified across a variety of asset classes, with the objective of achieving returns consistent with the LTRRO over the long term without taking undue risks. The returns on investments for the Plans have met or exceeded the LTRRO on a consistent basis in the long term as well as in recent years. The PFC periodically reviews the LTRRO for appropriateness. See Notes to Financial Statements, Note J: Pension and Other Post-Retirement Benefits for asset allocation, expected return on Plan assets and assumptions used to determine the PBO.

Environmental, Social and Governance (ESG) Policies

The Plan has a long-standing ESG policy that reflects the latest developments and an understanding of responsible investments and ESG integration. The ESG policy is based on a principled and pragmatic approach in accordance with and subject to the fiduciary standard applicable to the administration and investment of Plan assets. The Plan's ESG policy states that consideration of ESG factors, including but not limited to environmental practices, worker safety and health standards, and corporate governance, can add value to the investment process and affect assessment of the risk and return characteristics of investments.

Projected Benefit Obligation

Given that pension plan liabilities can be defined and measured in different ways, it is possible to have different funded status measures for the same plans. The most widely used and publicly disclosed measure of pension plan liabilities is the PBO measure required under U.S. GAAP. It reflects the present value of all retirement benefits earned by participants (adjusted for assumed inflation) as of a given date, including projected salary increases to retirement. Therefore, the PBO measure is an appropriate metric for assessing the ability of the Plans to cover expected benefits as of a certain date. The underlying actuarial assumptions used to determine the PBO, accumulated benefit obligations, and funded status associated with the Plans are based on financial market interest rates, experience, and Management's best estimate of future benefit changes, economic conditions and earnings from plan assets.

Table 36: Funded Status of the Plans
In millions of U.S. dollars

	As of June 30, 2022			
	SRP	RSBP	PEBP	Total
PBO	$ (21,831)	$ (3,666)	$ (2,107)	$ (27,604)
Plan assets	$ 23,745	$ 4,061	$ 1,791	$ 29,597
Net position	$ 1,914	$ 395	$ (316)	$ 1,993
IBRD's funded status				941

	As of June 30, 2021			
	SRP	RSBP	PEBP	Total
PBO	$ (24,728)	$ (4,235)	$ (2,339)	$ (31,302)
Plan assets	$ 24,408	$ 4,145	$ 1,806	$ 30,359
Net position	$ (320)	$ (90)	$ (533)	$ (943)
IBRD's funded status				(451)

The discount rate used to convert future obligations into today's dollars is derived from high-grade, AA-rated corporate bond yields as required by U.S. GAAP. The overall overfunded status of the pension plans for IBRD and IDA of $2 billion as of June 30, 2022, net of PEBP assets, was primarily due to the actuarial gains in the projected benefit obligations as a result of the increase in the real discount rate. As the Plans are managed with a long-term horizon, results over shorter time periods may be impacted positively or negatively by market fluctuations.

Section XII: Critical Accounting Policies and the Use of Estimates

IBRD's significant accounting policies, as well as estimates made by Management, are integral to its financial reporting. While all of these policies require a certain level of judgment and estimates, significant policies require Management to make highly difficult, complex, and subjective judgments as these relate to matters inherently uncertain and susceptible to change. Note A to the financial statements contains a summary of IBRD's significant accounting policies including a discussion of recently issued accounting pronouncements.

Fair Value of Financial Instruments

The fair values of financial instruments are based on a three-level hierarchy. For financial instruments classified as Level 1 or 2, less judgment is applied in arriving at fair value measures as the inputs are based on observable market data. For financial instruments classified as Level 3, unobservable inputs are used. These require Management to make important assumptions and judgments in determining fair value measures. Investments measured at net asset value per share (or its equivalent) are not classified in the fair value hierarchy.

Most of IBRD's financial instruments which are recorded at fair value are classified as Levels 1 and 2. Table 37 presents the summary of the fair value of financial instruments recorded at fair value on a recurring basis, and the amounts measured using significant Level 3 inputs. IBRD's level 3 instruments are mainly structured bonds and related swaps held in the borrowing portfolio; these use market observable inputs and unobservable inputs such as correlations and interest rate volatilities. There were no Level 3 instruments in IBRD's investment or loan portfolios as of June 30, 2022. All of IBRD's loans were carried at amortized cost as of June 30, 2022.

Table 37: Fair Value Level 3 Summary
In millions of U.S. dollars

For the fiscal year ended June 30,	*2022*		*2021*	
	Level 3	*Total Balance*	*Level 3*	*Total Balance*
Total Assets at fair value	$ 120	$ 93,312	$ 616	$ 106,654
As a percentage of total assets	0.13%		0.58%	
Total Liabilities at fair value	$ 4,596	$ 266,344	$ 4,877	$ 273,487
As a percentage of total liabilities	1.73%		1.78%	

IBRD reviews the methodology, inputs, and assumptions on a quarterly basis to assess the appropriateness of the fair value hierarchy classification of each financial instrument.

Some financial instruments are valued using pricing models. The valuation group, which is independent of the treasury and risk management functions, reviews all financial instrument models affecting financial reporting through fair value and assesses model appropriateness and consistency. The review looks at whether the models accurately reflect the characteristics of the transaction and its risks, the suitability and convergence properties of numerical algorithms, the reliability of data sources, the consistency of the treatment with models for similar products, and sensitivity to input parameters and assumptions that cannot be priced from the market.

Reviews are conducted of new and/or changed models, as well as previously validated models, to assess whether any changes in the product or market may have affected the model's continued validity and whether any theoretical or competitive developments may require reassessment of the model's adequacy.

The financial models used for input to IBRD's financial statements are subject to both internal and periodic external verification and review by qualified personnel.

In cases where Management relies on instrument valuations supplied by external pricing vendors, procedures are in place to validate the appropriateness of the models used, as well as the inputs applied in determining those values.

Provision for Losses on Loans and Other Exposures

IBRD evaluates estimated exposures over the life of loans and other exposures, to incorporate undisbursed loan commitments in the measure of exposure, and to incorporate estimations of future market conditions for a reasonable and supportable forecast period along with historical experience. The overall provision for expected losses is the sum of the computed annual losses, taking into account borrower risk ratings and associated expected default frequencies, estimates of exposure, and severity of loss given default.

For loans carried at fair value, if any, the credit risk assessment is a determinant of fair value.

The determination of a borrower's risk rating is based on complex variables such as: political risk, external debt and liquidity, fiscal policy and the public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, and financial sector risks and corporate sector debt and other vulnerabilities. Additionally, estimations of disbursements and repayments of exposures are made, as well as estimations of future interest cash flows based on forward looking market variables.

IBRD periodically reviews these variables and reassesses the adequacy of the accumulated provision accordingly. Actual losses may differ from expected losses owing to unforeseen changes in any of the variables affecting the creditworthiness or estimates inherent in the exposure measurements of borrowers.

The Credit Risk Committee monitors aspects of country credit risk, in particular, reviewing the provision for losses on loans and guarantees taking into account, among other factors, any changes in exposure, risk ratings of borrowing member countries, or movements between the accrual and nonaccrual portfolios.

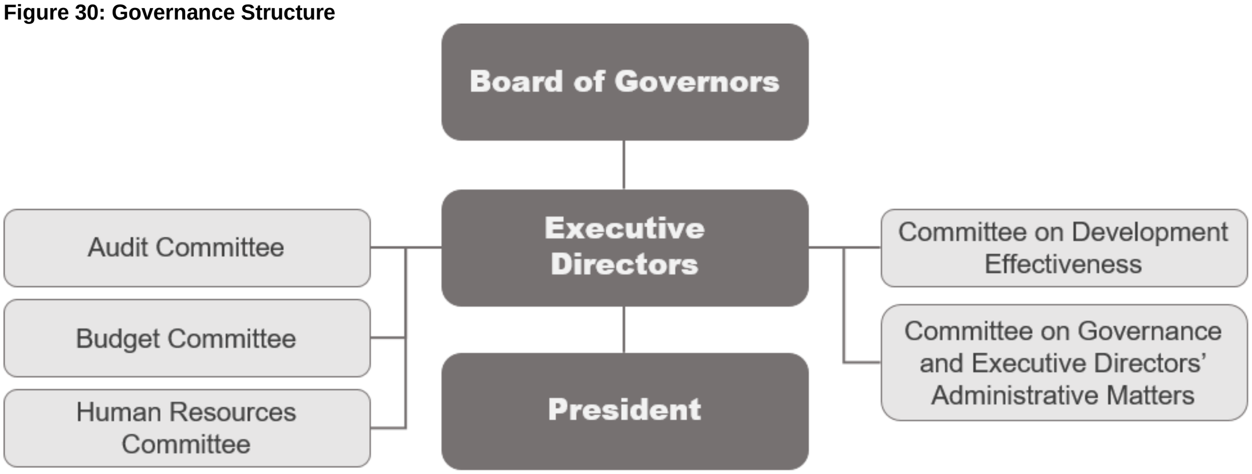
The accumulated provision for loan losses is reported separately in the balance sheet as a reduction from IBRD's total loans outstanding. The accumulated provision for losses on loan commitments and other exposures is included in accounts payable and miscellaneous liabilities. Increases or decreases in the accumulated provision for losses on loans and other exposures are reported in the Statement of Income as a provision for losses on loans and other exposures (see Notes to Financial Statements: Note A: Summary of Significant Accounting and Related Policies and Note D: Loans and Other Exposures).

Pension and Other Post-Retirement Benefits

The underlying actuarial assumptions used to determine the PBO, accumulated benefit obligations, and funded status associated with IBRD pension and other post-retirement benefit plans are based on financial market interest rates, experience, and Management's best estimate of future benefit changes and economic conditions. All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. Costs allocated to IBRD are then shared between IBRD and IDA based on an agreed cost-sharing ratio. IDA, IFC and MIGA reimburse IBRD for their proportionate share of any contributions made to these plans by IBRD. Contributions to the plans are calculated as a percentage of salary (see Notes to Financial Statements, Note J: Pension and Other Post-Retirement Benefits).

Section XIII: Governance and Controls

Figure 30: Governance Structure



Business Conduct

The WBG promotes a positive work environment in which staff members understand their ethical obligations to the institution. In support of this commitment, the institution has a Code of Conduct in place. The WBG has both an Ethics Help Line and a Fraud and Corruption hotline. A third-party service offers many methods of worldwide communication. Reporting channels include telephone, mail, email, or confidential submission through a website.

IBRD has in place procedures for receiving, retaining, and handling recommendations and concerns relating to business conduct identified during the accounting, internal control, and auditing processes.

WBG staff rules clarify and codify the staff's obligations in reporting suspected fraud, corruption, or other misconduct that may threaten the operations or governance of the WBG. These rules also offer protection from retaliation.

General Governance

IBRD's decision-making structure consists of the Board of Governors, Executive Directors, the President, Management, and staff. The Board of Governors is the highest decision-making authority. Governors are appointed by their member governments for a five-year term, which is renewable. The Board of Governors may delegate authority to the Executive Directors to exercise any of its powers, except for certain powers enumerated in IBRD's Articles. IBRD has its own policies and frameworks that are carried out by staff that share responsibilities over both IBRD and IDA.

In addition, IBRD and IDA have joint internal institutional oversight units which play an assurance role to shareholders and management that IBRD's work is impactful and accountable, informed by best practices, and delivered to the highest ethical standards with risk management controls and governance processes that are functioning effectively. Expenses for these oversight units, including the Executive Directors, were $116.6 million in FY22 (and $111.7 million FY21) shared between IBRD and IDA.

Executive Directors

In accordance with IBRD's Articles, Executive Directors are appointed or elected every two years by their member governments. The Board currently has 25 Executive Directors, who represent all 189 member countries. Executive Directors are neither officers nor staff of IBRD. The President is the only member of the Board from management, and he serves as a non-voting member and as Chairman of the Board.

The Board is required to consider proposals made by the President on IBRD loans, grants and guarantees and on other policies that affect its general operations. The Board is also responsible for presenting to the Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report on operations and policies and other matters.

The Board and its committees are in continuous session based in Washington DC, as business requires. Each committee's terms of reference establish its respective roles and responsibilities. As committees do not vote on issues, their role is primarily to serve the Board in discharging its responsibilities.

The committees are made up of eight members and function under their respective stipulated terms of reference. These committees are as follows:

- Audit Committee - assists the Board in overseeing IBRD's finances, accounting, risk management and internal controls (*see further explanation below*).
- Budget Committee - assists the Board in approving the World Bank's budget and in overseeing the preparation and execution of IBRD's business plans. The committee provides guidance to management on strategic directions of IBRD.
- Committee on Development Effectiveness - supports the Board in assessing IBRD's development effectiveness, providing guidance on strategic directions of IBRD, monitoring the quality and results of operations.
- Committee on Governance and Executive Directors' Administrative Matters - assists the Board on issues related to the governance of IBRD, the Board's own effectiveness, and the administrative policy applicable to Executive Directors' offices.
- Human Resources Committee - strengthens the efficiency and effectiveness of the Board in discharging its oversight responsibility on the World Bank's human resources strategy, policies and practices, and their alignment with the business needs of the organization.

Audit Committee

Membership

The Audit Committee consists of eight Executive Directors. Membership in the Committee is determined by the Board, based on nominations by the Chairman of the Board, following informal consultation with Executive Directors.

Key Responsibilities

The Audit Committee is appointed by the Board for the primary purpose of assisting the Board in overseeing IBRD's finances, accounting, risk management, internal controls and institutional integrity. Specific responsibilities include:

- Oversight of the integrity of IBRD's financial statements.
- Appointment, qualifications, independence and performance of the External Auditor.
- Performance of the Group Internal Audit Department.
- Adequacy and effectiveness of financial and accounting policies and internal controls and the mechanisms to deter, prevent and penalize fraud and corruption in IBRD operations and corporate procurement.
- Effective management of financial, fiduciary and compliance risks in IBRD.
- Oversight of the institutional arrangements and processes for risk management across IBRD.

In carrying out its role, the Audit Committee discusses financial issues and policies that affect IBRD's financial position and capital adequacy with Management, external auditors, and internal auditors. It recommends the annual audited financial statements for approval to the Board. The Audit Committee monitors and reviews developments in corporate governance and its own role on an ongoing basis.

Executive Sessions

Under the Audit Committee's terms of reference, it may convene an executive session at any time, without Management's presence. The Audit Committee meets separately in executive sessions with the external and internal auditors.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information to enable it to carry out its duties and meets both formally and informally throughout the year to discuss relevant matters. It has complete access to Management, and reviews and discusses with Management topics considered in its terms of reference.

The Audit Committee has the authority to seek advice and assistance from outside legal, accounting, or other advisors as it deems necessary.

Auditor Independence

The appointment of the external auditor for IBRD is governed by a set of Board-approved principles. These include:

- Limits on the external auditor's provision of non-audit-related services
- Requiring all audit-related services to be pre-approved on a case-by-case basis by the Board, upon recommendation of the Audit Committee, and
- Renewal of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter.

The external auditor may 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.

Communication between the external auditor and the Audit Committee is ongoing and carried out as often as deemed necessary by either party. The Audit Committee meets periodically with the external auditor and individual committee members have independent access to the external auditor. IBRD's external auditors also follow the communication requirements with the Audit Committee as set out under generally accepted auditing standards in the United States.

External Auditors

The external auditor is appointed to a five-year term, with a limit of two consecutive terms, and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board.

Following a mandatory rebidding of the external audit contract, IBRD's Board approved the appointment of Deloitte & Touche LLP as IBRD's external auditor for a five-year term from FY19 through FY23, subject to annual reappointment. In addition, in May 2022, IBRD's Board approved Deloitte & Touche LLP as IBRD's external auditor for a second five-year term commencing in FY24.

Senior Management Changes

The following changes were effective January 1, 2022:

- Jingdong Hua, Vice President and Treasurer of the World Bank, retired.
- Jorge Familiar was appointed to the role of Vice President and Treasurer of the World Bank.
- Pamela O'Connell was appointed as the Vice President and World Bank Group Controller, succeeding Jorge Familiar in that role.

Internal Control

Internal Control Over Financial Reporting

Each fiscal year, Management evaluates the internal controls over financial reporting to determine whether any changes made in these controls during the fiscal year materially affect, or would be reasonably likely to materially affect, IBRD's internal control over financial reporting. The internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), "Internal Control - Integrated Framework (2013)" provides guidance for designing, implementing and conducting internal control and assessing its effectiveness. IBRD uses the 2013 COSO framework to assess the effectiveness of the internal control over financial reporting. As of June 30, 2022, management maintained effective internal control over financial reporting. See "Management's report regarding effectiveness of Internal Control over Financial Reporting" on page 72.

IBRD's internal control over financial reporting was audited by Deloitte & Touche LLP, and their report expresses an unqualified opinion on the effectiveness of IBRD's internal control over financial reporting as of June 30, 2022. See Independent Auditor's Report on page 74.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed is gathered and communicated to Management as appropriate, to allow timely decisions regarding required disclosure by IBRD. Management conducted an evaluation of the effectiveness of such controls and procedures and the President and the MDCFO have concluded that these controls and procedures were effective as of June 30, 2022.

Appendix

Glossary of Terms

Articles: IBRD's Articles of Agreement

Below GDI Country: Country whose Gross National Income per capita is below the Graduation Discussion Income as published in the Per Capita Income Guidelines for Operational Purposes.

Board: The Executive Directors as established by IBRD's Articles of Agreement.

Budget Anchor: Efficiency measure that IBRD uses to monitor the coverage of its net administrative expenses by its loan spread revenue.

Capital Adequacy: A measure of IBRD's ability to withstand unexpected shocks and is based on the amount of IBRD's usable equity expressed as a percentage of its loans and other related exposures.

Credit Default Swaps (CDS): A derivative contract that provides protection against deteriorating credit quality and allows one party to receive payment in the event of a default or specified credit event by a third party.

Credit Valuation Adjustment (CVA): The CVA represents the counterparty credit risk exposure and is reflected in the fair value of derivative instruments.

Debit Valuation Adjustment (DVA): DVA on Fair Value Option (FVO) Elected Liabilities that corresponds to the change in fair value of the liability presented under the FVO that relate to the instrument specific credit risk ("own-credit risk").

Duration: Provides an indication of the sensitivity of underlying yield to changes in interest rates.

Equity-to-Loans Ratio: The Board monitors IBRD's capital adequacy within a Strategic Capital Adequacy Framework, using the equity-to-loans ratio as a key indicator of IBRD's capital adequacy. For details on the ratio, see Table 29.

Loan Spread Revenue, Net: The spread between loan returns and associated debt cost, assuming loans are fully funded by debt.

Lower-Middle-Income Countries: For FY22 income groups are classified according to the 2020 gross national income (GNI) per capita. For lower-middle-income countries, the GNI range was $1,046 to $4,095.

Maintenance of Value (MOV): Under IBRD's Articles, members are required to maintain the value of their subscriptions of national currency paid-in, which is subject to certain restrictions. MOV is determined by measuring the foreign exchange value of a member's national currency against the standard of value of IBRD's capital based on the 1974 SDR.

Lending Operations: Total projects from a fiscal year based on project approval date as of June 30 of the fiscal year.

Net Commitments: Commitments net of full terminations and cancellations approved in the same fiscal year and include guarantee commitments and guarantee facilities that have been approved by the Executive Directors.

Net Loan Disbursements: Loan disbursements net of repayments and prepayments.

Prudential Minimum: The minimum amount of liquidity that IBRD is required to hold and is defined as 80% of the Target Liquidity Level.

Sustainable Annual Lending Limit (SALL): The level of lending that can be sustained in real terms over 10 years.

Strategic Capital Adequacy Framework: Evaluates IBRD's capital adequacy as measured by stress tests and an appropriate minimum level for the long-term equity-to-loans ratio. The equity-to-loans ratio provides a background framework in the context of annual net income allocation decisions, as well as in the assessment of the initiatives for the use of capital. The framework has been approved by the Board.

Single Borrower Limit (SBL): The maximum authorized exposure to IBRD's most creditworthy and largest borrowing countries in terms of population and economic size.

Statutory Lending Limit (SLL): Under IBRD's Articles, as applied, the total amount outstanding of loans, participations in loans, and callable guarantees may not exceed the sum of unimpaired subscribed capital, reserves and surplus.

Target Liquidity Level (TLL): The twelve- month Target Liquidity Level is calculated before the end of each fiscal year based on Management's estimates of projected net loan disbursements approved at the time of projection and-twelve months of debt-service for the upcoming fiscal year. This twelve-month estimate becomes the target for the upcoming fiscal year.

U.S. GAAP: Accounting principles generally accepted in the United States of America.

World Bank: The World Bank consists of IBRD and IDA.

World Bank Group (WBG): The World Bank Group consists of IBRD, IDA, IFC, MIGA, and ICSID.

Abbreviations and Acronyms

AFDB: African Development Bank

AMC: Advance Market Commitment for Vaccines against Pneumococcal Diseases

AOCI: Accumulated Other Comprehensive Income

BETF: IBRD-Executed Trust Funds

BOG: Board of Governors

COSO: Committee of Sponsoring Organizations of the Treadway Commission

CCSAs: Cross-Cutting Solution Areas

CDS: Credit Default Swaps

CVA: Credit Valuation Adjustment

CRO: Vice President and WBG Chief Risk Officer

DDO: Deferred Drawdown Option

DPF: Development Project Financing

DTCs: Developing and Transitional Countries

DVA: Debit Valuation Adjustment

EAL: Equitable Access Limit

EDF: Expected default frequency

EEA: Exposure Exchange Agreement

EFOs: Externally Financed Outputs

ESG: Environmental, Social and Governance

FASB: Financial Accounting Standards Board

FIFs: Financial Intermediary Funds

FRC: Finance and Risk Committee

GAVI: Global Alliance for Vaccines and Immunization

GCI: General Capital Increase

GDI: Graduation Discussion Income

GNI: Gross National Income

GMFs: Grant-Making Facilities

GPs: Global Practices

IADB: Inter-American Development Bank

IBRD: International Bank for Reconstruction and Development

ICSID: International Centre for Settlement of Investment Disputes

IFC: International Finance Corporation

IDA: International Development Association

IFFIm: International Finance Facility for Immunization

IFLs: IBRD Flexible Loans

IPF: Investment Project Financing

LIBID: London Interbank Bid Rate

LIBOR: London Interbank Offered Rate

LLP: Loan Loss Provision

LTRRO: Long-Term Real Return Objective

MDB: Multilateral Development Bank

MDCAO: Managing Director and World Bank Group Chief Administrative Officer

MDCFO: Managing Director and World Bank Group Chief Financial Officer

MDCOO: Managing Director and Chief Operating Officer

MIGA: Multilateral Investment Guarantee Agency

MOV: Maintenance-Of-Value

NBC: New Business Committee

NCPIC: National Currency Paid-in Capital

ORC: Operational Risk Committee

PAF: Pilot Auction Facility for Methane and Climate Change Mitigation

PEF: Pandemic Emergency Financing Facility

PBAC: Pension Benefits Administration Committee

PBO: Pension Benefit Obligation

PCRF: Post Retirement Contribution Reserve Fund

PEBP: Post-Employment Benefit Plan

PFC: Pension Finance Committee

PforR: Program-for-Results

RAS: Reimbursable Advisory Services

RAMP: Reserves Advisory Management Partnership

RETF: Recipient-Executed Trust Funds

RSBP: Retired Staff Benefits Plan

SALL: Sustainable Annual Lending Limit

SCI: Selective Capital Increase

SDPL: Special Development Policy Loans

SBL: Single Borrower Limit

SLL: Statutory Lending Limit

SRP: Staff Retirement Plan

Eligible Borrowing Member Countries by Region

Region	Countries
Eastern and Southern Africa	Angola, Botswana, Eswatini, Kenya*, Mauritius, Namibia, Seychelles, South Africa, Zimbabwe*
Western and Central Africa	Republic of Cabo Verde*, Cameroon*, Republic of Congo*, Equatorial Guinea, Gabon, Nigeria*
East Asia and Pacific	China, Fiji*, Indonesia, Malaysia, Mongolia, Nauru, Palau, Papua New Guinea*, Philippines, Thailand, Timor-Leste*, Vietnam
Europe and Central Asia	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, North Macedonia, Moldova, Montenegro, Poland, Romania, Russian Federation, Serbia, Türkiye, Turkmenistan, Ukraine, Uzbekistan*
Latin America and Caribbean	Argentina, Antigua and Barbuda, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica*, Dominican Republic, Ecuador, El Salvador, Grenada*, Guatemala, Jamaica, Mexico, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia*, St. Vincent and the Grenadines*, Suriname, Trinidad and Tobago, Uruguay, Venezuela
Middle East and North Africa	Algeria, Arab Republic of Egypt, Islamic Republic of Iran, Iraq, Jordan, Lebanon, Libya, Morocco, Tunisia
South Asia	India, Pakistan*, and Sri Lanka

** Blend countries eligible for IDA and IBRD loans*

List of Tables, Figures and Boxes

Tables

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Boxes

International Bank for Reconstruction and Development

Financial Statements and Internal Control Reports
June 30, 2022

Management's Report Regarding Effectiveness of Internal Control over Financial Reporting

August 5, 2022

The management of the International Bank for Reconstruction and Development (IBRD) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of IBRD's financial statements and audit of its internal control over financial reporting were valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over financial reporting supports the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

IBRD assessed its internal control over financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2022. This assessment was based on the criteria for effective internal control over financial reporting described in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IBRD maintained effective internal control over financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2022. The independent audit firm that audited the financial statements has issued an Independent Auditors Report which expresses an opinion on IBRD's internal control over financial reporting.

The Executive Directors of IBRD have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IBRD. The Audit Committee is comprised entirely of Executive Directors who are independent of IBRD's management. The Audit Committee is responsible for recommending to the Executive Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of IBRD in addition to reviewing IBRD's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

David Malpass
President

Anshula Kant
Managing Director and World Bank Group Chief Financial Officer

Pamela O'Connell
Vice President and World Bank Group Controller

INDEPENDENT AUDITORS' REPORT ON MANAGEMENT'S ASSERTION REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Deloitte.

Deloitte & Touche LLP
7900 Tysons One Place
Suite 800
McLean, VA 22102
USA

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

INDEPENDENT AUDITOR'S REPORT
President and Board of Executive Directors
International Bank for Reconstruction and Development

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of International Bank for Reconstruction and Development ("IBRD") as of June 30, 2022, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, IBRD maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the financial statements as of and for the year ended June 30, 2022 of IBRD, and our report dated August 5, 2022, expressed an unmodified opinion on those financial statements.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are required to be independent of IBRD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report Regarding Effectiveness of Internal Control over Financial Reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP

August 5, 2022

Deloitte & Touche LLP
7900 Tysons One Place
Suite 800
McLean, VA 22102
USA
Tel.: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

President and Board of Executive Directors
International Bank for Reconstruction and Development

Opinion

We have audited the accompanying financial statements of the International Bank for Reconstruction and Development ("IBRD"), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of income, comprehensive income, changes in retained earnings, and cash flows for each of the three years in the period ended June 30, 2022, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IBRD as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), IBRD's internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 5, 2022, expressed an unmodified opinion on IBRD's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IBRD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note A to the financial statements, IBRD changed its method of accounting for the accumulated provision for loan losses and other exposures on July 1, 2020, due to the adoption of Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IBRD's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IBRD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility IBRD's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information Included in Management's Discussion & Analysis and Financial Statements

Management is responsible for the other information included in Management's Discussion & Analysis and Financial Statements. The other information comprises the information included in Management's Discussion & Analysis and Financial Statements but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

August 5, 2022

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FINANCIAL STATEMENTS
JUNE 30, 2022

BALANCE SHEET

June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2022	*2021*
Assets		
Due from banks—Notes C and L		
Unrestricted cash	$ 392	$ 2,240
Restricted cash	87	107
	479	2,347
Investments-Trading (including securities transferred under repurchase or securities lending agreements of $36 million—June 30, 2022; $24 million—June 30, 2021)—Notes C and L	81,783	87,566
Securities purchased under resale agreements—Notes C and L	37	338
Derivative assets, net—Notes C, F and L	804	3,355
Other receivables		
Receivable from investment securities traded—Note C	103	200
Accrued income on loans	1,328	994
	1,431	1,194
Loans outstanding (Summary Statement of Loans, Notes D, H and L)		
Total loans	303,867	295,005
Less undisbursed balance (including signed loan commitments of $56,951 million—June 30, 2022, and $59,837 million —June 30, 2021)	(74,523)	(74,441)
Loans outstanding	229,344	220,564
Less:		
Accumulated provision for loan losses	(1,742)	(1,270)
Deferred loan income	(510)	(495)
Net loans outstanding	227,092	218,799
Other assets		
Assets under retirement benefits plans—Notes J and K	2,309	-
Premises and equipment, net	1,821	1,775
Miscellaneous—Notes H and I	1,786	1,927
	5,916	3,702
Total assets	$ 317,542	$ 317,301

	2022	2021
Liabilities		
Borrowings—Notes E and L	$ 235,173	$ 260,076
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and L	37	62
Derivative liabilities, net—Notes C, F and L	20,041	1,222
Other liabilities		
Payable for investment securities purchased—Note C	51	521
Liabilities under retirement benefits plans—Notes J and K	2,107	2,749
Accounts payable and miscellaneous liabilities—Notes D, H and I	4,813	4,593
	6,971	7,863
Total liabilities	262,222	269,223
Equity		
Capital stock (Statement of Subscriptions to Capital Stock and Voting Power, Note B)		
Authorized capital (2,783,873 shares—June 30, 2022, and June 30, 2021)		
Subscribed capital (2,545,984 shares—June 30, 2022, and 2,469,065 shares—June 30, 2021)	307,135	297,856
Less uncalled portion of subscriptions	(286,636)	(278,612)
Paid-in capital	20,499	19,244
Nonnegotiable, noninterest-bearing demand obligations on account of subscribed capital	(316)	(332)
Receivable amounts to maintain value of currency holdings—Note B	(354)	(343)
Deferred amounts to maintain value of currency holdings—Note B	(424)	67
Retained earnings (Statement of Changes in Retained Earnings and Note G)	34,997	31,007
Accumulated other comprehensive income (loss)—Note K	918	(1,565)
Total equity	55,320	48,078
Total liabilities and equity	$ 317,542	$ 317,301

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

STATEMENT OF INCOME

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	*2021*	*2020*
Interest revenue			
Loans, net—Note D	$ 2,368	$ 2,213	$ 4,537
Other asset/liability management derivatives, net—Notes F and L	583	604	161
Investments-Trading, net—Note C	296	211	1,270
Other, net	(2)	(2)	(116)
Borrowing expenses, net—Note E	(750)	(662)	(3,754)
Interest revenue, net of borrowing expenses	2,495	2,364	2,098
Provision for losses on loans and other exposures—Note D	(570)	(146)	(18)
Non-interest revenue			
Revenue from externally funded activities—Notes H and I	787	776	802
Commitment charges—Note D	126	115	115
Other, net—Note I	43	36	56
Total	956	927	973
Non-interest expenses			
Administrative—Notes H, I and J	(2,225)	(2,142)	(2,080)
Contributions to special programs	(17)	(18)	(18)
Other—Note J	258	(33)	35
Total	(1,984)	(2,193)	(2,063)
Board of Governors-approved and other transfers—Note G	(354)	(411)	(340)
Non-functional currency translation adjustment gains, net	150	35	57
Unrealized mark-to-market (losses) gains on Investments-Trading portfolio, net—Notes F and L	(77)	231	193
Unrealized mark-to-market gains (losses) on non-trading portfolios, net			
Loan related derivatives—Notes D, F and L	5,994	2,415	(1,971)
Other asset/liability management derivatives, net—Notes F and L	(3,392)	(1,351)	1,204
Borrowings, including related derivatives—Notes E, F and L	759	154	(216)
Others, net —Note L	13	14	41
Total	3,374	1,232	(942)
Net income (loss)	$ 3,990	$ 2,039	$ (42)

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

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	2021	2020
Net income (loss)	$ 3,990	$ 2,039	$ (42)
Other comprehensive income (loss)—Note K			
Net actuarial gains (losses) on benefit plans	3,027	5,105	(3,067)
Prior service credit on benefit plans, net	23	23	23
Net Change in Debit Valuation Adjustment (DVA) on fair value option elected liabilities—Note L	582	(1,432)	509
Currency translation adjustments on functional currency	(1,149)	465	(88)
Total other comprehensive income (loss)	2,483	4,161	(2,623)
Total comprehensive income (loss)	$ 6,473	$ 6,200	$ (2,665)

STATEMENT OF CHANGES IN RETAINED EARNINGS

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	2021	2020
Retained earnings at the beginning of the fiscal year	$ 31,007	$ 28,765	$ 28,807
Cumulative effect of a change in accounting principle—Notes A, D and G	-	203	-
Adjusted retained earnings at the beginning of the fiscal year	31,007	28,968	28,807
Net income (loss) for the fiscal year	3,990	2,039	(42)
Retained earnings at the end of the fiscal year	$ 34,997	$ 31,007	$ 28,765

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

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	*2021*	*2020*
Cash flows from investing activities			
Loans			
Disbursements	$ (28,115)	$ (23,651)	$ (20,193)
Principal repayments	12,797	10,020	9,365
Principal prepayments	495	81	251
Loan origination fees received	28	24	15
Net derivatives-loans	147	64	69
Other investing activities, net	(163)	(175)	(241)
Net cash used in investing activities	(14,811)	(13,637)	(10,734)
Cash flows from financing activities			
Medium and long-term borrowings			
New issues	40,715	67,365	75,055
Retirements	(36,255)	(51,692)	(64,982)
Short-term borrowings (original maturities greater than 90 days)			
New issues	21,631	21,937	22,722
Retirements	(20,692)	(20,469)	(23,126)
Net short-term borrowings (original maturities less than 90 days)	3,996	(2,270)	1,202
Net derivatives-borrowings	(13)	(758)	(1,229)
Capital subscriptions	1,255	1,210	973
Other financing activities, net	2	6	2
Net cash provided by financing activities	10,639	15,329	10,617
Cash flows from operating activities			
Net income (loss)	3,990	2,039	(42)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Unrealized mark-to-market (gains) losses on non-trading portfolios, net	(3,374)	(1,232)	942
Non-functional currency translation adjustment (gains), net	(150)	(35)	(57)
Depreciation and amortization	106	94	896
Provision for losses on loans and other exposures	570	146	18
Changes in:			
Investments-Trading	1,792	(2,359)	(2,711)
Net investment securities purchased/traded	(371)	137	230
Net derivatives-investments	2,921	(1,406)	532
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(2,781)	1,171	1,602
Accrued income on loans	(299)	449	403
Miscellaneous assets	87	(239)	(470)
Accrued interest on borrowings	(419)	(811)	(952)
Accounts payable and miscellaneous liabilities	299	761	718
Net cash provided by (used in) operating activities	2,371	(1,285)	1,109
Effect of exchange rate changes on unrestricted and restricted cash	(67)	70	(17)
Net (decrease) increase in unrestricted and restricted cash	(1,868)	477	975
Unrestricted and restricted cash at the beginning of the fiscal year	2,347	1,870	895
Unrestricted and restricted cash at the end of the fiscal year	$ 479	$ 2,347	$ 1,870

Expressed in millions of U.S. dollars

	2022	2021	2020
Supplemental disclosure			
(Decrease) increase in ending balances resulting from exchange rate fluctuations			
Loans outstanding	$ (6,094)	$ 2,742	$ (1,178)
Investment portfolio	(210)	277	126
Borrowing portfolio	(4,527)	(1,971)	(274)
Capitalized loan origination fees included in total loans	53	39	45
Interest paid on borrowing portfolio	1,157	1,488	4,616

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

SUMMARY STATEMENT OF LOANS

June 30, 2022

Expressed in millions of U.S. dollars

		Undisbursed balance			
Borrower or guarantor	*Total loans* [a, b]	*Loans approved but not yet signed*	*Signed loan commitment* [c]	*Loans Outstanding*	*Percentage of total loans outstanding* [d]
Albania [b]	$ 1,095	$ 101	$ 127	$ 867	0.38 %
Angola [a]	4,610	638	1,738	2,234	0.97
Antigua and Barbuda	4	-	-	4	*
Argentina	12,326	600	2,960	8,766	3.82
Armenia [b]	1,018	-	161	857	0.37
Azerbaijan	1,543	-	166	1,377	0.60
Bahamas, The	100	-	-	100	0.04
Barbados	123	-	-	123	0.05
Belarus	1,398	-	413	985	0.43
Belize	67	6	25	36	0.02
Bolivia, Plurinational State of [a]	1,015	-	313	702	0.31
Bosnia and Herzegovina [b]	964	134	184	646	0.28
Botswana [a]	629	-	114	515	0.22
Brazil [b]	18,462	1,188	1,397	15,877	6.92
Bulgaria	483	-	-	483	0.21
Cabo Verde, Republic of	41	-	3	38	0.02
Cameroon	860	199	326	335	0.15
Chile [a]	152	-	10	142	0.06
China [b]	21,603	2,032	3,657	15,914	6.94
Colombia [a]	14,910	-	998	13,912	6.07
Congo, Republic of	257	-	121	136	0.06
Costa Rica [a]	1,955	120	556	1,279	0.56
Cote d'Ivoire	169	-	70	99	0.04
Croatia	1,854	-	514	1,340	0.58
Dominican Republic [a]	1,841	100	559	1,182	0.52
Ecuador [a]	4,627	380	599	3,648	1.59
Egypt, Arab Republic of [b]	14,689	500	2,009	12,180	5.31
El Salvador	1,587	100	720	767	0.33
Eswatini	283	27	87	169	0.07
Fiji	200	50	30	120	0.05
Gabon [a]	762	58	80	624	0.27
Georgia [b]	2,126	-	901	1,225	0.53
Grenada	15	-	6	9	*
Guatemala	2,386	150	587	1,649	0.72
India [b]	31,799	3,591	9,058	19,150	8.35
Indonesia [b]	24,498	1,583	3,717	19,198	8.37
Iran, Islamic Republic of	135	-	1	134	0.06
Iraq [b]	4,352	-	1,077	3,275	1.43
Jamaica	1,114	-	65	1,049	0.46
Jordan [b]	5,120	-	1,325	3,795	1.65
Kazakhstan	4,300	360	605	3,335	1.45
Kenya	708	-	140	568	0.25
Kosovo	112	-	-	112	0.05
Lebanon	1,424	23	700	701	0.31
Mauritius	140	-	-	140	0.06
Mexico	16,160	925	268	14,967	6.53
Moldova	262	61	100	101	0.04
Mongolia	234	100	100	34	0.01
Montenegro [b]	258	-	66	192	0.08

SUMMARY STATEMENT OF LOANS (CONTINUED)

June 30, 2022

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans* [a, b]	*Undisbursed balance* *Loans approved but not yet signed*	*Undisbursed balance* *Signed loan commitment* [c]	*Loans Outstanding*	*Percentage of total loans outstanding* [d]
Morocco	$ 10,877	$ 837	$ 2,369	$ 7,671	3.35 %
Nigeria [a]	1,000	500	14	486	0.21
North Macedonia [b]	837	39	226	572	0.25
Pakistan [b]	5,247	-	3,108	2,139	0.93
Panama [a]	1,903	250	274	1,379	0.60
Papua New Guinea	82	50	30	2	*
Paraguay	1,324	240	221	863	0.38
Peru	6,292	1,000	772	4,520	1.98
Philippines	13,197	-	2,583	10,614	4.63
Poland	6,510	260	101	6,149	2.68
Romania [b]	6,359	624	1,067	4,668	2.04
Russian Federation	153	-	4	149	0.06
Serbia [b]	2,933	139	477	2,317	1.01
Seychelles	133	-	23	110	0.05
South Africa [a]	2,975	-	472	2,503	1.09
Sri Lanka	1,330	-	610	720	0.31
St. Lucia	3	-	-	3	*
Suriname	58	-	52	6	*
Thailand	708	-	-	708	0.31
Timor-Leste	15	-	-	15	0.01
Trinidad and Tobago [a]	20	-	20	-	*
Tunisia	4,928	130	879	3,919	1.71
Türkiye [b]	15,878	437	4,707	10,734	4.68
Turkmenistan	20	-	5	15	0.01
Ukraine [b]	8,851	-	1,064	7,787	3.40
Uruguay	1,511	40	36	1,435	0.63
Uzbekistan	2,834	-	713	2,121	0.92
Vietnam	2,691	-	471	2,220	0.98
Zimbabwe	428	-	-	428	0.19
Total-June 30, 2022	**$ 303,867**	**$ 17,572**	**$ 56,951**	**$ 229,344**	**100 %**
Total-June 30, 2021	**$ 295,005**	**$ 14,604**	**$ 59,837**	**$ 220,564**	**100 %**

Notes

a. Indicates a country for which a guarantee is provided under an Exposure Exchange Agreement (EEA) with a multilateral development organization (see Note D—Loans and Other Exposures). The amount of the guarantees is not included in the figures in the Statement above.

b. Indicates a country for which a guarantee has been received, under an EEA with a multilateral development organization or from another guarantee provider (see Note D—Loans and Other Exposures). The effect of the guarantee is not included in the figures in the Statement above.

c. Loan agreements totaling $5,401 million ($8,992 million—June 30, 2021) have been signed, but the loans are not effective and disbursements do not start until the borrowers and/or guarantors take certain actions and furnish documents.

d. May differ from the calculated figures or sum of individual figures shown due to rounding.

** Indicates amount less than $0.5 million or 0.005 percent.*

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

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

June 30, 2022

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total* [b]	*Total amounts* [b]	*Amounts paid in* [a, b]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total* [b]
Afghanistan	506	0.02 %	$ 61.0	$ 5.1	$ 55.9	1,298	0.05 %
Albania	1,187	0.05	143.2	5.4	137.8	1,979	0.07
Algeria	13,197	0.52	1,592.0	110.0	1,482.0	13,989	0.52
Angola	4,068	0.16	490.7	28.8	461.9	4,860	0.18
Antigua and Barbuda	659	0.03	79.5	2.3	77.2	1,451	0.05
Argentina	27,223	1.07	3,284.1	206.3	3,077.8	28,015	1.04
Armenia	1,885	0.07	227.4	12.0	215.4	2,677	0.10
Australia [c]	36,068	1.42	4,351.1	298.6	4,052.5	36,860	1.37
Austria [c]	18,143	0.71	2,188.7	157.4	2,031.3	18,935	0.70
Azerbaijan	2,623	0.10	316.4	17.2	299.2	3,415	0.13
Bahamas, The	1,357	0.05	163.7	7.5	156.2	2,149	0.08
Bahrain	1,585	0.06	191.2	10.9	180.3	2,377	0.09
Bangladesh	7,381	0.29	890.4	59.7	830.7	8,173	0.30
Barbados	948	0.04	114.4	4.5	109.9	1,740	0.06
Belarus	4,547	0.18	548.5	34.6	513.9	5,339	0.20
Belgium [c]	38,586	1.52	4,654.8	297.4	4,357.4	39,378	1.46
Belize	586	0.02	70.7	1.8	68.9	1,378	0.05
Benin	1,459	0.06	176.0	8.8	167.2	2,251	0.08
Bhutan	680	0.03	82.0	2.0	80.0	1,472	0.05
Bolivia, Plurinational State of	2,846	0.11	343.3	18.9	324.4	3,638	0.13
Bosnia and Herzegovina	918	0.04	110.7	9.3	101.4	1,710	0.06
Botswana	916	0.04	110.5	5.4	105.1	1,708	0.06
Brazil	53,509	2.10	6,455.1	386.8	6,068.3	54,301	2.01
Brunei Darussalam	2,373	0.09	286.3	15.2	271.1	3,165	0.12
Bulgaria	6,608	0.26	797.2	46.6	750.5	7,400	0.27
Burkina Faso	1,397	0.05	168.5	7.9	160.7	2,189	0.08
Burundi	1,043	0.04	125.8	4.6	121.3	1,835	0.07
Cabo Verde, Republic of	729	0.03	87.9	2.3	85.7	1,521	0.06
Cambodia	568	0.02	68.5	5.1	63.4	1,360	0.05
Cameroon	2,202	0.09	265.6	12.4	253.3	2,994	0.11
Canada [c]	70,455	2.77	8,499.3	619.5	7,879.8	71,247	2.64
Central African Republic	975	0.04	117.6	3.9	113.8	1,767	0.07
Chad	975	0.04	117.6	3.9	113.8	1,767	0.07
Chile	10,013	0.39	1,207.9	71.9	1,136.0	10,805	0.40
China	142,907	5.61	17,239.6	1,178.4	16,061.2	143,699	5.33
Colombia	10,421	0.41	1,257.1	80.2	1,177.0	11,213	0.42
Comoros	369	0.01	44.5	1.0	43.6	1,161	0.04
Congo, Democratic Republic Of	3,416	0.13	412.1	31.0	381.1	4,208	0.16
Congo, Republic of	1,051	0.04	126.8	4.3	122.4	1,843	0.07
Costa Rica	1,274	0.05	153.7	10.6	143.0	2,066	0.08
Cote d'Ivoire	4,080	0.16	492.2	30.4	461.8	4,872	0.18
Croatia	3,187	0.13	384.5	26.6	357.9	3,979	0.15
Cyprus	1,851	0.07	223.3	11.2	212.1	2,643	0.10
Czech Republic [c]	8,869	0.35	1,069.9	72.4	997.5	9,661	0.36
Denmark [c]	19,644	0.77	2,369.8	159.3	2,210.4	20,436	0.76
Djibouti	801	0.03	96.6	2.8	93.8	1,593	0.06
Dominica	644	0.03	77.7	2.2	75.4	1,436	0.05
Dominican Republic	2,651	0.10	319.8	17.2	302.6	3,443	0.13
Ecuador	3,828	0.15	461.8	24.1	437.7	4,620	0.17
Egypt, Arab Republic of	10,682	0.42	1,288.6	76.8	1,211.8	11,474	0.43

Statement of Subscriptions to Capital Stock and Voting Power (continued)

June 30, 2022

Expressed in millions of U.S. dollars

	Subscriptions					Voting Power	
Member	*Shares*	*Percentage of total* [b]	*Total amounts* [b]	*Amounts paid in* [a,b]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total* [b]
El Salvador	403	0.02 %	$ 48.6	$ 3.9	$ 44.8	1,195	0.04 %
Equatorial Guinea	715	0.03	86.3	2.7	83.5	1,507	0.06
Eritrea	593	0.02	71.5	1.8	69.7	1,385	0.05
Estonia	1,272	0.05	153.5	7.8	145.7	2,064	0.08
Eswatini	499	0.02	60.2	2.0	58.2	1,291	0.05
Ethiopia	1,470	0.06	177.3	8.3	169.1	2,262	0.08
Fiji	1,302	0.05	157.1	7.7	149.3	2,094	0.08
Finland [c]	12,582	0.49	1,517.8	100.6	1,417.2	13,374	0.50
France [c]	104,969	4.12	12,662.9	899.7	11,763.2	105,761	3.92
Gabon	987	0.04	119.1	5.1	113.9	1,779	0.07
Gambia, The	777	0.03	93.7	2.7	91.0	1,569	0.06
Georgia	2,275	0.09	274.4	12.7	261.7	3,067	0.11
Germany [c]	109,776	4.31	13,242.8	913.3	12,329.6	110,568	4.10
Ghana	2,202	0.09	265.6	16.1	249.5	2,994	0.11
Greece [c]	4,117	0.16	496.7	34.2	462.4	4,909	0.18
Grenada	673	0.03	81.2	2.4	78.8	1,465	0.05
Guatemala	2,001	0.08	241.4	12.4	229.0	2,793	0.10
Guinea	1,864	0.07	224.9	9.9	214.9	2,656	0.10
Guinea-Bissau	613	0.02	74.0	1.4	72.5	1,405	0.05
Guyana	1,526	0.06	184.1	7.7	176.4	2,318	0.09
Haiti	1,550	0.06	187.0	7.8	179.2	2,342	0.09
Honduras	641	0.03	77.3	2.3	75.0	1,433	0.05
Hungary [c]	12,040	0.47	1,452.5	100.0	1,352.4	12,832	0.48
Iceland [c]	1,916	0.08	231.1	13.7	217.5	2,708	0.10
India	82,124	3.23	9,907.0	692.0	9,215.0	82,916	3.08
Indonesia	25,363	1.00	3,059.7	200.3	2,859.4	26,155	0.97
Iran, Islamic Republic of	34,963	1.37	4,217.8	254.3	3,963.4	35,755	1.33
Iraq	3,875	0.15	467.5	33.0	434.5	4,667	0.17
Ireland [c]	8,763	0.34	1,057.1	70.3	986.9	9,555	0.35
Israel	6,702	0.26	808.5	52.5	756.0	7,494	0.28
Italy [c]	67,252	2.64	8,112.9	562.9	7,550.0	68,044	2.52
Jamaica	3,550	0.14	428.3	27.0	401.3	4,342	0.16
Japan [c]	199,885	7.85	24,113.1	1,751.9	22,361.2	200,677	7.44
Jordan	2,337	0.09	281.9	16.5	265.4	3,129	0.12
Kazakhstan	4,573	0.18	551.7	31.3	520.4	5,365	0.20
Kenya	3,435	0.13	414.4	21.1	393.2	4,227	0.16
Kiribati	680	0.03	82.0	1.9	80.1	1,472	0.05
Korea, Republic of [c]	42,180	1.66	5,088.4	342.0	4,746.4	42,972	1.59
Kosovo, Republic of	1,538	0.06	185.5	11.5	174.1	2,330	0.09
Kuwait	19,432	0.76	2,344.2	141.0	2,203.2	20,224	0.75
Kyrgyz Republic	1,107	0.04	133.5	5.7	127.9	1,899	0.07
Lao People's Democratic Republic	272	0.01	32.8	2.2	30.6	1,064	0.04
Latvia	1,881	0.07	226.9	12.7	214.2	2,673	0.10
Lebanon	1,062	0.04	128.1	6.3	121.8	1,854	0.07
Lesotho	945	0.04	114.0	3.8	110.2	1,737	0.06
Liberia	606	0.02	73.1	3.6	69.5	1,398	0.05
Libya	9,935	0.39	1,198.5	72.1	1,126.4	10,727	0.40
Lithuania	2,258	0.09	272.4	17.3	255.1	3,050	0.11
Luxembourg [c]	2,806	0.11	338.5	22.1	316.4	3,598	0.13
Madagascar	2,393	0.09	288.7	16.3	272.4	3,185	0.12

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER (CONTINUED)

June 30, 2022

Expressed in millions of U.S. dollars

	Subscriptions					*Voting Power*	
Member	*Shares*	*Percentage of total* [b]	*Total amounts* [b]	*Amounts paid in* [a, b]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total* [b]
Malawi	1,722	0.07 %	$ 207.7	$ 10.2	$ 197.5	2,514	0.09 %
Malaysia	10,447	0.41	1,260.3	75.4	1,184.8	11,239	0.42
Maldives	497	0.02	60.0	1.5	58.5	1,289	0.05
Mali	2,035	0.08	245.5	14.1	231.4	2,827	0.10
Malta	1,361	0.05	164.2	7.5	156.7	2,153	0.08
Marshall Islands	469	0.02	56.6	0.9	55.7	1,261	0.05
Mauritania	1,308	0.05	157.8	6.1	151.7	2,100	0.08
Mauritius	1,656	0.07	199.8	10.7	189.1	2,448	0.09
Mexico	40,119	1.58	4,839.8	291.1	4,548.6	40,911	1.52
Micronesia, Federated States of	479	0.02	57.8	1.0	56.8	1,271	0.05
Moldova	1,984	0.08	239.3	10.7	228.7	2,776	0.10
Mongolia	829	0.03	100.0	5.6	94.4	1,621	0.06
Montenegro	946	0.04	114.1	6.0	108.1	1,738	0.06
Morocco	7,807	0.31	941.8	62.8	879.0	8,599	0.32
Mozambique	1,332	0.05	160.7	6.8	153.9	2,124	0.08
Myanmar	3,465	0.14	418.0	21.4	396.6	4,257	0.16
Namibia	1,930	0.08	232.8	11.7	221.1	2,722	0.10
Nauru	586	0.02	70.7	2.4	68.3	1,378	0.05
Nepal	1,466	0.06	176.9	7.7	169.1	2,258	0.08
Netherlands [c]	50,798	2.00	6,128.0	421.1	5,707.0	51,590	1.91
New Zealand [c]	10,511	0.41	1,268.0	83.5	1,184.5	11,303	0.42
Nicaragua	936	0.04	112.9	4.3	108.6	1,728	0.06
Niger	1,233	0.05	148.8	5.6	143.1	2,025	0.08
Nigeria	19,417	0.76	2,342.4	168.0	2,174.3	20,209	0.75
North Macedonia	615	0.02	74.2	5.2	68.9	1,407	0.05
Norway [c]	15,858	0.62	1,913.0	132.3	1,780.7	16,650	0.62
Oman	1,978	0.08	238.6	12.1	226.5	2,770	0.10
Pakistan	12,870	0.51	1,552.6	102.2	1,450.4	13,662	0.51
Palau	16	-	1.9	0.2	1.8	808	0.03
Panama	891	0.04	107.5	6.9	100.6	1,683	0.06
Papua New Guinea	1,864	0.07	224.9	9.9	214.9	2,656	0.10
Paraguay	1,766	0.07	213.1	9.3	203.7	2,558	0.09
Peru	8,991	0.35	1,084.6	75.8	1,008.8	9,783	0.36
Philippines	10,695	0.42	1,290.2	83.4	1,206.8	11,487	0.43
Poland [c]	19,637	0.77	2,368.9	163.8	2,205.1	20,429	0.76
Portugal [c]	7,511	0.30	906.1	53.3	852.7	8,303	0.31
Qatar	1,389	0.05	167.6	11.1	156.5	2,181	0.08
Romania	7,538	0.30	909.4	61.8	847.6	8,330	0.31
Russian Federation	71,810	2.82	8,662.8	611.5	8,051.3	72,602	2.69
Rwanda	1,502	0.06	181.2	7.5	173.7	2,294	0.09
St. Kitts and Nevis	275	0.01	33.2	0.3	32.9	1,067	0.04
St. Lucia	699	0.03	84.3	2.6	81.7	1,491	0.06
St. Vincent and the Grenadines	387	0.02	46.7	1.6	45.1	1,179	0.04
Samoa	883	0.03	106.5	4.1	102.4	1,675	0.06
San Marino	595	0.02	71.8	2.5	69.3	1,387	0.05
Sao Tome and Principe	705	0.03	85.1	2.2	82.9	1,497	0.06
Saudi Arabia	66,505	2.61	8,022.8	484.6	7,538.2	67,297	2.50
Senegal	2,942	0.12	354.9	17.5	337.4	3,734	0.14
Serbia	3,816	0.15	460.3	30.8	429.6	4,608	0.17
Seychelles	263	0.01	31.7	0.2	31.6	1,055	0.04

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER (CONTINUED)

June 30, 2022

Expressed in millions of U.S. dollars

	Subscriptions					*Voting Power*	
Member	*Shares*	*Percentage of total* [b]	*Total amounts* [b]	*Amounts paid in* [a, b]	*Amounts subject to call* [a, b]	*Number of votes*	*Percentage of total* [b]
Sierra Leone	1,043	0.04 %	$ 125.8	$ 4.6	$ 121.2	1,835	0.07 %
Singapore	7,109	0.28	857.6	63.0	794.6	7,901	0.29
Slovak Republic [c]	4,642	0.18	560.0	38.6	521.4	5,434	0.20
Slovenia [c]	1,971	0.08	237.8	16.9	220.9	2,763	0.10
Solomon Islands	729	0.03	87.9	2.3	85.6	1,521	0.06
Somalia	632	0.02	76.2	3.3	72.9	1,424	0.05
South Africa	19,725	0.77	2,379.5	154.2	2,225.3	20,517	0.76
South Sudan	1,437	0.06	173.4	8.6	164.8	2,229	0.08
Spain [c]	51,570	2.03	6,221.2	440.4	5,780.8	52,362	1.94
Sri Lanka	5,717	0.22	689.7	42.5	647.2	6,509	0.24
Sudan	1,989	0.08	239.9	15.5	224.5	2,781	0.10
Suriname	412	0.02	49.7	2.0	47.7	1,204	0.04
Sweden [c]	23,025	0.90	2,777.6	189.7	2,588.0	23,817	0.88
Switzerland [c]	39,244	1.54	4,734.2	330.9	4,403.3	40,036	1.49
Syrian Arab Republic	2,452	0.10	295.8	14.0	281.8	3,244	0.12
Tajikistan	1,204	0.05	145.3	5.3	139.9	1,996	0.08
Tanzania	1,295	0.05	156.2	10.0	146.2	2,087	0.08
Thailand	12,960	0.51	1,563.4	106.6	1,456.9	13,752	0.51
Timor-Leste	753	0.03	90.9	3.1	87.8	1,545	0.06
Togo	1,598	0.06	192.8	8.1	184.7	2,390	0.09
Tonga	796	0.03	96.0	3.5	92.5	1,588	0.06
Trinidad and Tobago	3,376	0.13	407.3	22.8	384.5	4,168	0.16
Tunisia	1,915	0.08	231.0	16.0	215.0	2,707	0.10
Türkiye	29,010	1.14	3,499.6	224.5	3,275.1	29,802	1.11
Turkmenistan	627	0.02	75.6	3.6	72.0	1,419	0.05
Tuvalu	461	0.02	55.6	1.5	54.1	1,253	0.05
Uganda	1,051	0.04	126.8	8.5	118.3	1,843	0.07
Ukraine	14,361	0.56	1,732.4	108.5	1,623.9	15,153	0.56
United Arab Emirates	6,362	0.25	767.5	57.4	710.1	7,154	0.27
United Kingdom [c]	104,969	4.12	12,662.9	918.9	11,744.0	105,761	3.92
United States [c]	424,982	16.69	51,267.7	3,483.0	47,784.7	425,774	15.79
Uruguay	3,563	0.14	429.8	24.0	405.8	4,355	0.16
Uzbekistan	3,476	0.14	419.3	21.4	397.9	4,268	0.16
Vanuatu	765	0.03	92.3	3.1	89.2	1,557	0.06
Venezuela, Republica Bolivariana de	20,361	0.80	2,456.3	150.8	2,305.5	21,153	0.79
Vietnam	4,551	0.18	549.0	36.5	512.5	5,343	0.20
Yemen, Republic of	2,212	0.09	266.9	14.0	252.8	3,004	0.11
Zambia	4,160	0.16	501.9	30.2	471.7	4,952	0.19
Zimbabwe	3,575	0.14	431.3	22.4	408.9	4,367	0.16
Total - June 30, 2022	**2,545,984**	**100 %**	**$ 307,135**	**$ 20,499**	**$ 286,636**	**2,695,672**	**100 %**
Total - June 30, 2021	**2,469,065**	**100 %**	**$ 297,856**	**$ 19,244**	**$ 278,612**	**2,614,217**	**100 %**

NOTES

a. See Notes to Financial Statements, Note B—Capital Stock, Maintenance of Value, and Membership.
b. May differ from the calculated figures or sum of individual figures shown due to rounding.
c. A member of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD).
** Indicates amount less than $0.5 million or 0.005 percent*

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

NOTES TO FINANCIAL STATEMENTS

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Bank for Reconstruction and Development (IBRD) is an international organization which commenced operations in 1946. The principal purpose of IBRD is to promote sustainable economic development and reduce poverty in its member countries, primarily by providing loans, guarantees and related technical assistance for specific projects and for programs of economic reform in developing member countries. The activities of IBRD are complemented by those of three affiliated organizations, the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IBRD, with separate assets and liabilities, and IBRD is not liable for their respective obligations. Transactions with these affiliated organizations are disclosed in the notes that follow.

IBRD is immune from taxation pursuant to Article VII, Section 9, *Immunities from Taxation*, of IBRD's Articles of Agreement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IBRD's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Due to the inherent uncertainty involved in making these estimates, actual results could differ from these estimates. Significant judgment has been used in the valuation of certain financial instruments, the determination of the adequacy of the accumulated provisions for losses on loans and other exposures, the determination of the net periodic cost from pension and other postretirement benefits plans, and the present value of projected benefit obligations.

On August [4], 2022, the Executive Directors approved these financial statements for issue.

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

Translation of Currencies: IBRD's financial statements are expressed in terms of U.S. dollars for the purpose of reporting IBRD's financial position and the results of its operations. IBRD's functional currencies are the U.S. dollar and euro.

Assets and liabilities are translated at market exchange rates in effect at the end of the reporting period. Revenue and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during the month of the transaction. Translation adjustments relating to non-functional currencies are reflected in the Statement of Income, while translation adjustments for assets and liabilities denominated in euro are reflected in the Statement of Comprehensive Income.

Valuation of Capital Stock: In the Articles of Agreement, the capital stock of IBRD is expressed in terms of "U.S. dollars of the weight and fineness in effect on July 1, 1944" ("1944 dollars"). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1944 dollars into current dollars or into any other currency was eliminated. The Executive Directors of IBRD have decided, until such time as the relevant provisions of the Articles of Agreement are amended, that the words "U.S. dollars of the weight and fineness in effect on July 1, 1944" in Article II, Section 2(a) of the Articles of Agreement of IBRD are interpreted to mean the Special Drawing Right (SDR) introduced by the International Monetary Fund, as valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being $1.20635 for one SDR ("1974 SDR").

Maintenance of Value: Article II, Section 9 of the Articles of Agreement provides for maintenance of value (MOV), at the time of subscription, of national currencies paid-in, which are subject to certain restrictions. MOV is determined by measuring the foreign exchange value of a member's national currency against the standard of value of IBRD's capital based on the 1974 SDR. MOV receivable are amounts due from members on account of movements in exchange rates from the date of initial subscription, resulting in the reduction in the value of their paid-in capital denominated in national currencies. Members are required to make payments to IBRD if their currencies depreciate significantly relative to the standard of value. These amounts may be settled either in cash or a nonnegotiable, noninterest-bearing note, which is due on demand. Certain notes are due on demand only after IBRD's callable subscribed capital has been entirely called pursuant to Article IV, Section 2 (a) of the Articles of Agreement. Furthermore, the Executive Directors have adopted a policy of reimbursing members whose national currencies appreciate significantly in terms of the standard of value.

MOV is deferred when the restriction of national currencies paid-in is lifted and these currencies are being used in IBRD's operations and/or are being invested, swapped, or loaned to members by IBRD or through IFC. Once these restricted currencies are no longer being used in operations, the related MOV is no longer deferred, but rather, becomes due on the same terms as other MOV obligations.

All MOV receivable balances are shown as components of Equity, under Receivable amounts to maintain value of currency holdings. All MOV payable balances are included in Other liabilities-Accounts payable and miscellaneous liabilities on the Balance Sheet. The net receivable or payable MOV amounts relating to national currencies used in IBRD's lending and investing operations are also included as a component of Equity under Deferred amounts to maintain value of currency holdings.

Withdrawal of Membership: Under IBRD's Articles of Agreement, in the event a member withdraws from IBRD, the withdrawing member is entitled to receive the value of its shares payable to the extent the member does not have any outstanding obligations to IBRD. IBRD's Articles of Agreement also state that the former member has continuing obligations to IBRD after withdrawal. Specifically, the former member remains fully liable for its entire capital subscription, including both the previously paid-in portion and the callable portion, so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding.

Transfers Approved by the Board of Governors: In accordance with IBRD's Articles of Agreement, as interpreted by the Executive Directors, the Board of Governors may exercise its reserved power to approve transfers to other entities for development purposes. When unconditional, these transfers, which are included in the Board of Governors-approved and other transfers line in the Statement of Income, are reported as expenses upon approval. If conditional, these transfers are expensed when the conditions specified for the use by the beneficiaries have been met. The transfers are funded from the preceding fiscal year's Net Income, Surplus, Restricted Retained Earnings or Other Reserves.

Retained Earnings: Retained Earnings consist of allocated amounts (Special Reserve, General Reserve, Pension Reserve, Surplus, Cumulative Fair Value Adjustments, Restricted Retained Earnings, Other Reserves) and Unallocated Net Income (Loss).

The Special Reserve consists of loan commissions set aside pursuant to Article IV, Section 6 of the Articles of Agreement, which are to be held in liquid assets. These assets may be used only for the purpose of meeting liabilities of IBRD on its borrowings and guarantees in the event of default on loans made, participated in, or guaranteed by IBRD. The Special Reserve assets are included under Investments-Trading, and comprise obligations of the United States Government, its agencies, and other official entities. The allocation of such commissions to the Special Reserve was discontinued in 1964 with respect to subsequent loans and no further additions are being made to it.

The General Reserve consists of earnings from prior fiscal years which, in the judgment of the Executive Directors, should be retained in IBRD's operations.

The Pension Reserve consists of the difference between the cumulative actual funding of the Staff Retirement Plan and Trust (SRP) and other postretirement benefits plans, and the cumulative accounting income or expense for these plans, from prior fiscal years. This reserve is reduced when pension accounting expenses exceed the actual funding of these plans. In addition, the Pension Reserve also includes investment revenue earned on the Post-Employment Benefits Plan (PEBP) portfolio as well as Post Retirement Contribution Reserve Fund (PCRF), which is used to stabilize IBRD's contributions to the pension plan.

Surplus consists of earnings from prior fiscal years which are retained by IBRD until a further decision is made on their disposition.

Cumulative Fair Value Adjustments consist of the reclassification and amortization of transition adjustments and the unrealized mark-to-market gains or losses on non-trading portfolios.

Restricted Retained Earnings consists of contributions or revenue from prior years which are contractually restricted as to their purpose.

Unallocated Net Income (Loss) consists of the current fiscal year's net income (loss) adjusted for Board of Governors-approved and other transfers made during the year.

Other Reserves consist of allocations from Surplus and non-functional currency translation adjustment gains/losses from prior fiscal years. Allocations from Surplus are retained by IBRD until the conditions specified for their use by the beneficiaries have been met.

Loans and Other Exposures*:* All IBRD loans are made to or guaranteed by countries that are members of IBRD, except for loans made to IFC. The majority of IBRD's loans have repayment obligations based on specific currencies. IBRD also holds multicurrency loans which have repayment obligations in various currencies determined on the basis of a currency pooling system. Other exposures comprise signed commitments (including deferred drawdown options that are effective, and irrevocable commitments), exposures to member countries' derivatives and guarantees.

Loans are reported on the balance sheet at amortized cost. Commitment charges on the undisbursed balance of loans are recognized in revenue as earned. Any loan origination fees incorporated in the terms of a loan are deferred and recognized over the life of the loan as an adjustment of the yield. The unamortized balance of loan origination fees is included as a reduction of the Loans outstanding on the Balance Sheet, and the amortization of loan origination fees are included in Interest revenue from Loans, net in the Statement of Income. Accrued interest is presented in the Balance Sheet line item Other receivables - Accrued income on loans.

It is IBRD's practice not to reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. Should modifications be made to the terms of existing loans, IBRD would perform an evaluation to determine the required accounting treatment, including whether the modification would result in the affected loans being accounted for as trouble debt restructuring, as a new loan, or as a continuation of the existing loan.

It is IBRD's policy to place all loans and other exposures (collectively "exposures") made to or guaranteed by a member of IBRD into nonaccrual status if principal, interest, or other charges with respect to any such exposures are overdue by more than six months, unless IBRD's management determines that the overdue amount will be collected in the immediate future. In addition, if loans and other exposures made by IDA to a member government are placed in nonaccrual status, all loans and other exposures made to, or guaranteed by, that member government will also be placed in nonaccrual status by IBRD. On the date a member's exposures are placed into nonaccrual status, unpaid interest and other charges accrued on exposures to the member are deducted from the revenue of the current period.

Interest and other charges on nonaccruing exposures are included in revenue only to the extent that payments have been received by IBRD. A decision on the restoration of accrual status is made upon arrears clearance. If collectability risk is considered to be particularly high at the time of arrears clearance, the member's exposures may not automatically emerge from nonaccrual status until a suitable period of payment performance has passed.

Loan Commitments: Undisbursed loans relate to operations approved by the Executive Directors, for which disbursements are yet to be made. IBRD records a provision for expected losses on undisbursed loan commitments including Deferred Drawdown Options (DDOs), when signed by both parties. The signature of the loan agreement is a binding event that prevents IBRD from unconditionally withdrawing from the agreement.

Guarantees: Financial guarantees are commitments issued by IBRD to guarantee payment by a member country (the debtor) to a third party in the event that a member government (or a government-owned entity) fails to perform its contractual obligations to a third party.

Guarantees are regarded as outstanding when the underlying financial obligation of the debtor is incurred, and called when a guaranteed party demands payment under the guarantee. IBRD would be required to perform under its guarantees if the payments guaranteed were not made by the debtor and the guaranteed party called the guarantee by demanding payment from IBRD in accordance with the terms of the guarantee. In the event that a guarantee of a member country is called, IBRD has the contractual right to require payment from the member country.

IBRD records the fair value of the obligation to stand ready in Other Liabilities - Accounts payable and miscellaneous liabilities, and a corresponding fees receivable asset in the Other Receivables - Accrued income on loans line on IBRD's Balance Sheet. Upfront guarantee fees received are deferred and amortized over the life of the guarantee.

Accumulated Provision for Losses on Loans and Other Exposures: Management determines the appropriate level of accumulated provisions for losses on exposures, which reflects the expected losses inherent in IBRD's exposures.

Loans

Loan exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. In each group, a credit risk rating is assigned to exposures for each borrower.

The total exposure for provisioning is the current exposure and the estimated future exposure, taking into account expected disbursements and repayments over the life of the instruments. The expected credit losses related to loans and other exposures are calculated over the life of the instruments based on the annual estimated exposures, the expected default frequency (probability of default to IBRD) and the estimated loss given default. The provision for expected losses is the sum of the expected annual losses over the life of the instruments.

For countries in accrual status, these exposures are grouped in pools of borrowers with a similar risk rating. The determination of a borrower's ratings is based on various factors (see Note D—Loans and other exposures). Each risk rating is mapped to an expected default frequency using IBRD's credit migration matrix, based on historical observations of credit ratings at the beginning and at the end of each year.

Expected losses on loan exposures comprise estimates of potential losses arising from the economic loss due to delays in receiving payments. The estimated loss given default is determined at each balance sheet date, based on IBRD's historical experience, as well as parameters adjusted for current conditions during the reasonable and supportable forecast period of IBRD. The loss given default is based on the borrower's eligibility, namely: IBRD, Blend (IBRD and IDA) and IDA, with the highest loss given default associated with IDA eligibility. The main factors used to determine the loss given default are the estimated length of delays in receiving loan payments, and the effective interest rate of the exposure. As the majority of IBRD's loans carry a variable interest rate, the loss severity is impacted by the changes in forward looking market interest rates.

For the calculation of expected credit losses, IBRD applies a three-year reasonable and supportable forecast period, representing the most reliable and available economic data during this period. IBRD also applies a ten-year straight-line reversion to the mean to reflect the historical pattern of rating migration to the mean of its loan portfolio.

This methodology is also applied to countries with exposures in nonaccrual status, although the expected default frequency is equal to a hundred percent. At times, to reflect certain distinguishing circumstances of a particular nonaccrual situation, different input assumptions may be used for a specific country.

All exposures for countries in nonaccrual status are individually assessed. Exposure for certain countries in accrual status may be individually assessed on the basis that they do not share common risk characteristics with an existing pool of exposures. It is IBRD's practice not to write off loans. All contractual obligations associated with exposures in nonaccrual status have eventually been cleared, and borrowers have emerged from nonaccrual status. To date, no loans have been written off.

Management reassesses the adequacy of the accumulated provision on a quarterly basis and adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income. In addition, reasonableness of the inputs used is reassessed at least annually.

When IBRD receives a third-party guarantee in the form of a credit enhancement that is embedded in the loan agreement with the borrower, it considers the benefit of the credit enhancement in the loan loss provisioning credit risk assessment.

Loan Commitments

IBRD records the expected credit losses on loan commitments based on the projected disbursements of signed loan commitments (adjusted by cancellations based on historical experience), the probability of default and loss given default. The provision is included in Other liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheet.

Guarantees

IBRD records a contingent liability for the expected losses related to guarantees over the projected life of the instruments, which is determined based on the estimated exposure at default, multiplied by the corresponding loss given default and expected default probability for the projected life of the guarantee. This provision, as well as the unamortized balance of the deferred guarantee fees, and the unamortized balance of the obligation to stand-ready, are included in Other Liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheet.

Exposure Exchange Agreements (EEAs)

IBRD executes EEAs with various organizations. While these agreements are not legally considered guarantees, in IBRD's financial statements they are recognized as financial guarantees as they meet the accounting criteria for financial guarantees. Under an EEA, each party exchanges credit risk exposure of a portfolio supported by underlying loans to borrowers, by providing and receiving guarantees from each other, for the amounts specified. The guarantee provided and the guarantee received are two separate transactions; namely (a) the provision of a financial guarantee, and (b) the receipt of an asset. There is generally no exchange of cash between the organizations for these transactions.

For a guarantee provided under an EEA, IBRD records a liability equivalent to the fair value of the obligation to stand ready. This liability is included in Other liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheet and is amortized over the life of the EEA. IBRD also records a liability, and corresponding expense, in recognition of the risk coverage provided (provision). The value of this liability reflects the credit quality of the underlying loans in the portfolio and changes over the life of the EEA as the credit quality of these loans changes.

For a guarantee received under an EEA, IBRD records an asset equivalent to the fair value of the right to be indemnified. This asset is included in Other assets – Miscellaneous on the Balance Sheet and is amortized over the life of the EEA. IBRD also records an asset, and corresponding income, in recognition of the risk coverage received (recoverable asset). The value of this asset reflects the credit quality of the underlying loans in the portfolio and changes over the life of the EEA contract as the credit quality of these loans changes.

Segment Reporting: Based on an evaluation of IBRD's operations, Management has determined that IBRD has one reportable segment since financial results are reviewed and resource allocation decisions are made at the entity level.

Statement of Cash Flows: For the purpose of IBRD's Statement of Cash Flows, cash is defined as the amount of Unrestricted cash and Restricted cash under the Due from banks line on the Balance Sheet.

Restricted Cash: This includes amounts which have been received from members as part of their capital subscriptions, as well as from donors and other sources, which are restricted for specified purposes. For capital subscriptions, a portion of these subscriptions have been paid to IBRD in the national currencies of the members. These amounts are usable by IBRD in its lending and investing operations, only with the consent of the respective members, and for administrative expenses incurred in national currencies.

Investments*:* Investment securities are classified based on Management's intention on the date of purchase, their nature, and IBRD's policies governing the level and use of such investments. As of June 30, 2022, all of the financial instruments in IBRD's investment portfolio were classified as trading. These securities are carried and reported at fair value, or at face value or net asset value (NAV), which approximate fair value.

Where available, quoted market prices are used to determine the fair value of trading securities. These include most government and agency securities, exchange-traded equity securities, Asset-backed Securities (ABS), and Mortgage-backed Securities (MBS). 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 discounted cash flow method using observable market inputs such as yield curves, credit spreads, and conditional prepayment rates. Where applicable, unobservable inputs such as conditional 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. Purchases and sales of securities are recorded on a trade-date basis. Time deposits and money market deposits are recorded at settlement. The first-in first-out method is used to determine the cost of securities sold in computing the realized gains and losses on these instruments. Derivative instruments used in liquidity management are not designated as hedging instruments for accounting purposes.

Interest revenue is included in the Investments-Trading, net line in the Statement of Income. Unrealized gains and losses for investment securities and related financial instruments held in the trading portfolio are included in the Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net line in the Statement of Income. Realized gains and losses on trading securities are recognized in the Statement of Income when securities are sold.

IBRD may require collateral in the form of approved liquid securities from individual counterparties or cash, under legal agreements that provide for collateralization, in order to mitigate its credit exposure to these counterparties. For collateral received in the form of cash from counterparties, IBRD invests the amounts received and records the investment and a corresponding obligation to return the cash. Collateral received in the form of liquid securities is only recorded on IBRD's Balance Sheet to the extent that it has been transferred under securities lending agreements in return for cash.

Securities Purchased Under Resale Agreements, Securities Lent Under Securities Lending Agreements and Securities Sold Under Repurchase Agreements and Payable for Cash Collateral Received: Securities purchased under resale agreements, securities lent under securities lending agreements, securities sold under repurchase agreements and payable for cash collateral received are reported at face value which approximates fair value, as they are short term in nature. IBRD receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The securities transferred to counterparties under repurchase and security lending arrangements and the securities transferred to IBRD under resale agreements have not met the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Balance Sheet, and securities received under resale agreements are not recorded on the Balance Sheet. Securities lent under securities lending agreements and sold under securities repurchase agreements as well as securities purchased under resale agreements are presented on a gross basis which is consistent with the manner in which these instruments are settled. The interest earned from securities purchased under resale agreements is included in Investments–Trading, net in the Statement of Income. The interest expense pertaining to the securities sold under repurchase agreements and security lending arrangements, is included in the Borrowing expenses, net line in the Statement of Income.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital: All demand obligations are held in bank accounts which bear IBRD's name and are carried and reported at face value as a reduction to equity. Payments on some of these instruments are due to IBRD upon demand. Others are due to IBRD on demand, but only after IBRD's callable subscribed capital has been entirely called pursuant to Article IV, Section 2 (a) of the Articles of Agreement.

Premises and Equipment: Premises and equipment, including leasehold improvements, and information technology assets are carried at cost less accumulated depreciation and amortization. IBRD computes depreciation and amortization using the straight-line method over the estimated useful lives of the owned assets, which range between three and fifty years. For leasehold improvements, depreciation is computed over the lesser of the remaining term of the leased facility or the estimated economic life of the improvement.

Maintenance and repairs are charged to expense as incurred, while major improvements are capitalized and amortized over the estimated useful life.

Lessee Arrangements: IBRD's lessee arrangements are mostly real estate operating leases. Under these arrangements, IBRD records right-of-use assets and lease liabilities at lease commencement. Right-of-use assets are reported in Other assets - Premises and equipment, net and the related lease liabilities are reported in Other liabilities - Accounts payable and miscellaneous liabilities. IBRD has elected to account for the lease and non-lease components together as a single lease component. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using IBRD's incremental borrowing rate. All leases are recorded on the Balance Sheet except short-term leases with an initial term of 12 months or less. Lease expense, including that for short-term leases, is recognized on a straight-line basis over the lease term and is recorded in Administrative expenses in the Statement of Income.

Borrowings: To ensure funds are available for lending and liquidity purposes, IBRD borrows in the international capital markets, offering its securities (discount notes, vanilla and structured bonds) to private and governmental buyers. IBRD issues debt instruments of varying maturities denominated in various currencies with both fixed and variable interest rates.

IBRD has elected the fair value option for all borrowings. All changes in fair value are recognized in the related Unrealized mark-to-market gains and losses on non-trading portfolios, net, line in the Statement of Income, except for changes in the fair value related to IBRD's own credit risk, which are reported in Other Comprehensive Income (OCI) as a Debit Valuation Adjustment (DVA). The DVA on fair value option elected liabilities is measured by revaluing each borrowing instrument to determine the changes in fair value of that instrument arising from changes in IBRD's funding spread relative to the applicable reference rate.

Structured bonds issued by IBRD have coupon or repayment terms linked to the level or the performance of interest rates, foreign exchange rates, equity indices, catastrophic events or commodities.

For the purpose of the Statement of Cash Flows, short-term borrowings, if any, with original maturities less than 90 days, are presented net of new issuances and retirements. By contrast, short-term borrowings with original maturities greater than 90 days and up to one year are presented on a gross basis.

Interest expense relating to all debt instruments in IBRD's borrowing portfolio is measured on an effective yield basis and is reported as part of Borrowing expenses, net in the Statement of Income.

Amortization of discounts and premiums is recorded using the effective interest method and is included in the Borrowing expenses, net line in the Statement of Income.

Accounting for Derivatives: IBRD has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are reported at fair value on the Balance Sheet, with changes in fair values accounted for through the Statement of Income.

The presentation of derivative instruments on IBRD's Balance Sheet reflects the netting of derivative asset and liability positions and the related cash collateral received from the counterparty, when a legally enforceable master netting agreement exists, and the other conditions set out in *ASC Topic 210-20, Balance Sheet—Offsetting*, are met.

In addition, in the Notes to the financial statements, unless stated differently, derivatives are presented on a net basis by instrument.

A master netting agreement is an industry standard agreement with a counterparty that permits multiple transactions governed by that agreement to be terminated or accelerated and settled through a single payment in a single currency in the event of a default (e.g., bankruptcy, failure to make a required payment or transfer security or deliver collateral when due). Obligations under master netting agreements are often secured by collateral posted under an industry standard credit support annex to the master netting agreement. Upon default by the counterparty, the collateral agreement grants an entity the right to set-off any amounts payable by the counterparty against any posted collateral.

IBRD uses derivative instruments in its investment trading portfolio to manage interest rate and currency risks. These derivatives are carried and reported at fair value. Interest revenue/expenses are reflected as part of Interest revenue, while unrealized mark-to-market gains and losses on these derivatives are reflected as part of the Unrealized mark-to-market gains (losses) in Investments-Trading, net line in the Statement of Income.

IBRD also uses derivatives in its loan, borrowing and asset/liability management activities. It also offers derivative intermediation services to clients. In the loan and borrowing portfolios, derivatives are used to modify the interest rate and/or currency characteristics of these portfolios. The interest component of these derivatives is recognized as an adjustment to the related loan revenue and borrowing costs over the life of the derivative contracts and is included in the related Interest revenue/expenses lines in the Statement of Income. Changes in fair values of these derivatives are recorded in the Statement of Income as Unrealized mark-to-market gains and losses in non-trading portfolios, net.

For the purpose of the Statement of Cash Flows, IBRD has elected to report the cash flows associated with the derivative instruments that are used to economically hedge its loans, investments and borrowings, in a manner consistent with the presentation of the related loan, investment and borrowing cash flows.

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and futures contracts, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are either plain vanilla or structured. Currency forward contracts and plain vanilla currency and interest rate swaps are valued using the discounted cash flow methods using observable market inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. For structured currency and interest rate swaps, which primarily consist of callable swaps linked to interest rates, foreign exchange rates, and equity indices, valuation models and inputs similar to the ones applicable to structured bond valuations are used. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities.

Most outstanding derivative positions are transacted over-the-counter and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IBRD has a net receivable position, IBRD calculates a Credit Valuation Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IBRD is in a net payable position, IBRD calculates a DVA to reflect its own credit risk. The CVA is calculated using the fair value of the derivative contracts, net of collateral received under credit support agreements, and the probability of counterparty default based on the Credit Default Swaps (CDS) spread and, where applicable, proxy CDS spreads. The DVA calculation is generally consistent with the CVA methodology and incorporates IBRD's own credit spread as observed through the CDS market.

***Valuation of Financial Instruments*:** IBRD has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models and other established valuation models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs, some of which may be significant. Selection of these inputs may involve some judgment. In instances where Management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as inputs applied in determining those values. The fair value of certain instruments is calculated using NAV as a practical expedient. To ensure that the valuations are appropriate where internally-developed models are used, IBRD has various controls in place, which include both internal and periodic external verification and review.

Fair Value Hierarchy: Financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3).

Financial assets and liabilities recorded at fair value on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

IBRD's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Investments measured at NAV (or its equivalent) are not classified in the fair value hierarchy.

Accounting for Grant Expenses: IBRD recognizes an expense for unconditional grants, such as Contributions to Special Programs and most Board of Governors-approved and other transfers, upon approval. IBRD recognizes an expense for conditional grants when the conditions specified for use by the beneficiaries have been met.

Trust Funds**:** To the extent that IBRD acts as an agent for, or controls IBRD-executed trust funds, assets held on behalf of specified beneficiaries are recorded on IBRD's Balance Sheet, along with corresponding liabilities. Amounts disbursed from these trust funds are recorded as expenses with corresponding amounts recognized as revenues. For Recipient-executed trust funds, since IBRD acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet. In some trust funds, execution is split between Recipient-executed and IBRD-executed portions. Decisions on assignment of funding resources between the two types of execution may be made on an ongoing basis, therefore, the execution of a portion of these available resources may not yet be assigned.

IBRD also acts as a financial intermediary to provide specific administrative or financial services with a limited fiduciary or operational role. These arrangements, referred to as Financial Intermediary Funds, include, for example, administration of debt service trust funds, financial intermediation and other more specialized limited fund management roles. For these arrangements, funds are held and disbursed in accordance with instructions from donors or, in some cases, an external governance structure or a body operating on behalf of donors. For Financial Intermediary Funds, since IBRD acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

Accounting and Reporting Developments

Evaluated Accounting Standards:

In June 2016, the Financial Accounting Standards Board (FASB) issued *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL ASU). The ASU and its subsequent amendments introduce a new model for the accounting of credit losses on loans and other financial assets measured at amortized cost. The CECL model, requires an entity to estimate the credit losses expected over the life of an exposure, considering historical information, current information, and reasonable and supportable forecasts. Additionally, the ASUs require enhanced disclosures about credit quality and significant estimates and judgments used in estimating credit losses.

For IBRD, the ASUs became effective on July 1, 2020. The transition adjustment increased retained earnings by $203 million, which reflects the decrease in the expected credit losses relating to loans and other exposures under CECL compared to the previous "incurred loss" model. The impact was mainly driven by the use of implied forward interest rates under CECL compared to historical average interest rates under the previous methodology. Implied forward interest rates had declined to historically low levels in the context of the global pandemic. This impact was partially offset by the inclusion of signed loan commitments in the determination of the provision and the requirement to provision over the full life of IBRD's long maturity profile credit exposures.

See the table below for details of the CECL transition adjustment as of July 1, 2020. The transition adjustment had no impact on the Statement of Income. See Note D — Loans and Other Exposures and Note G — Retained Earnings, Allocations and Transfers, for additional details.

	Location on the Balance Sheet	*June 30, 2020 As reported*	*Impact of the adoption of the CECL ASU*	*July 1, 2020 Adjusted*
Accumulated provision related to:				
Loans outstanding	Accumulated provision for loan losses	$ 1,599	$ (465)	$ 1,134
Signed loan commitments	Other liabilities	-	298	298
Other exposures	Other liabilities	99	(47)	52
Total impact on accumulated provision		$ 1,698	$ (214)	$ 1,484
Recoverable asset relating to guarantees received under EEAs	Other assets	$ (28)	$ 11	$ (17)
Retained earnings		$ 28,765	$ 203	$ 28,968

Accounting standards under evaluation:

In June 2022, FASB issued Accounting Standard Update (ASU) 2022-03, *Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and should not be factored in when measuring fair value. The ASU also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The ASU requires certain disclosures for equity securities subject to contractual sale restrictions. For IBRD, the ASU will be effective from the quarter ending September 30, 2024 (fiscal year 2025 for IBRD), with early adoption permitted. IBRD is currently evaluating the impact of the ASU on its financial statements.

In March 2022, the FASB issued ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance on troubled debt restructurings (TDRs) for creditors and amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. This ASU is effective from the quarter ending September 30, 2023 (fiscal year 2024 for IBRD), with early adoption permitted. IBRD is currently evaluating the impact of the ASU on its financial statements.

In November 2021, the FASB issued ASU 2021-10, *Disclosure by Business Entities about Government Assistance*, which requires entities to make annual disclosure about certain government assistance they received. This ASU is effective for the annual period ending June 30, 2023 for IBRD (annual statements of fiscal year 2023 for IBRD), with early adoption permitted. IBRD is currently evaluating the impact of the ASU on its financial statements.

NOTE B—CAPITAL STOCK, MAINTENANCE OF VALUE, AND MEMBERSHIP

The following table provides a summary of the changes in IBRD's authorized and subscribed shares:

Table B1: IBRD’s shares

	Authorized shares	*Subscribed shares*
As of June 30, 2020	2,783,873	2,387,388
General Capital Increase/Selective Capital Increase (GCI/SCI)	-	81,677
As of June 30, 2021	2,783,873	2,469,065
GCI/SCI	-	76,919
As of June 30, 2022	**2,783,873**	**2,545,984**

The following table provides a summary of the changes in subscribed capital, uncalled portion of subscriptions, and paid-in capital:

Table B2: IBRD's capital
In millions of U.S. dollars

	Subscribed capital	Uncalled portion of subscriptions	Paid-in capital
As of June 30, 2020	$ 288,002	$ (269,968)	$ 18,034
GCI/SCI	9,854	(8,644)	1,210
As of June 30, 2021	297,856	(278,612)	19,244
GCI/SCI	9,279	(8,024)	1,255
As of June 30, 2022	**$ 307,135**	**$ (286,636)**	**$ 20,499**

The uncalled portion of subscriptions is subject to call only when required to meet the obligations incurred by IBRD as a result of borrowings or guaranteeing loans.

On October 1, 2018, IBRD's Board of Governors approved two resolutions that increased IBRD's authorized capital. The total increase in authorized capital was $57.5 billion, of which, $27.8 billion and $29.7 billion relate to the GCI and SCI, respectively. Under the terms of the 2018 GCI and SCI, paid-in capital is expected to increase by up to $7.5 billion. As of June 30, 2022, the cumulative subscription payments received under the 2018 capital increases was $4 billion.

Amounts to Maintain the Value of Currency Holdings

The following table summarizes the amounts for MOV classified as components of equity:

Table B3: MOV balances
In millions of U.S. dollars

	June 30, 2022	June 30, 2021
MOV receivable	$ (354)	$ (343)
Net Deferred MOV (receivable)/payable	(294)	197
Deferred demand obligations	(130)	(130)
Deferred MOV (receivable)/payable	$ (424)	$ 67

NOTE C—INVESTMENTS

As of June 30, 2022, IBRD's investments include the liquid asset portfolio, the Post Employment Benefit Plan (PEBP), the Post Retirement Contribution Reserve Fund (PCRF), and holdings relating to the Local Currency Market Development (LCMD) investments. LCMD investments are sovereign bonds denominated in the local currencies of less developed markets, and funded by borrowings in the same currency with matching volume, payment and maturity characteristics.

Investments held by IBRD are designated as trading and reported at fair value, or at face value, which approximates fair value. As of June 30, 2022, Investments were primarily comprised of government and agency obligations, and time deposits (47% and 48% respectively), with all the instruments classified as Level 1 or Level 2 within the fair value hierarchy. As of June 30, 2022, the largest holdings of investments from a single counterparty was U.S. Treasuries (8%).

A summary of IBRD's Investments-Trading is as follows:

Table C1: Investments – Trading composition
In millions of U.S. dollars

	June 30, 2022	June 30, 2021
Government and agency obligations	$ 38,727	$ 48,630
Time deposits	39,454	35,460
Asset-backed Securities (ABS)	1,603	1,710
Alternative investments [a]	1,704	1,352
Equity securities [a]	295	414
Total	$ 81,783	$ 87,566

a. Related to PEBP holdings. Alternative investments are comprised of investments in hedge funds, private equity funds and real estate funds, at net asset value (NAV).

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

Table C2: Net investment portfolio position
In millions of U.S. dollars

	June 30, 2022	June 30, 2021
Investments-Trading	$ 81,783	$ 87,566
Securities purchased under resale agreements	37	338
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received [a]	(201)	(3,333)
Derivative assets		
Currency swaps and forward contracts	941	485
Interest rate swaps	19	16
Other	2	-
Total	962	501
Derivative liabilities		
Currency swaps and forward contracts	(55)	(417)
Interest rate swaps	(523)	(561)
Other	-	(1)
Total	(578)	(979)
Cash held in investment portfolio [b]	262	2,037
Receivable from investment securities traded and other assets	103	400
Payable for investment securities purchased [c]	(311)	(699)
Net investment portfolio	$ 82,057	$ 85,831

a. Includes $164 million of cash collateral received from counterparties under derivative agreements ($3,308 million—June 30, 2021).

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

c. This amount includes $260 million of liabilities related to PCRF payable, which is included in Other liabilities – Accounts payable and miscellaneous liabilities on the Balance Sheet ($178 million—June 30, 2021), and no liabilities related to short sales ($98 million—June 30, 2021).

The composition of IBRD's net investment portfolio was as follows:

Table C3: Net investment portfolio composition
In millions of U.S. dollars

	June 30, 2022	June 30, 2021
Net investment portfolio		
Liquid asset portfolio	$ 78,796	$ 82,751
PEBP holdings	2,456	2,476
PCRF holdings	766	555
AMC holdings	-	10
LCMD investments	39	39
Total	$ 82,057	$ 85,831

As of November 2021, IBRD transferred all contributions received from donors under the Advance Market Commitment (AMC) program to the GAVI alliance, thereby concluding the program.

IBRD uses derivative instruments to manage the associated currency and interest rate risk in the portfolio. For details regarding these instruments, see Note F—Derivative Instruments. After considering the effects of these derivatives, IBRD's investment portfolio is predominantly denominated in U.S. dollars.

Commercial Credit Risk

For the purpose of risk management, IBRD 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 non-performance by obligors and counterparties under the terms of the contracts. For all securities, IBRD limits trading to a list of authorized dealers and counterparties. In addition, IBRD may require collateral in connection with resale and swap agreements. The collateral serves to mitigate IBRD's exposure to credit risk.

Swap Agreements: Credit risk is mitigated through the application of eligibility criteria and volume limits for transactions with individual counterparties and through the use of mark-to-market collateral arrangements for swap transactions. IBRD may require collateral in the form of cash or other approved liquid securities from individual counterparties in order to mitigate its credit exposure.

IBRD 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 F—Derivative Instruments.

The following is a summary of the collateral received by IBRD related to swap transactions:

Table C4: Collateral received

In millions of U.S. dollars

	June 30, 2022	June 30, 2021
Collateral received		
Cash	$ 164	$ 3,308
Securities	427	1,083
Total collateral received	$ 591	$ 4,391
Collateral permitted to be repledged	$ 591	$ 4,391
Amount of collateral repledged	-	-
Amount of cash collateral invested	143	1,492

Securities Lending: IBRD may engage in securities lending and repurchases, against adequate collateral, as well as secured borrowing and reverse repurchases (resales) of government and agency obligations, corporate securities, ABS and MBS. These transactions, if any, are conducted under legally enforceable master netting arrangements, which allow IBRD to reduce its gross credit exposure related to these transactions. For balance sheet presentation purposes, IBRD presents its securities lending and repurchases, as well as resales, on a gross basis. As of June 30, 2022, and June 30, 2021, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements.

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

Transfers of securities by IBRD 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.

As of June 30, 2022, liabilities relating to securities transferred under repurchase or securities lending agreements amounted to $37 million ($25 million — June 30, 2021) and there were no unsettled trades relating to repurchase or securities lending agreements. There were no replacement trades entered into in anticipation of maturing trades of a similar amount (Nil — June 30, 2021). As of June 30, 2022 and June 30, 2021, the remaining contractual maturities of these agreements were overnight and continuous. The securities transferred were mainly comprised of government and agency obligations and equity securities.

In the case of resale agreements, IBRD receives 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 IBRD's Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2022 and June 30, 2021, there were no unsettled trades pertaining to securities purchased under resale agreements. For resale agreements, IBRD received securities with a fair value of $38 million ($340 million — June 30, 2021). As of June 30, 2022, and June 30, 2021, none of these securities had been transfered.

NOTE D—LOANS AND OTHER EXPOSURES

IBRD's loans and other exposures (collectively "exposures") are generally made to, or guaranteed by, member countries of IBRD. In addition, IBRD may also make loans to the IFC, an affiliated organization, without any guarantee. As of June 30, 2022, all IBRD's loans were reported at amortized cost.

IBRD's loan portfolio includes loans with multicurrency terms, variable spread terms and fixed spread terms. At June 30, 2022, only loans with variable spread terms (including special development policy loans), were available for new commitments. Effective April 1, 2021, IBRD suspended the offering of loans on fixed spread terms.

As of June 30, 2022, 86% of IBRD's loans carried variable interest rates. IBRD uses derivative instruments to manage the currency risk as well as repricing risk between its loans and borrowings. After the effects of these derivatives, the entire loan portfolio carried variable interest rates, with a weighted average interest rate of 1.92% as of June 30, 2022 (0.84%—June 30, 2021). For details regarding derivatives used in the loan portfolio see Note F—Derivative Instruments.

The majority of IBRD's loans outstanding are denominated in U.S. dollars (80%) and euro (18%).

IBRD excludes the interest receivable balance from the amortized cost basis and from the related disclosures as permitted by U.S. GAAP. As of June 30, 2022, accrued interest receivable on loans of $1,029 million is included in Other Receivables – Accrued income on loans in the Balance Sheet ($668 million — June 30, 2021).

As of June 30, 2022, 0.2% of IBRD's loans were in nonaccrual status and related to one borrower. The total accumulated provision for losses on loans was 0.8% of the total loan portfolio. Based on IBRD's internal credit quality indicators, the majority of loans outstanding are in the medium-risk or high-risk classes.

A summary of IBRD's loans outstanding by currency and by interest rate characteristics (fixed or variable) is as follows:

Table D1: Loans outstanding currency and interest rate structure
In millions of U.S. dollars, except as otherwise noted

	June 30, 2022										
	Euro		Japanese Yen		U.S. dollars		Others		Loans Outstanding		
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Total
Multicurrency terms [a]	$ 13	$ 7	$ 11	$ 4	$ 32	$ 402	$ -	$ -	$ 56	$ 413	$ 469
Weighted average rate (%) [b]	2.78	6.25	2.78	6.25	6.77	5.97	-	-	5.10	5.98	5.88
Average Maturity (years)	2.12	-	2.08	-	1.14	-	-	-	1.54	-	0.18
Variable-spread terms	$ 3	$20,175	$ -	$ 252	$ -	$139,402	$ -	$ 3,027	$ 3	$ 162,856	$ 162,859
Weighted average rate (%) [b]	0.51	0.41	-	0.75	-	2.25	-	8.98	0.51	2.14	2.14
Average Maturity (years)	0.62	8.31	-	7.10	-	8.63	-	7.58	0.62	8.57	8.57
Fixed-spread terms	$12,045	$ 7,804	$ 1	$ 874	$ 20,637	$ 23,922	$ 355	$ 378	$ 33,038	$ 32,978	$ 66,016
Weighted average rate (%) [b]	2.00	0.53	2.30	0.52	3.35	2.49	8.06	6.49	2.91	2.02	2.47
Average maturity (years)	10.88	7.07	0.58	5.96	8.60	9.91	8.91	8.09	9.43	9.12	9.27
Loans Outstanding	$12,061	$27,986	$ 12	$ 1,130	$ 20,669	$163,726	$ 355	$ 3,405	$ 33,097	$ 196,247	$ 229,344
Weighted average rate (%) [b]	2.00	0.45	2.74	0.59	3.36	2.29	8.06	8.70	2.91	2.13	2.24
Average Maturity (years)	10.87	7.96	1.94	6.19	8.58	8.80	8.91	7.64	9.42	8.64	8.75
Loans Outstanding											$ 229,344
Less accumulated provision for loan losses and deferred loan income											2,252
Net loans outstanding											$ 227,092

Table D1.1

In millions of U.S. dollars, except as otherwise noted

	June 30, 2021										
	Euro		Japanese Yen		U.S. dollars		Others		Loans Outstanding		
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Total
Multicurrency terms [a]	$ 20	$ 8	$ 19	$ 5	$ 35	$ 402	$ -	$ -	$ 74	$ 415	$ 489
Weighted average rate (%) [b]	2.78	6.38	2.78	6.38	7.13	6.11	-	-	4.83	6.12	5.92
Average Maturity (years)	2.62	-	2.62	-	1.30	-	-	-	2.00	-	0.30
Variable-spread terms	$ 6	$ 20,506	$ -	$ 317	$ -	$ 130,449	$ -	$2,651	$ 6	$ 153,923	$ 153,929
Weighted average rate (%) [b]	0.51	0.16	-	0.58	-	0.95	-	8.42	0.51	0.97	0.97
Average Maturity (years)	1.12	8.20	-	7.96	-	8.73	-	7.71	1.12	8.64	8.64
Fixed-spread terms	$ 12,917	$ 8,440	$ 2	$ 1,105	$19,670	$ 23,113	$ 482	$ 417	$ 33,071	$ 33,075	$ 66,146
Weighted average rate (%) [b]	2.10	0.34	2.30	0.44	3.40	1.26	7.84	3.56	2.96	1.03	1.99
Average maturity (years)	11.77	7.58	0.96	6.81	8.59	10.69	9.06	8.44	9.84	9.74	9.79
Loans Outstanding	$ 12,943	$ 28,954	$ 21	$ 1,427	$19,705	$ 153,964	$ 482	$3,068	$ 33,151	$ 187,413	$ 220,564
Weighted average rate (%) [b]	2.10	0.22	2.72	0.49	3.40	1.01	7.84	7.76	2.96	0.99	1.29
Average Maturity (years)	11.75	8.02	2.42	7.04	8.58	9.00	9.06	7.81	9.82	8.82	8.97
Loans Outstanding											$ 220,564
Less accumulated provision for loan losses and deferred loan income											1,765
Net loans outstanding											$ 218,799

a. Variable rates for multicurrency loans are based on the weighted average cost of allocated debt.

b. Excludes effects of any waivers of loan interest.

The maturity structure of IBRD's loans is as follows:

Table D2: Loans maturity structure

In millions of U.S. dollars

	June 30,2022				
Terms/Rate Type	*July 1, 2022 through June 30, 2023*	*July 1, 2023 through June 30, 2027*	*July 1, 2027 through June 30, 2037*	*Thereafter*	*Total*
Multicurrency terms					
Fixed	$ 26	$ 30	$ -	$ -	$ 56
Variable	413	-	-	-	413
Variable-spread terms					
Fixed	3	-	-	-	3
Variable	8,509	41,986	89,618	22,743	162,856
Fixed-spread terms					
Fixed	1,445	7,265	18,995	5,333	33,038
Variable	2,458	8,116	16,201	6,203	32,978
All Loans					
Fixed	1,474	7,295	18,995	5,333	33,097
Variable	11,380	50,102	105,819	28,946	196,247
Total loans outstanding	$ 12,854	$ 57,397	$ 124,814	$ 34,279	$ 229,344

Table D2.1

In millions of U.S. dollars

	June 30, 2021				
Terms/Rate Type	*July 1, 2021 through June 30, 2022*	*July 1, 2022 through June 30, 2026*	*July 1, 2026 through June 30, 2036*	*Thereafter*	*Total*
Multicurrency terms					
Fixed	$ 29	$ 45	$ -	$ -	$ 74
Variable	415	-	-	-	415
Variable-spread terms					
Fixed	3	3	-	-	6
Variable	9,841	37,628	83,687	22,767	153,923
Fixed-spread terms					
Fixed	1,562	7,153	16,773	7,583	33,071
Variable	1,519	8,591	15,715	7,250	33,075
All Loans					
Fixed	1,594	7,201	16,773	7,583	33,151
Variable	11,775	46,219	99,402	30,017	187,413
Total loans outstanding	$ 13,369	$ 53,420	$ 116,175	$ 37,600	$ 220,564

Credit Quality of Sovereign Exposures

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

IBRD's country risk ratings are an assessment of its borrowers' ability and willingness to repay IBRD 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 analysis. The components considered in the analysis can be grouped broadly into eight categories: political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks, and corporate sector debt and vulnerabilities. The analysis also takes into account Environmental, Social, and Governance (ESG) factors. For the purpose of analyzing the risk characteristics of IBRD's exposures, these exposures are grouped into three classes in accordance with assigned borrower risk ratings, which relate to the likelihood of loss: Low, Medium and High-risk classes, as well as exposures in nonaccrual status.

IBRD's borrowers' country risk ratings are key determinants in the provision for losses. Country risk ratings are grouped in pools of borrowers with similar credit ratings for the purpose of the calculation of the expected credit losses. Country risk ratings are determined in review meetings that take place several times a year. All countries are reviewed at least once a year, or more frequently, if circumstances warrant, to determine the appropriate ratings.

An assessment was also performed to determine whether a qualitative adjustment of the loan loss provision was needed as of June 30, 2022, including consideration of the COVID-19 pandemic and other global events. Management concluded that a qualitative adjustment beyond the regular application of IBRD's loan loss provision framework was not warranted.

The following tables provides an aging analysis of the loan portfolio:

Table D3: Loan portfolio aging structure
In millions of U.S. dollars

	June 30, 2022							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,428	$ 23,428
Medium	-	-	-	-	-	-	96,533	96,533
High	-	1	38	-	-	39	108,916	108,955
Loans in accrual status	-	1	38	-	-	39	228,877	228,916
Loans in nonaccrual status	-	-	-	-	428	428	-	428
Total	$ -	$ 1	$ 38	$ -	$ 428	$ 467	$ 228,877	$ 229,344

Table D3.1
In millions of U.S. dollars

	June 30, 2021							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,229	$ 24,229
Medium	-	-	-	-	-	-	93,530	93,530
High	-	-	-	-	-	-	102,373	102,373
Loans in accrual status	-	-	-	-	-	-	220,132	220,132
Loans in nonaccrual status	-	-	-	-	432	432	-	432
Total	$ -	$ -	$ -	$ -	$ 432	$ 432	$ 220,132	$ 220,564

IBRD considers the signature date of a loan agreement as the best indicator of the decision point in the origination process, rather than the disbursement date. The table below discloses the outstanding balances of IBRD's loan portfolio as of June 30, 2022 and June 30, 2021, classified by the year the loan agreement was signed.

Table D4: Loan portfolio vintage disclosure
In millions of U.S. dollars

	June 30,2022								
	Fiscal Year of Origination								
	2022	*2021*	*2020*	*2019*	*2018*	*Prior Years*	*CAT DDOs Disbursed and Revolving*	*CAT DDOs Converted to Term Loans*	*Loans outstanding as of June 30, 2022*
Risk									
Low	$ 250	$ 100	$ 196	$ 1,060	$ 346	$ 21,476	$ -	$ -	$ 23,428
Medium	5,595	8,298	6,678	3,577	4,487	65,788	203	1,907	96,533
High	6,416	7,878	6,588	7,075	6,663	73,410	462	463	108,955
Loans in accrual status	12,261	16,276	13,462	11,712	11,496	160,674	665	2,370	228,916
Loans in nonaccrual status	-	-	-	-	-	428	-	-	428
Total	$ 12,261	$16,276	$13,462	$11,712	$11,496	$ 161,102	$ 665	$ 2,370	$ 229,344

Table D4.1
In millions of U.S. dollars

	June 30,2021								
	Fiscal Year of Origination								
	2021	*2020*	*2019*	*2018*	*2017*	*Prior Years*	*CAT DDOs Disbursed and Revolving*	*CAT DDOs Converted to Term Loans*	*Loans outstanding as of June 30, 2021*
Risk									
Low	$ -	$ 109	$ 702	$ 237	$ 1,831	$ 21,350	$ -	$ -	$ 24,229
Medium	5,477	6,040	3,171	4,074	4,101	68,674	726	1,267	93,530
High	4,034	5,701	6,682	6,310	8,438	70,221	504	483	102,373
Loans in accrual status	9,511	11,850	10,555	10,621	14,370	160,245	1,230	1,750	220,132
Loans in nonaccrual status	-	-	-	-	-	432	-	-	432
Total	$ 9,511	$ 11,850	$ 10,555	$ 10,621	$ 14,370	$ 160,677	$ 1,230	$ 1,750	$ 220,564

The amount of Catastrophe Deferred Drawdown Option (CAT DDOs) converted to term loans during the fiscal year ended June 30, 2022 is $671 million ($282 million—June 30, 2021).

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the expected losses inherent in IBRD's exposures.

The balance of the accumulated provision as of July 1, 2020, decreased by the $214 million transition adjustment recorded upon the adoption of ASU No. 2016-13, *Financial Instruments—Credit Losses* (ASC 326). The transition adjustment corresponds to the difference between the accumulated provision calculated under the "incurred loss" model and the current expected credit loss (CECL) model.

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

Table D5: Accumulated provision

In millions of U.S. dollars

	June 30,2022			
	Loans outstanding	*Loan commitments*	*Other* [a]	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,270	$ 326	$ 51	$ 1,647
Provision - charge (release)	509	44	17	570
Translation adjustment	(37)	(11)	(4)	(52)
Accumulated provision, end of the fiscal year	$ 1,742	$ 359	$ 64	$ 2,165
Composed of accumulated provision for losses on:				
Loans in accrual status	$ 1,528			
Loans in nonaccrual status	214			
Total	$ 1,742			
Loans, end of the fiscal year:				
Loans in accrual status	$ 228,916			
Loans in nonaccrual status	428			
Total loans outstanding	$ 229,344			

Table D5.1:

In millions of U.S. dollars

	June 30, 2021			
	Loans outstanding	*Loan commitments*	*Other* [a]	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,599	$ -	$ 99	$ 1,698
CECL transition adjustment	(465)	298	(47)	(214)
Adjusted accumulated provision, beginning of the fiscal year	1,134	298	52	1,484
Provision - charge (release)	123	25	(2)	146
Translation adjustment	13	3	1	17
Accumulated provision, end of the fiscal year	$ 1,270	$ 326	$ 51	$ 1,647
Composed of accumulated provision for losses on:				
Loans in accrual status	$ 1,054			
Loans in nonaccrual status	216			
Total	$ 1,270			
Loans, end of the fiscal year:				
Loans in accrual status	$ 220,132			
Loans in nonaccrual status	432			
Total loans outstanding	$ 220,564			

a. Primarily relates to guarantees and does not include recoverable asset relating to Guarantee received under the Exposure Exchange Agreements (for more details see the Guarantees section).

	Reported as follows	
	Balance Sheet	***Statement of Income***
Accumulated Provision for Losses on:		
Loans outstanding	Accumulated provision for loan losses	Provision for losses on loans and other exposures
Loan commitments and other exposures (excluding exposures to member countries' derivatives)	Other liabilities	Provision for losses on loans and other exposures

Overdue Amounts

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

At June 30, 2022, there were no principal or interest amounts on loans in accrual status, which were overdue by more than three months.

Zimbabwe is the only borrowing member with loans or guarantees in nonaccrual status and has been in nonaccrual status since October 2000.

The following tables provide a summary of selected financial information related to loans in nonaccrual status as of and for the stated fiscal years:

Table D6: Loans in nonaccrual status

In millions of U.S. dollars

	June 30, 2022	June 30, 2021
Recorded investment in nonaccrual loans [a]	$ 428	$ 432
Accumulated provision for losses on nonaccrual loans	214	216
Average recorded investment in nonaccrual loans for the fiscal year	430	433
Overdue amounts of nonaccrual loans:	1,061	1,042
Principal	428	432
Interest and charges	633	610

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

Table D6.1

In millions of U.S. dollars

	2022	2021	2020
Interest revenue not recognized as a result of loans being in nonaccrual status	$ 27	$ 27	$ 28

During the fiscal years ended June 30, 2022 and June 30, 2021, no loans were placed into nonaccrual status or restored to accrual status.

In addition, during the fiscal year ended June 30, 2022, less than $1 million interest revenue was recognized on loans in nonaccrual status (less than $1 million—June 30, 2021 and less than $1 million—June 30, 2020).

Guarantees

Guarantees of $6,379 million were outstanding at June 30, 2022 ($6,705 million—June 30, 2021). This amount represents the maximum potential amount of undiscounted future payments that IBRD could be required to make under these guarantees, and is not included in the Balance Sheet. These guarantees have original maturities ranging between 10 and 21 years, and expire in decreasing amounts through 2042.

At June 30, 2022, liabilities related to IBRD's obligations under guarantees included the obligation to stand ready of $298 million ($347 million—June 30, 2021), and the accumulated provision for guarantee losses of $59 million ($50 million—June 30, 2021).

During the fiscal years ended June 30, 2022 and June 30, 2021, no guarantees provided by IBRD were called.

IBRD participates in Exposure Exchange Agreements (EEA) which are recognized as financial guarantees in the financial statements. Information on the location and amounts associated with the EEAs executed with Multilateral Investment Guarantee Agency (MIGA), African Development Bank (AfDB) and Inter-American Development Bank (IADB) included on the Balance Sheet and in the Statement of Income is presented in the following table:

Table D7: Amounts associated with EEA

In millions of U.S. dollars

	June 30, 2022			*June 30, 2021*			
	Notional amount	*(Stand ready obligation) Asset*	*(Accumulated provision) Recoverable asset*	*Notional amount*	*(Stand ready obligation) Asset*	*(Accumulated provision) Recoverable asset*	*Location on Balance Sheet*
Guarantees provided [a,c]	$ 3,630	$ (170)	$ (27)	$ 3,640	$ (190)	$ (20)	Other liabilities
Guarantees received [b]	(3,630)	170	25	(3,640)	190	17	Other assets
	$ -	$ -	$ (2)	$ -	$ -	$ (3)	

a. For the fiscal year ended June 30, 2022, Provisions for losses on loans and other exposures line on the Statement of Income includes $7 million charge relating to Guarantees provided (less than $1 million release of provision —June 30,2021 and $3 million of provision —June 30,2020).

b. For the fiscal year ended June 30, 2022, Non-interest revenue—Other, net, line in the Statement of Income includes $8 million of gain on recoverable asset relating to Guarantees received (less than $1 million of reduction in recoverable asset —June 30,2021 and $5 million of reduction in recoverable asset —June 30,2020).

c. Notional amount, obligation to stand ready and provision for the guarantees provided are included in guarantees outstanding of $6,379 million, obligations to stand ready of $298 million and accumulated provision for guarantee losses of $59 million, respectively ($6,705 million, $347 million and $50 million, respectively—June 30,2021).

Waivers of Loan Charges

IBRD provides waivers on eligible loans, which include a portion of interest on loans, a portion of the commitment charge on undisbursed balances and a portion of the front-end fee charged on all eligible loans. Waivers are approved annually by the Executive Directors of IBRD. As part of the COVID-19 Strategic Preparedness and Response Program (SPRP), the Executive Directors of IBRD approved the waiver of commitment/standby fees for health-related COVID-19 operations payable during the first year of each financing and a reduced front-end fee of 25 bps for CAT DDOs approved under the Fast-Track COVID-19 Facility. Such waivers/reductions are available for financing approved on or prior to March 31, 2021. The Executive Directors also approved the waiver of commitment fees for COVID-19 vaccine related projects under the Additional Financing to the COVID-19 SPRP for the first 18 months, starting from the date of approval of financing for each project. Such waivers being available for financing approved on or prior to October 1, 2022.

The foregone income resulting from waivers of loan charges is summarized in the following table:

Table D8: Waivers of loan charges

In millions of U.S. dollars

	2022	*2021*	*2020*
Interest waivers	$ 15	$ 23	$ 31
Commitment charge waivers	2	3	-
Front-end fee waivers	3	5	6
Total	$ 20	$ 31	$ 37

Concentration Risk

Loan revenue comprises interest, commitment fees, loan origination fees and prepayment premiums, net of waivers. For the fiscal year ended June 30, 2022, there was no country that contributed more than 10% of the total loan revenue.

Information about IBRD's loan revenue and associated loans outstanding by geographic region is presented in the following table:

Table D9: Loan revenue and associated outstanding loan balances

In millions of U.S. dollars

	As of and for the fiscal years ended June 30,			
	2022		*2021*	
Region	*Loan Revenue* [a]	*Loans Outstanding*	*Loan Revenue* [a]	*Loans Outstanding*
Latin America and the Caribbean	$ 1,287	$ 72,417	$ 1,191	$ 68,525
Europe and Central Asia	463	46,033	472	48,012
East Asia and Pacific	638	48,826	620	46,574
Middle East and North Africa	443	31,675	402	30,868
South Asia	257	22,008	228	20,309
Eastern and Southern Africa	244	6,667	223	4,665
Western and Central Africa	33	1,718	32	1,611
Total	$ 3,365	$ 229,344	$ 3,168	$ 220,564

a. Does not include interest expenses, net of $871 million from loan related derivatives ($840 million—June 30, 2021). Includes commitment charges of $126 million ($115 million—June 30, 2021).

NOTE E—BORROWINGS

IBRD issues unsubordinated and unsecured fixed and variable rate debt in a variety of currencies. Variable rates are primarily based on exchange rates or market interest rates.

Borrowings issued by IBRD are reported at fair value. As of June 30, 2022, 98% of the instruments in the portfolio were classified as Level 2, within the fair value hierarchy. In addition, most of these instruments were denominated in U.S. dollars and euro (64% and 12%, respectively).

IBRD uses derivative contracts, reported at fair value, to manage the currency risk and the interest rate risk between its loans and borrowings. For details regarding the derivatives used, see Note F—Derivative Instruments. After the effect of these derivatives, the entire borrowing portfolio carried variable interest rates, with a weighted average cost of 1.04% as of June 30, 2022 (0.12% as of June 30, 2021).

The following table summarizes IBRD's borrowing portfolio after derivatives:

Table E1: Borrowings and borrowing-related derivatives

In millions of U.S. dollars

	June 30, 2022	*June 30, 2021*
Borrowings [a]	$ 235,173	$ 260,076
Currency swaps, net	8,162	(2,913)
Interest rate swaps, net	13,574	(3,507)
	$ 256,909	$ 253,656

a. There were no unsettled borrowings as of June 30, 2022 (Nil - June 30, 2021).

For the fiscal year ended June 30, 2022, Borrowing expenses, net in the Statement of Income of $750 million ($662 million—June 30, 2021 and $3,754 million—June 30, 2020) include $2,317 million of interest revenue, net related to derivatives associated with the Borrowing portfolio ($3,323 million—June 30, 2021 and $1,183 million—June 30, 2020).

The following table provides a summary of the interest rate characteristics of IBRD's borrowings:

Table E2: Interest rate composition of Borrowings

In millions of U.S. dollars, except as otherwise noted

	June 30, 2022	*WAC* [a] *(%)*	*June 30, 2021*	*WAC* [a] *(%)*
Fixed	$ 222,748	1.53	$ 224,850	1.61
Variable	31,120	3.71	31,784	0.59
Borrowings [b]	$ 253,868	1.80	$ 256,634	1.49
Fair Value Adjustment	(18,695)		3,442	
Borrowings at fair value	$ 235,173		$ 260,076	

a. WAC refers to weighted average borrowings cost as of the reporting date.
b. At amortized cost.

The currency composition of IBRD's borrowing portfolio before derivatives was as follows:

Table E3: Currency composition of Borrowings (before derivatives)

	June 30, 2022	*June 30, 2021*
U.S. Dollar	63.6 %	60.8 %
Euro	11.6	13.3
Others	24.8	25.9
	100.0 %	100.0 %

The maturity structure of IBRD's borrowings outstanding was as follows:

Table E4: Maturity structure of Borrowings

In millions of U.S. dollars

	June 30, 2022	*June 30, 2021*
Less than 1 year	$ 42,289	$ 45,240
Between		
1-2 years	28,483	29,652
2-3 years	32,274	28,319
3-4 years	27,479	34,367
4-5 years	19,163	28,210
Thereafter	85,485	94,288
	$ 235,173	$ 260,076

IBRD's borrowings have original maturities ranging from 29 days to 50 years, with the final maturity in 2069.

NOTE F—DERIVATIVE INSTRUMENTS

IBRD uses derivative instruments in its investment, loan and borrowing portfolios, and for asset/liability management purposes. It also offers derivative intermediation services to clients and, concurrently, enters into offsetting transactions with market counterparties.

The following table summarizes IBRD's use of derivatives in its various financial portfolios:

Portfolio	***Derivative instruments used***	***Purpose / Risk being managed***
Risk management purposes:		
Investments	Currency swaps, currency forward contracts, interest rate swaps, options, swaptions and futures contracts, TBA securities	Manage currency and interest rate risk in the portfolio
Loans	Currency swaps and interest rate swaps	Manage currency risk as well as interest rate risk between loans and borrowings
Borrowings	Currency swaps and interest rate swaps	Manage currency risk as well as interest rate risk between loans and borrowings
Other asset/liability management derivatives	Currency swaps and interest rate swaps	Manage currency risk and the duration of IBRD's equity
Other purposes:		
Client operations	Currency swaps, currency forward contracts, and interest rate swaps	Assist clients in managing risks

Under client operations, derivative intermediation services are provided to the following:

Borrowing Countries: Currency and interest rate swap transactions are executed between IBRD and its borrowers under master derivatives agreements.

Non-Affiliated Organizations: IBRD has a master derivative agreement with the International Finance Facility for Immunisation (IFFIm), under which several transactions have been executed.

Affiliated Organizations: Derivative contracts are executed between IBRD and IDA, under an agreement allowing IBRD to intermediate derivative contracts on behalf of IDA.

The derivatives in the related tables of Note F are presented on a net basis by instrument. A reconciliation to the Balance Sheet presentation is shown in table F1.

Offsetting assets and liabilities

IBRD 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 IBRD the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

The following tables summarize the gross and net derivative positions by instrument type. Instruments that are in a net asset position are included in the Derivative Assets columns and instruments that are in a net liability position are included in the Derivative Liabilities columns. The gross columns represent the fair value of the instrument leg that is in an asset or liability position that are then netted with the other leg of the instrument in the gross offset columns. The effects of the ISDA master netting agreements are applied on a aggregate basis to the total derivative asset and liability positions and are presented net of any cash collateral received on the Balance Sheet. The net derivative asset positions in the tables below have been further reduced by any securities received as collateral to disclose IBRD's net exposure on its derivative asset positions.

Table F1: Derivative assets and liabilities before and after netting adjustments

In millions of U.S. dollars

	June 30, 2022					
	Location on the Balance Sheet					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts Recognized	*Gross Amounts Offset*	*Net Amounts Presented*	*Gross Amounts Recognized*	*Gross Amounts Offset*	*Net Amounts Presented*
Interest rate swaps	$ 22,624	$ (16,087)	$ 6,537	$ 51,028	$ (31,334)	$ 19,694
Currency swaps [a]	46,314	(41,361)	4,953	79,504	(68,064)	11,440
Other [b]	3	(1)	2	-	-	-
Total	$ 68,941	$ (57,449)	$ 11,492	$ 130,532	$ (99,398)	$ 31,134
Less:						
Amounts subject to legally enforceable master netting agreements			10,524[c]			11,093[d]
Cash collateral received			164			
Net derivative position on the Balance Sheet			804			20,041
Less:						
Securities collateral received			366			
Net derivative exposure after collateral			$ 438			

a. Includes currency forward contracts and structured swaps.
b. These relate to swaptions, exchange traded options and futures contracts.
c. Includes $2 million CVA.
d. Includes $571 million DVA.

Table F1.1

In millions of U.S. dollars

	June 30, 2021					
	Location on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	$ 23,893	$ (13,832)	$ 10,061	$ 26,577	$ (18,206)	$ 8,371
Currency swaps [a]	98,836	(90,147)	8,689	44,173	(39,196)	4,977
Other [b]	-	-	-	2	(1)	1
Total	$ 122,729	$ (103,979)	$ 18,750	$ 70,752	$ (57,403)	$ 13,349
Less:						
Amounts subject to legally enforceable master netting agreements			12,124[d]			12,127[e]
Cash collateral received [c]			3,271			
Net derivative position on the Balance Sheet			3,355			1,222
Less:						
Securities collateral received [c]			1,012			
Net derivative exposure after collateral			$ 2,343			

a. Includes currency forward contracts and structured swaps.
b. These relate to swaptions, exchange traded options and futures contracts.
c. Does not include excess collateral received.
d. Includes $18 million CVA.
e. Includes $21 million DVA.

The following table provides information about the credit risk exposures of IBRD's derivative instruments by portfolio, before the effects of master netting arrangements and collateral:

Table F2: Credit risk exposure of the derivative instruments[a]

In millions of U.S. dollars

	June 30, 2022		
Portfolio	Interest rate swaps	Currency swaps (including currency forward contracts)	Total
Investments	$ 19	$ 941	$ 960
Loans	4,155	1,374	5,529
Client operations	402	877	1,279
Borrowings	1,728	1,761	3,489
Other asset/liability management derivatives	233	-	233
Total Exposure	$ 6,537	$ 4,953	$ 11,490

Table F2.1:

In millions of U.S. dollars

	June 30, 2021		
Portfolio	Interest rate swaps	Currency swaps (including currency forward contracts)	Total
Investments	$ 16	$ 485	$ 501
Loans	645	782	1,427
Client operations	1,227	648	1,875
Borrowings	6,529	6,774	13,303
Other asset/liability management derivatives	1,644	-	1,644
Total Exposure	$ 10,061	$ 8,689	$ 18,750

a. Excludes exchange traded instruments as they are generally subject to daily margin requirements and are deemed to have no material credit risk.

The volume of derivative contracts is measured using the U.S. dollar equivalent notional balance. The notional balance represents the face value, or reference value, on which the calculations of payments on the derivative instruments are determined. At June 30, 2022, the notional amounts of IBRD's derivative contracts outstanding were as follows: interest rate contracts $433,539 million ($452,450 million at June 30, 2021), currency swaps $117,856 million ($136,467 million at June 30, 2021), long positions of other derivatives $185 million ($186 million at June 30, 2021), and short positions of other derivatives $143 million ($75 million at June 30, 2021).

IBRD is not required to post collateral under its derivative agreements as long as it maintains a triple-A credit rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a liability position as of June 30, 2022 was $20,203 million ($1,078 million—June 30, 2021). IBRD has not posted any collateral with these counterparties due to its triple-A credit rating.

If the credit-risk related contingent features underlying these agreements were triggered to the extent that IBRD would be required to post collateral as of June 30, 2022, the amount of collateral that would need to be posted would be $16,141 million ($209 million—June 30, 2021). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $20,203 million as of June 30, 2022 ($1,078 million—June 30, 2021). In contrast, IBRD received collateral totaling $591 million as of June 30, 2022 ($4,391 million—June 30, 2021) in relation to swap transactions (see Note C—Investments).

The following table provides information on the amount of unrealized mark-to-market gains and losses on the non-trading derivatives and their location in the Statement of Income:

Table F3: Unrealized mark-to-market gains (losses) on non-trading derivatives

In millions of U.S. dollars

		Unrealized mark-to-market gains (losses)		
	Reported as:	*2022*	*2021*	*2020*
Interest rate swaps	Unrealized mark-to-market (losses) gains on non-trading portfolios, net	$ (13,844)	$ (4,228)	$ 3,914
Currency swaps (including currency forward contracts and structured swaps)		(4,336)	(1,702)	838
Total		$ (18,180)	$ (5,930)	$ 4,752

All of the instruments in IBRD's investment portfolio are held for trading purposes. Within the investment portfolio, IBRD holds highly rated fixed income securities, equity securities 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 unrealized mark-to-market gains and losses on the Investment-Trading portfolio and their location in the Statement of Income:

Table F4: Unrealized mark-to-market gains (losses) on Investment-Trading portfolio

In millions of U.S. dollars

		Unrealized mark-to-market gains (losses)		
	Reported as:	*2022*	*2021*	*2020*
Type of instrument [a]				
Fixed income (including associated derivatives)	Unrealized mark-to-market (losses) gains on Investments-Trading portfolios, net	$ (74)	$ 60	$ 189
Equity [b]		(3)	171	4
Total		$ (77)	$ 231	$ 193

a. Amounts associated with each type of instrument include gains and losses on both derivative instruments and non-derivative instruments.

b. Related to PEBP holdings.

NOTE G—RETAINED EARNINGS, ALLOCATIONS AND TRANSFERS

The changes in the components of Retained Earnings are summarized below:

Table G1: Retained Earnings composition
In millions of U.S. dollars

	Special Reserve	*General Reserve* [c, e]	*Pension Reserve* [c]	*Surplus*	*Cumulative Fair Value Adjustments*	*Unallocated Net Income (Loss)* [a]	*Restricted Retained Earnings* [c]	*Other reserves* [d, e]	*Total*
As of June 30, 2019	$ 293	$ 28,606	$ 787	$ 126	$ (1,888)	$ 843	$ 40	$ -	$28,807
Net income allocation [a]	-	831	6	100	(278)	(584)	(45)	(30)	-
Board of Governors-approved transfers funded from Surplus and other transfers [b]	-	-	-	(126)	-	81	-	45	-
Net income for the year	-	-	-	-	-	(42)	-	-	(42)
As of June 30, 2020	293	29,437	793	100	(2,166)	298	(5)	15	28,765
Cumulative effect of change in accounting principle	-	-	-	-	-	-	-	203	203
As of July 1, 2020	293	29,437	793	100	(2,166)	298	(5)	218	28,968
Net income allocation [a]	-	950	(62)	100	(1,137)	33	59	57	-
Board of Governors-approved transfers funded from Surplus and other transfers [b]	-	-	-	(100)	-	80	-	20	-
Net income for the year	-	-	-	-	-	2,039	-	-	2,039
As of June 30, 2021	293	30,387	731	100	(3,303)	2,450	54	295	31,007
Net income allocation [a c]	-	1,077	(38)	100	1,218	(2,177)	(12)	(168)	-
Board of Governors-approved transfers funded from Surplus and other transfers [b]	-	-	-	(100)	-	80	-	20	-
Net income for the year	-	-	-	-	-	3,990	-	-	3,990
As of June 30, 2022	$ 293	$ 31,464	$ 693	$ 100	$ (2,085)	$ 4,343	$ 42	$ 147	$34,997

a. Amounts retained as Surplus from the allocation of net income are approved by the Board of Governors.
b. A concurrent transfer is made from Surplus to Unallocated Net Income (Loss) for all transfers reported on the Statement of Income and authorized to be funded from Surplus.
c. May differ from the sum of individual figures due to rounding.
d. Comprised of non-functional currency translation gains/losses and the unutilized portion of the transfer to the GPG Fund.
e. Includes a one-time transfer of $203 million from Other reserves to the General Reserve, representing the cumulative effect of adopting ASU 2016-13 on July 1, 2020.

IBRD makes net income allocation decisions on the basis of reported net income, adjusted to exclude unrealized mark-to-market gains and losses on non-trading portfolios, net, restricted income, Board of Governors-approved and other transfers, non-functional currency translation adjustments, and after considering the allocation to the pension reserve.

On August 5, 2021, IBRD's Executive Directors approved the following adjustments and allocations relating to the net income earned in the fiscal year ended June 30, 2021, to arrive at allocable income for that fiscal year:

- $1,218 million increase in the Cumulative Fair Value Adjustments, for the Unrealized mark-to-market gain on non-trading portfolios (this excludes realized amounts).
- Add back $411 million related to Board of Governors-approved transfers approved in the fiscal year ended June 30, 2021, to reported Net Income to arrive at allocable income. These transfers relate to income earned in prior fiscal years.
- $874 million increase in the General Reserve.
- $38 million decrease in the Pension Reserve.
- $35 million increase in Other reserves, for net non-functional currency translation adjustment.
- $12 million decrease in Restricted Retained Earnings

On August 5, 2021, IBRD's Executive Directors also approved a one-time transfer of $203 million from Other reserves to the General Reserve, which represents the cumulative effect of adopting ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* on July 1, 2020.

On August 4, 2021, IBRD's Board of Governors approved a transfer of $20 million from Surplus to the IBRD Fund for Innovative Global Public Goods Solutions (GPG Fund). The transfer was made on August 12, 2021, resulting in a reduction in Surplus and an increase in Other reserves. These funds will be expensed, and Other reserves reduced, when utilized by the GPG Fund. As of June 30, 2022, no funds have been utilized out of the cumulative transfers of $85 million and therefore, no expense has been recognized in the Statement of Income.

On October 14, 2021, IBRD's Board of Governors approved a transfer to IDA of $274 million and a transfer of $100 million to Surplus out of the net income earned in the fiscal year ended June 30, 2021. The transfer to IDA was made on October 25, 2021.

On December 6, 2021, IBRD's Board of Governors approved a transfer of $80 million from Surplus to the Trust fund for Gaza and the West Bank. The transfer was made on December 13, 2021.

Board of Governors-approved and other transfers that were expensed during the stated fiscal years are included in the following table:

Table G2: Board of Governors-approved and other transfers expensed

In millions of U.S. dollars

Transfers funded from:	*2022*	*2021*	*2020*
Unallocated Net Income:			
IDA	$ 274	$ 331	$ 259
Surplus:			
Trust fund for Gaza and West Bank	80	80	81
Total	$ 354	$ 411	$ 340

There were no amounts payable for the transfers approved by the Board of Governors at June 30, 2022, nor at June 30, 2021.

NOTE H—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

IBRD transacts with affiliated organizations by providing loans, administrative and derivative intermediation services, and through its pension and other postretirement benefit plans.

In addition, IBRD provides transfers to IDA out of its net income, upon approval by the Board of Governors (see Note G—Retained Earnings, Allocations and Transfers).

IBRD had the following receivables from (payables to) its affiliated organizations:

Table H1: IBRD's receivables and payables with affiliated organizations

In millions of U.S. dollars

	June 30, 2022				*June 30, 2021*			
	IDA	*IFC*	*MIGA*	*Total*	*IDA*	*IFC*	*MIGA*	*Total*
Administrative Services, net	$ 174	$ 37	$ 14	$ 225	$ 268	$ 36	$ 13	$ 317
Derivative assets, net [a]	8	-	-	8	8	-	-	8
Pension and Other Postretirement Benefits	(602)	(640)	(25)	(1,267)	(572)	(645)	(25)	(1,242)
Investments	-	(260)	-	(260)	-	(178)	-	(178)
Total	$ (420)	$ (863)	$ (11)	$ (1,294)	$ (296)	$ (787)	$ (12)	$ (1,095)

a. Presented on a net basis by instrument. For details on derivative transactions relating to swap intermediation services provided by IBRD to IDA see Note F—Derivative Instruments.

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

Receivables / Payables related to:	**Reported as:**
Administrative services [a]	Other assets/liabilities
Derivative transactions	Derivative assets/liabilities – net
Investments	Other liabilities
Pension and other postretirement benefits	Other liabilities

a. Includes amounts payable to IDA for its share of investments associated with PCRF. This payable is included in Other Liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheet.

Loans and Other Exposures

IBRD has a Local Currency Loan Facility Agreement with IFC, which is capped at $300 million. As of June 30, 2022 and June 30, 2021, there were no loans outstanding under this facility.

During the fiscal year ended June 30, 2014, IBRD entered into an exposure exchange agreement with MIGA under which IBRD and MIGA exchange selected exposures, with each divesting exposure in countries where their lending capacities are limited, in return for exposure in countries where they have excess lending capacity. Under the agreement, IBRD and MIGA have each exchanged $120 million of notional exposure as follows: MIGA assumes IBRD's loan principal and interest exposure in exchange for IBRD's assumption of principal and interest exposure of MIGA under its Non-Honoring of Sovereign Financial Obligation agreement. As of June 30, 2022, assets related to IBRD’s right to be indemnified under this agreement amounted to $1 million ($1 million—June 30, 2021), while liabilities related to IBRD’s obligation under this agreement amounted to $1 million ($1 million—June 30, 2021). These include an accumulated provision for guarantee losses of less than $1 million as of June 30, 2022 (less than $1 million—June 30, 2021).

Administrative Services

Expenses jointly incurred by IBRD and IDA are allocated based on an agreed cost-sharing methodology, and amounts are settled quarterly. For the fiscal year ended June 30, 2022, IBRD’s administrative expenses are net of the share of expenses allocated to IDA of $1,644 million ($1,873 million—fiscal year ended June 30, 2021, and $1,824 million—fiscal year ended June 30, 2020).

Revenue

Revenue jointly earned by IBRD and IDA is allocated based on an agreed revenue-sharing methodology, and amounts are settled quarterly. For the fiscal year ended June 30, 2022, IBRD’s other revenue is net of revenue allocated to IDA of $252 million ($261 million—fiscal year ended June 30, 2021, and $316 million—fiscal year ended June 30, 2020), and is included in Revenue from externally funded activities in the Statement of Income.

This revenue also includes revenue from contracts with clients, who are not affiliated with IBRD as follows:

Table H2: Revenue from contracts with clients

In millions of U.S. dollars

	2022	*2021*	*2020*
Trust fund fees	$ 93	$ 82	$ 83
Reimbursable advisory services	88	98	132
Asset management services	30	28	30
	$ 211	$ 208	$ 245
Of which:			
IBRD's share	$ 113	$ 112	$ 125
IDA's share	98	96	120

Each revenue stream represents compensation for services provided and the related revenue is recognized over time.

IBRD’s rights to consideration are deemed unconditional and are classified as receivables. IBRD also has an obligation to provide certain services for which it has received consideration in advance. Such considerations are presented as contract liabilities and are subsequently recognized as revenue, when the related performance obligation is satisfied.

The following table shows IBRD’s receivables and contract liabilities related to revenue from contracts with clients:

Table H3: Receivables and contract liabilities related to revenue from contract with clients

In millions of U.S. dollars

	June 30, 2022	*June 30, 2021*
Receivables	$ 103	$ 79
Contract liabilities	179	196

The amount of fee revenue associated with services provided to affiliated organizations is included in Revenue from externally funded activities in the Statement of Income, as follows:

Table H4: Fee revenue from affiliated organizations

In millions of U.S. dollars

	2022	2021	2020
Fees charged to IFC	$ 97	$ 89	$ 83
Fees charged to MIGA	6	6	5

Pension and Other Postretirement Benefits

The payable to IDA represents IDA's net share of prepaid cost for pension and other postretirement benefit plans and PEBP assets. These will be realized over the life of the plan participants.

The payables to IFC and MIGA represent their respective share of PEBP assets. The PEBP assets are managed by IBRD and are a part of the investment portfolio.

For Pension and Other Postretirement Benefits-related disclosures see Note J—Pension and Other Postretirement Benefits.

Derivative Transactions

These relate to currency forward contracts entered into for IDA with IBRD acting as the intermediary with the market.

Investments

These relate to investments that IBRD has made on behalf of IFC, associated with the PCRF, and are included in Investments-Trading on IBRD's Balance Sheet. The corresponding payable to IFC is included in the amount payable for investment securities purchased on IBRD's Balance Sheet. As a result, there is no impact on IBRD's investments net asset value from these transactions.

NOTE I—MANAGEMENT OF EXTERNAL FUNDS AND OTHER SERVICES

Trust Funds

IBRD, alone or jointly with one or more of its affiliated organizations, administers on behalf of donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with donors. Specified uses could include co-financing of IBRD lending projects, debt reduction operations, technical assistance including feasibility studies and project preparation, global and regional programs, and research and training programs. These funds are held in trust with IBRD and/or IDA, and are held in a separate investment portfolio which is not commingled with IBRD and/or IDA funds.

Trust fund execution may be carried out in one of two ways: Recipient-executed or IBRD-executed.

Recipient-executed trust funds involve activities carried out by a recipient third-party executing agency. IBRD enters into agreements with and disburses funds to those recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in the agreements.

IBRD-executed trust funds involve IBRD execution of activities as described in relevant administration agreements with donors, which define the terms and conditions for use of the funds. Spending authority is exercised by IBRD, under the terms of the administration agreements. The executing agency services provided by IBRD vary and include for example, activity preparation, analytical and advisory activities and project-related activities, including procurement of goods and services.

The following table summarizes the expenses pertaining to IBRD-executed trust funds:

Table I1: Expenses pertaining to IBRD-executed trust funds

In millions of U.S. dollars

	2022	2021	2020
IBRD-executed trust fund expenses	$ 494	$ 470	$ 470

These amounts are included in Administrative expenses and the corresponding revenue is included in Revenue from externally funded activities in the Statement of Income. Administrative expenses primarily relate to staff costs, travel and consultant fees.

The following table summarizes all undisbursed contributions made by third party donors to IBRD-executed trust funds recognized on the Balance Sheet:

Table I2: Undisbursed contributions by third party donors to IBRD-executed trust funds

In millions of U.S. dollars

	2022	*2021*
IBRD-executed trust funds	$ 566	$ 552

These amounts are included in Other assets - Miscellaneous and the corresponding liabilities are included in Other liabilities – Accounts payable and miscellaneous liabilities on the Balance Sheet.

Revenues

IBRD's revenues for the administration of trust fund operations were as follows:

Table I3: Trust fund administration revenues

In millions of U.S. dollars

	2022	*2021*	*2020*
Revenues	$ 50	$ 44	$ 42

These amounts are included in Revenue from externally funded activities in the Statement of Income.

Revenue collected from donor contributions for trust fund administation fees, but not yet earned by IBRD totaling $88 million at June 30, 2022 ($95 million—June 30, 2021) is included in Other assets - Miscellaneous and in Other liabilities – Accounts payable and miscellaneous liabilities, respectively, on the Balance Sheet.

Investment Management Services

IBRD offers treasury and investment management services to affiliated and non-affiliated organizations.

In addition, IBRD offers asset management and technical advisory services to central banks of member countries, under the Reserves Advisory and Management Partnership, for capacity building and other development purposes, and receives a fee for these services.

During the fiscal year ended June 30, 2022, IBRD's fee revenue from investment management activities totaled $18 million ($19 million –June 30, 2021 and $17 million – June 30, 2020) and is included in Revenue from externally funded activities in the Statement of Income.

NOTE J—PENSION AND OTHER POSTRETIREMENT BENEFITS

IBRD, IFC and MIGA participate in the defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and PEBP (collectively "the Plans") that cover substantially all of their staff members.

The SRP provides pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

IBRD uses a June 30th measurement date for its pension and other postretirement benefit plans.

All costs, assets and liabilities associated with these Plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the Plans. Costs allocated to IBRD are then shared between IBRD and IDA based on an agreed cost-sharing methodology. IDA, IFC and MIGA reimburse IBRD for their proportionate share of any contributions made to these plans by IBRD. Contributions to the Plans are calculated as a percentage of salary.

The following table summarizes the benefit costs associated with the SRP, RSBP, and PEBP for IBRD and IDA:

Table J1: Pension Plan benefit costs

In millions of U.S. dollars

	SRP			RSBP			PEBP		
	2022	*2021*	*2020*	*2022*	*2021*	*2020*	*2022*	*2021*	*2020*
Service cost	$ 664	$ 642	$ 547	$ 178	$ 170	$ 143	$ 114	$ 111	$ 97
Interest cost	659	588	687	119	107	118	64	56	71
Expected return on plan assets	(1,289)	(967)	(1,024)	(223)	(162)	(169)	-	-	-
Amortization of unrecognized prior service costs [a]	3	3	3	17	17	17	3	3	3
Amortization of unrecognized net actuarial losses [a]	-	311	90	-	12	-	53	55	82
Net periodic pension cost	$ 37	$ 577	$ 303	$ 91	$ 144	$ 109	$ 234	$ 225	$ 253
of which:									
IBRD's share	$ 17	$ 276	$ 140	$ 44	$ 69	$ 51	$ 110	$ 107	$ 117
IDA's share	20	301	163	47	75	58	124	118	136

	2022	*2021*	*2020*
Net periodic pension cost (all three plans combined)			
IBRD's share	$ 171	$ 452	$ 308
IDA's share	191	494	357

a. Included in Amounts reclassified into net income in Note K—Accumulated Other Comprehensive Loss.

IDA's share of benefit costs is included as a payable to/receivable from IDA in Other liabilities – Accounts payable and miscellaneous liabilities on the Balance Sheet (see Note H—Transactions with Affiliated Organizations).

The components of net periodic pension cost, other than the service cost component, are included in the Non-interest expenses – Other line item in the Statement of Income. The service cost component is included in the line item Non-interest expenses – Administrative expenses.

The following table provides the amounts of IBRD's pension service cost:

Table J2: Pension service cost

In millions of U.S. dollars

	2022			
	SRP	*RSBP*	*PEBP*	*Total*
Service cost	$ 664	$ 178	$ 114	$ 956
Of which:				
IBRD's share	$ 313	$ 84	$ 54	$ 451
IDA's share	351	94	60	505

In millions of U.S. dollars

	2021			
	SRP	*RSBP*	*PEBP*	*Total*
Service cost	$ 642	$ 170	$ 111	$ 923
Of which:				
IBRD's share	$ 307	$ 81	$ 53	$ 441
IDA's share	335	89	58	482

In millions of U.S. dollars

	2020			
	SRP	*RSBP*	*PEBP*	*Total*
Service cost	$ 547	$ 143	$ 97	$ 787
Of which:				
IBRD's share	$ 254	$ 66	$ 45	$ 365
IDA's share	293	77	52	422

The following table summarizes the Projected Benefit Obligations (PBO), fair value of plan assets, and funded status associated with the SRP, RSBP, and PEBP for IBRD and IDA. The SRP and RSBP assets are held in separate trusts and the PEBP assets are included in IBRD's investment portfolio. The assets of the PEBP are mostly invested in fixed income, equity instruments and alternative investments.

Table J3: PBO, funded status and accumulated benefit obligations

In millions of U.S. dollars

	SRP		*RSBP*		*PEBP*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*
Projected Benefit Obligations						
Beginning of year	$ 24,728	$ 23,536	$ 4,235	$ 3,997	$ 2,339	$ 2,167
Service cost	664	642	178	170	114	111
Interest cost	659	588	119	107	64	56
Participant contributions	164	160	30	28	5	4
Benefits paid	(779)	(743)	(102)	(91)	(40)	(35)
Actuarial (gain) loss	(3,605)	545	(794)	24	(375)	36
End of year	21,831	24,728	3,666	4,235	2,107	2,339
Fair value of plan assets						
Beginning of year	24,408	19,266	4,145	3,195		
Participant contributions	164	160	30	28		
Actual return on assets	(231)	5,507	(58)	955		
Employer contributions	183	218	46	58		
Benefits paid	(779)	(743)	(102)	(91)		
End of year	23,745	24,408	4,061	4,145		
Funded Status [a]	$ 1,914	$ (320)	$ 395	$ (90)	$ (2,107)	$ (2,339)
Accumulated Benefit Obligations	$ 20,643	$ 23,127	$ 3,666	$ 4,235	$ 1,923	$ 2,087

a. Funded status is included in Other Assets – Assets under retirement benefits plans on the Balance Sheet and Other liabilities – Liabilities under retirement benefits plans on the Balance Sheet.

As of June 30, 2022, the SRP and RSBP were overfunded by $1,914 million and $395 million, respectively. The PEBP, after reflecting IBRD and IDA's share of assets which are included in the IBRD's investment portfolio ($1,791 million), was underfunded by $316 million.

During the fiscal years ended June 30, 2022 and June 30, 2021, there were no amendments made to the retirement benefit plans.

The following tables present the amounts included in Accumulated Other Comprehensive Income/Loss relating to Pension and Other Postretirement Benefits:

Table J4: Amounts included in Accumulated Other Comprehensive Income at June 30, 2022

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss (gain)	$ (804)	$ (776)	$ 193	$ (1,387)
Prior service cost	9	25	9	43
Net amount recognized in Accumulated Other Comprehensive Income	$ (795)	$ (751)	$ 202	$ (1,344)

Table J4.1: Amounts included in Accumulated Other Comprehensive Loss at June 30, 2021

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*	*Total*
Net actuarial loss (gain)	$ 1,281	$ (263)	$ 622	$ 1,640
Prior service cost	12	42	12	66
Net amount recognized in Accumulated Other Comprehensive Loss	$ 1,293	$ (221)	$ 634	$ 1,706

Assumptions

The actuarial assumptions used are based on financial market interest rates, inflation expectations, past experience, and Management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations.

The expected long-term rate of return for the SRP assets is a weighted average of the expected long-term (10 years or more) returns for the various asset classes, weighted by the portfolio allocation. Asset class returns are developed using a forward-looking building block approach and are not strictly based on historical returns. Equity returns are generally developed as the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of expected inflation, real bond yield, duration-adjusted change in yields and risk premium/spread (as appropriate). Other asset class returns are derived from their relationship to equity and bond markets. The expected long-term rate of return for the RSBP is computed using procedures similar to those used for the SRP. The discount rate used in determining the benefit obligation is selected by reference to the year-end yield of AA corporate bonds.

Actuarial gains and losses occur when actual results are different from expected results. Amortization of these unrecognized gains and losses will be included in income if, at the beginning of the fiscal year, they exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If required, the unrecognized gains and losses are amortized over the expected average remaining service lives of the employee group.

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs:

Table J5: Weighted average assumptions used to determine projected benefit obligations

In percent, except years

	SRP		RSBP		PEBP	
	2022	2021	2022	2021	2022	2021
Discount rate	4.40	2.70	4.50	2.80	4.50	2.80
Rate of compensation increase	5.30	4.80			5.30	4.80
Health care growth rates						
-at end of fiscal year			5.80	5.40		
Ultimate health care growth rate			4.40	3.90		
Year in which ultimate rate is reached			2031	2031		
Interest crediting rate	5.40	4.90	n.a	n.a	5.40	4.90

Table J6: Weighted average assumptions used to determine net periodic pension cost

In percent, except years

	SRP			RSBP			PEBP		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Discount rate	2.70	2.60	3.40	2.80	2.70	3.50	2.80	2.60	3.50
Expected return on plan assets	5.40	5.10	5.40	5.40	5.10	5.50			
Rate of compensation increase	4.80	4.60	4.90				4.80	4.60	4.90
Health care growth rates									
-at end of fiscal year				5.40	5.40	6.20			
Ultimate health care growth rate				3.90	3.70	3.90			
Year in which ultimate rate is reached				2031	2031	2030			
Interest crediting rate	4.90	4.60	4.90	n.a	n.a	n.a	4.90	4.60	4.90

The medical cost trend rate can significantly affect the reported postretirement benefit income or costs and benefit obligations for the RSBP. For the fiscal year ended June 30, 2022, the actuarial gains were primarily due to an increase in the discount rates. For the fiscal year ended June 30, 2021, the actuarial losses were primarily the result of a decrease in the real discount rates, whereas the nominal discount rates increased due to an increase in expected inflation.

Investment Strategy

The investment policies establish the framework for investment of the plan assets based on long-term investment objectives and the trade-offs inherent in seeking adequate investment returns within acceptable risk parameters. A key component of the investment policy is to establish a Strategic Asset Allocation (SAA) representing the policy portfolio (i.e., policy mix of assets) around which the SRP and RSBP (the Plans) are invested. The SAA is derived using a mix of quantitative analysis that incorporates expected returns and volatilities by asset class as well as correlations across the asset classes, and qualitative considerations such as the liquidity needs of the Plans. The SAA for the Plans is reviewed in detail and reset about every three to five years, with more frequent reviews and changes if and as needed based on market conditions.

The key long-term objective is to generate asset performance that is reasonable in relation to the growth rate of the underlying liabilities and the assumed sponsor contribution rates, without taking undue risks. Given the relatively long investment horizons of the SRP and RSBP, and the relatively modest liquidity needs over the short-term to pay benefits and meet other cash requirements, the focus of the investment strategy is on generating sustainable long-term investment returns through a globally diversified set of strategies including fixed income, public and private equity, and real assets. In the first half of the fiscal year 2021, following the onset of the global pandemic, the Pension Finance Committee (PFC) re-assessed the assumptions underlying the SAA and reaffirmed the appropriateness of the Long-

Term Real Return Objective within the current risk tolerance parameters. The review of the SAA was completed and approved in April 2021 with an effective date of June 1, 2021. The new SAAs slightly reduced the Fixed Income and Cash policy allocation from 23 percent to 20 percent and increased the policy allocation to Credit Strategy and Market Neutral Hedge Funds by one and two percent, respectively. More recently, in April 2022 the PFC approved a revision to the SAA band around the target allocation for private equity from +/-3 percent to +/-5 percent with the effective date of May 1, 2022. The changes do not materially alter the risk profile of the portfolio but are expected to slightly increase the efficiency of the allocation.

The following table presents the policy asset allocation and the actual asset allocations by asset category for the SRP and RSBP:

Table J7: Policy and actual asset allocations

	SRP			*RSBP*		
	Policy allocation	*Actual Allocation (%)*		*Policy allocation*	*Actual Allocation (%)*	
Asset class	*2022 (%)*	*2022*	*2021*	*2022 (%)*	*2022*	*2021*
Fixed income and Cash	20	17	20	20	17	21
Credit Strategy	6	7	7	6	7	6
Public equity	31	23	25	31	22	23
Private equity	20	27	26	20	27	28
Market neutral hedge funds	10	10	9	10	10	8
Real assets [a]	13	15	12	13	16	13
Other [b]	-	1	1	-	1	1
Total	100	100	100	100	100	100

a. Includes public and private real estate, infrastructure, and timber.
b. Includes authorized investments that are outside the policy allocations primarily in hedge funds.

Significant Concentrations of Risk in Plan Assets

The assets of the SRP and RSBP are diversified across a variety of asset classes. Investments in these asset classes are further diversified across funds, managers, strategies, geographies and sectors, to limit the impact of any individual investment. In spite of such level of diversification, equity market risk remains the primary source of the overall return volatility of the Plans. As of June 30, 2022, the largest exposure to a single counterparty was 7% and 6% of the plan assets in SRP and RSBP, respectively (8% and 6%, respectively—June 30, 2021).

Risk Management Practices

Managing investment risk is an integral part of managing the assets of the Plans. Asset diversification is central to the overall investment strategy and risk management approach for the Plans. Absolute risk indicators such as the overall return volatility and drawdown of the Plans are the primary measures used to define the risk tolerance level and establish the overall level of investment risk. In addition, the level of active risk (defined as the annualized standard deviation of portfolio returns relative to those of the policy portfolio) is closely monitored and managed on an ongoing basis.

Market risk is regularly monitored at the absolute level, as well as at the relative levels with respect to the investment policy, manager benchmarks, and liabilities of the Plans. Stress tests are performed periodically using relevant market scenarios to assess the impact of extreme market events.

Monitoring of performance (at both manager and asset class levels) against benchmarks, and compliance with investment guidelines, are carried out on a regular basis, which provides helpful information for assessing the impact on the portfolios caused by market risk factors. Risk management for different asset classes is tailored to their specific characteristics and is an integral part of the external managers' due diligence and monitoring processes.

Credit risk is monitored on a regular basis and assessed for possible credit event impacts. The liquidity position of the Plans is analyzed at regular intervals and periodically tested using various stress scenarios to ensure that the Plans have sufficient liquidity to meet all cash flow requirements. In addition, the long-term cash flow needs of the Plans are considered during the SAA exercise and are one of the main drivers in determining maximum allocation to the illiquid investment vehicles. The Plans mitigate operational risk by maintaining a system of internal controls along with other checks and balances at various levels.

Fair Value Measurements and Disclosures

All plan assets are measured at fair value on a recurring basis. The following table presents the fair value hierarchy of major categories of plan assets:

Table J8: Plan assets fair value hierarchy
In millions of U.S. dollars

	June 30, 2022							
	SRP				*RSBP*			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Debt securities								
Short-term Investments	$ 20	$ -	$ -	$ 20	$ 3	$ -	$ -	$ 3
Securities purchased under resale agreements	139	-	-	139	37	-	-	37
Government and agency securities	2,779	451	-	3,230	513	95	-	608
Corporate and convertible bonds	-	537	-	537	-	98	-	98
ABS	-	205	-	205	-	38	-	38
MBS	-	299	-	299	-	53	-	53
Total debt securities	2,938	1,492	-	4,430	553	284	-	837
Equity securities								
Stocks	1,835	-	-	1,835	317	-	-	317
Mutual funds	11	-	-	11	2	-	-	2
Real estate investment trusts (REITs)	194	-	-	194	30	-	-	30
Total equity securities	2,040	-	-	2,040	349	-	-	349
Other funds at NAV [a]								
Commingled funds	-	-	-	3,180	-	-	-	471
Private equity funds	-	-	-	6,327	-	-	-	1,084
Private credit	-	-	-	1,782	-	-	-	289
Real estate funds (including infrastructure and timber)	-	-	-	3,280	-	-	-	598
Hedge funds	-	-	-	2,625	-	-	-	418
Total other funds	-	-	-	17,194	-	-	-	2,860
Derivative assets/liabilities	8	5	-	13	1	1	-	2
Other assets/liabilities, net [b]	-	-	-	68	-	-	-	13
Total assets	$ 4,986	$ 1,497	$ -	$ 23,745	$ 903	$ 285	$ -	$ 4,061

a. Investments measured at fair value using NAV as a practical expedient have not been included under the fair value hierarchy.
b. Includes receivables and payables carried at amounts that approximate fair value.

Table J8.1
In millions of U.S. dollars

	June 30, 2021							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt securities								
Short-term Investments	$ 20	$ 8	$ -	$ 28	$ 7	$ 3	$ -	$ 10
Securities purchased under resale agreements	231	-	-	231	39	-	-	39
Government and agency securities	3,220	173	-	3,393	631	36	-	667
Corporate and convertible bonds	-	605	-	605	-	108	-	108
ABS	-	164	-	164	-	31	-	31
MBS	-	272	-	272	-	47	-	47
Total debt securities	3,471	1,222	-	4,693	677	225	-	902
Equity securities								
Stocks	2,761	-	-	2,761	426	-	-	426
Mutual funds	2	-	-	2	-	-	-	-
Real estate investment trusts (REITs)	222	-	-	222	33	-	-	33
Total equity securities	2,985	-	-	2,985	459	-	-	459
Other funds at NAV [a]								
Commingled funds	-	-	-	3,571	-	-	-	534
Private equity funds	-	-	-	6,366	-	-	-	1,163
Private credit	-	-	-	1,604	-	-	-	258
Real estate funds (including infrastructure and timber)	-	-	-	2,700	-	-	-	488
Hedge funds	-	-	-	2,247	-	-	-	324
Total other funds	-	-	-	16,488	-	-	-	2,767
Derivative assets/liabilities	2	2	-	4	-	-	-	-
Other assets/liabilities, net [b]	-	-	-	238	-	-	-	17
Total assets	$ 6,458	$ 1,224	$ -	$ 24,408	$ 1,136	$ 225	$ -	$ 4,145

a. Investments measured at fair value using NAV as a practical expedient have not been included under the fair value hierarchy.
b. Includes receivables and payables carried at amounts that approximate fair value.

Valuation Methods and Assumptions

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of Plan assets. It is important to note that the investment amounts in the asset categories shown in the table above may be different from the asset category allocation shown in the Investment Strategy section of the note. Asset classes in the table above are grouped by the characteristics of the investments held. The asset class break-down in the Investment Strategy section is based on Management's view of the economic exposures after considering the impact of derivatives and certain trading strategies.

Debt securities

Debt securities include discount notes, securities purchased under resale agreements, U.S. treasuries and agencies, debt obligations of foreign governments, sub-sovereigns and debt obligations in corporations of domestic and foreign issuers. Debt securities also includes investments in ABS such as collateralized mortgage obligations and MBS. These securities are valued by independent pricing vendors at quoted market prices for the same or similar securities, where available. If quoted market prices are not available, fair values are based on discounted cash flow models using market-based parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. Some debt securities are valued using techniques which require significant unobservable inputs. The selection of these inputs may involve some judgment. Management believes its estimates of fair value are reasonable given its processes for obtaining securities prices from multiple independent third-party vendors, ensuring that valuation models are reviewed and validated, and applying its approach consistently from period to period. Unless quoted prices are available, money market instruments and securities purchased under resale agreements are reported at face value which approximates fair value.

Equity securities

Equity securities (including REITs) represent investments in companies in various industries and countries. Investments in public equity listed on securities exchanges are valued at the last reported sale price on the last business day of the fiscal year.

Commingled funds

Commingled funds are typically collective investment vehicles, such as trusts that are reported at NAV as provided by the investment manager or sponsor of the fund based on the valuation of underlying investments.

Private equity funds

Private equity funds include investments primarily in leveraged buyouts, growth capital, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. Many of these funds are in the investment phase of their life cycle. Private Equity investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, taking into consideration the latest audited financial statements of the funds.

Private credit funds

Private credit funds include investments primarily in direct lending and opportunistic credit funds. Direct lending funds provide private financing to performing medium-size companies primarily owned by private equity sponsors. Opportunistic credit strategies (including distressed debt and multi-strategy funds) have flexible mandates to invest across both public and private markets globally. Private credit investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, taking into consideration the latest audited financial statements of the funds.

Real estate funds (including infrastructure)

Real estate funds include investments in core real estate, non-core real estate investments (such as debt, value add, and opportunistic equity investments) and infrastructure. Real estate investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, taking into consideration the latest audited financial statements of the funds.

Hedge funds

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. Hedge Funds include investments in equity, event driven, fixed income, multi strategy and macro relative value strategies. These investments do not have a readily determinable fair market value and are reported at NAV provided by external managers or fund administrators (based on the valuations of underlying investments) monthly, taking into consideration the latest audited financial statements of the funds.

Investments in hedge funds and commingled funds can typically be redeemed at NAV within the near term while investments in private equity and most real estate are inherently long term and illiquid in nature with a quarter lag in reporting by the fund managers. Since the reporting of those asset classes is done with a lag, management estimates are based on the latest available information considering underlying market fundamentals and significant events through the balance sheet date.

Investment in derivatives

Investment in derivatives such as equity or bond futures, TBA securities, swaps, options and currency forwards are used to achieve a variety of objectives that include hedging interest rates and currency risks, gaining desired market exposure of a security, an index or currency exposure and rebalancing the portfolio. Over-the-counter derivatives are reported using valuations based on discounted cash flow methods incorporating observable market inputs.

Estimated Future Benefit Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation:

Table J9: Expected benefit payments

In millions of U.S. dollars

	SRP	*RSBP*	*PEBP*
July 1, 2022 - June 30, 2023	$ 1,052	$ 92	$ 71
July 1, 2023 - June 30, 2024	1,065	101	72
July 1, 2024 - June 30, 2025	1,093	109	75
July 1, 2025 - June 30, 2026	1,128	117	80
July 1, 2026 - June 30, 2027	1,168	126	85
July 1, 2027 - June 30, 2032	6,480	762	518

Expected Contributions

IBRD's contribution to the SRP and RSBP varies from year to year, as determined by the PFC, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP by IBRD and IDA during the fiscal year beginning July 1, 2022 is $139 million and $37 million, respectively.

NOTE K—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income consists of net income and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income. Other comprehensive income (loss) comprises currency translation adjustments on assets and liabilities denominated in euro; DVA on fair value elected liabilities; the cumulative effects of a change in accounting principle related to the implementation of U.S. GAAP requirements; and pension-related items. These items are presented in the Statement of Comprehensive Income.

The following tables present the changes in Accumulated Other Comprehensive Income (Loss):

Table K1: AOCI/AOCL changes

In millions of U.S. dollars

	2022				
	Balance, beginning of the fiscal year	*Changes in AOCI*	*Amounts reclassified into net income*	*Net Changes during the period*	*Balance, end of the fiscal year*
Cumulative Translation Adjustments on functional currency	$ 359	$ (1,149)	$ -	$ (1,149)	$ (790)
DVA on Fair Value option elected liabilities	(218)	564	18	582	364
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(1,640)	2,974	53[a]	3,027	1,387
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(66)	-	23[a]	23	(43)
Total AOCI	$ (1,565)	$ 2,389	$ 94	$ 2,483	$ 918

Table K1.1:

In millions of U.S. dollars

	2021				
	Balance, beginning of the fiscal year	*Changes in AOCL*	*Amounts reclassified into net income*	*Net Changes during the period*	*Balance, end of the fiscal year*
Cumulative Translation Adjustments on functional currency	$ (106)	$ 465	$ -	$ 465	$ 359
DVA on Fair Value option elected liabilities	1,214	(1,377)	(55)	(1,432)	(218)
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(6,745)	4,727	378[a]	5,105	(1,640)
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(89)	-	23[a]	23	(66)
Total AOCL	$ (5,726)	$ 3,815	$ 346	$ 4,161	$ (1,565)

Table K1.2:
In millions of U.S. dollars

	2020				
	Balance, beginning of the fiscal year	*Changes in AOCL*	*Amounts reclassified into net income*	*Net Changes during the period*	*Balance, end of the fiscal year*
Cumulative Translation Adjustments on functional currency	$ (18)	$ (88)	$ -	$ (88)	$ (106)
DVA on Fair Value option elected liabilities	705	538	(29)	509	1,214
Unrecognized Net Actuarial (Losses) Gains on Benefit Plans	(3,678)	(3,239)	172[a]	(3,067)	(6,745)
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(112)	-	23[a]	23	(89)
Total AOCL	$ (3,103)	$ (2,789)	$ 166	$ (2,623)	$ (5,726)

a. See Note J—Pension and Other Post Retirement Benefits.

NOTE L—FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of June 30, 2022 and June 30, 2021, IBRD had no assets or liabilities measured at fair value on a non-recurring basis.

Due from Banks

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

Loans and Loan commitments

There were no loans carried at fair value as of June 30, 2022 and June 30, 2021. IBRD's loans and loan commitments would be classified as Level 3 within the fair value hierarchy.

Summarized below are the techniques applied in determining the fair values of IBRD's financial instruments.

Investment securities

Investment securities are classified based on management's intention on the date of purchase, their nature, and IBRD's policies governing the level and use of such investments. As of June 30, 2022, all of the financial instruments in IBRD's investment portfolio were classified as trading. These securities are carried and reported at fair value, or at face value or NAV, which approximates fair value. Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, mutual funds, exchange-traded equity securities and ABS securities.

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 observable market inputs such as yield curves, credit spreads, and conditional prepayment rates. Where applicable, unobservable inputs such as conditional 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 reported at face value, which approximates fair value.

Discount notes and vanilla bonds

Discount notes and vanilla bonds issued by IBRD are valued using the standard discounted cash flow method which relies on observable market inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. Where available, quoted market prices are used to determine the fair value of short-term notes.

Structured bonds

Structured bonds issued by IBRD have coupon or repayment terms linked to the level or the performance of interest rates, foreign exchange rates, equity indices, catastrophic events or commodities. The fair value of the structured bonds is generally derived using the discounted cash flow method based on estimated future pay-offs determined by applicable models and computation of embedded optionality such as caps, floors and calls. A wide range of industry standard models such as one factor Hull-White, LIBOR Market Model and Black-Scholes are used depending on the specific structure. These models incorporate observable market inputs, such as yield curves, foreign exchange rates, basis spreads, funding spreads, interest rate volatilities, equity index volatilities and equity indices. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities. Generally, the movements in correlations are considered to be independent of movements in long-dated interest rate volatilities.

Derivative instruments

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and futures contracts, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are either plain vanilla or structured. Currency forward contracts and plain vanilla currency and interest rate swaps are valued using the standard discounted cash flow methods using observable market inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. For structured currency and interest rate swaps, which primarily consist of callable swaps linked to interest rates, foreign exchange rates, and equity indices, valuation models and inputs similar to the ones applicable to structured bonds valuation are used. Where applicable, the models also incorporate significant unobservable inputs such as correlations and long-dated interest rate volatilities.

Valuation adjustments on fair value option elected liabilities

The DVA on fair value option elected liabilities is measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IBRD's funding spread applicable to the relevant reference rate.

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

Table L1: Fair value and carrying amount of financial assets and liabilities

In millions of U.S. dollars

	June 30, 2022		*June 30, 2021*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from banks	$ 479	$ 479	$ 2,347	$ 2,347
Investments-Trading (including Securities purchased under resale agreements)	81,820	81,820	87,904	87,904
Net loans outstanding	227,092	225,046	218,799	223,687
Derivative assets, net	804	804	3,355	3,355
Miscellaneous assets	55	55	50	50
Liabilities				
Borrowings	235,173	235,173	260,076	260,076
Securities sold/lent under repurchase agreements/securities lending agreements and payable for cash collateral received	37	37	62	62
Derivative liabilities, net	20,041	20,041	1,222	1,222

As of June 30, 2022, IBRD's signed loan commitments were $57 billion ($59.8 billion—June 30, 2021) and had a fair value of $0.6 billion ($2.6 billion—June 30, 2021).

The following tables present IBRD's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis. The fair value of alternative investments and certain equity investments measured using NAV per share as a practical expedient are included in the table below but excluded from the fair value hierarchy.

Table L2: Fair value hierarchy of IBRD's assets and liabilities

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis June 30, 2022			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments-Trading				
Government and agency obligations	$ 14,140	$ 24,587	$ -	$ 38,727
Time deposits	1,502	37,952	-	39,454
ABS	-	1,603	-	1,603
Alternative investments [a]	-	-	-	1,704
Equity securities	295	-	-	295
Total Investments-Trading	$ 15,937	$ 64,142	$ -	$ 81,783
Securities purchased under resale agreements	$ 37	-	$ -	37
Derivative Assets				
Currency swaps [b]	$ -	$ 4,870	$ 83	$ 4,953
Interest rate swaps	-	6,500	37	6,537
Other [c]	2	-	-	2
	$ 2	$ 11,370	$ 120	$ 11,492
Less:				
Amounts subject to legally enforceable master netting agreements [e]				10,524
Cash collateral received				164
Derivative Assets, net				$ 804
Miscellaneous assets	$ -	$ 55	$ -	55
Liabilities:				
Borrowings	$ -	$ 231,241	$ 3,932	$ 235,173
Securities sold under repurchase agreements and securities lent under securities lending agreements [d]	-	37	-	37
Derivative Liabilities				
Currency swaps [b]	-	10,978	462	11,440
Interest rate swaps	-	19,492	202	19,694
Other [c]	-	-	-	-
	$ -	$ 30,470	$ 664	$ 31,134
Less:				
Amounts subject to legally enforceable master netting agreements [f]				11,093
Derivative Liabilities, net				$ 20,041

a. Investments at NAV related to PEBP holdings, not included in the fair value hierarchy.
b. Includes currency forward contracts and structured swaps.
c. These relate to swaptions, exchange traded options and futures contracts and TBA securities.
d. Excludes $164 million relating to payable for cash collateral received.
e. Includes $2 million CVA.
f. Includes $571 million DVA.

Table L2.1

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis June 30, 2021			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Government and agency obligations	$ 21,325	$ 27,305	$ -	$ 48,630
Time deposits	839	34,621	-	35,460
ABS	-	1,710	-	1,710
Alternative investments [a]	-	-	-	1,352
Equity securities	414	-	-	414
Total Investments – Trading	$ 22,578	$ 63,636	$ -	$ 87,566
Securities purchased under resale agreements	$ 63	275	$ -	338
Derivative Assets				
Currency swaps [b]	$ -	$ 8,314	$ 375	$ 8,689
Interest rate swaps	-	9,820	241	10,061
Other [c]	-	-	-	-
	$ -	$ 18,134	$ 616	$ 18,750
Less:				
Amounts subject to legally enforceable master netting agreements [e]				12,124
Cash collateral received				3,271
Derivative Asset, net				$ 3,355
Miscellaneous assets	$ -	$ 50	$ -	50
Liabilities:				
Borrowings	$ -	$ 255,482	$ 4,594	$ 260,076
Securities sold under repurchase agreements and securities lent under securities lending agreements [d]	-	25	-	25
Derivative Liabilities				
Currency swaps [b]	-	4,756	221	4,977
Interest rate swaps	-	8,309	62	8,371
Other [c]	1	-	-	1
	$ 1	$ 13,065	$ 283	$ 13,349
Less:				
Amounts subject to legally enforceable master netting agreements [f]				12,127
Derivative Liabilities, net				$ 1,222

a. Investments at NAV related to PEBP holdings, not included in the fair value hierarchy.
b. Includes currency forward contracts and structured swaps.
c. These relate to swaptions, exchange traded options and futures contracts and TBA securities.
d. Excludes $3,308 million relating to payable for cash collateral received.
e. Includes $18 million CVA.
f. Includes $21 million DVA

IBRD's Level 3 borrowings primarily relate to structured bonds. The fair value of these bonds is estimated using discounted cash flow valuation models that incorporate model parameters, observable market inputs, and unobservable inputs. The significant unobservable inputs used in the fair value measurement of structured bonds and swaps are correlations and long-dated market interest rate volatilities. Generally, the movements in correlations are considered to be independent of the movements in long-dated interest rate volatilities.

Correlation is the statistical measurement of the relationship between two variables. For contracts where the holder benefits from the convergence of the underlying index prices (e.g., interest rates and foreign exchange rates), an increase in correlation generally results in an increase in the fair value of the instrument. The magnitude and direction of the fair value adjustment will depend on whether the holder is short or long the option.

Interest rate volatility is the extent to which the level of interest rates changes over time. For purchased options, an increase in volatility will generally result in an increase in the fair value. In general, the volatility used to price the option depends on the maturity of the underlying instrument and the option strike price. In the fiscal years ended June 30, 2022, and June 30, 2021, the interest rate volatilities for certain currencies were extrapolated for certain tenors and, thus, are considered an unobservable input.

In certain instances, particularly for instruments with coupon or repayment terms linked to catastrophic events, management relies on instrument valuations supplied by external pricing vendors.

The following table provides a summary of the valuation technique applied in determining fair values of these Level 3 instruments and quantitative information regarding the significant unobservable inputs used. Level 3 instruments represent 2% of IBRD's borrowings.

Table L3: Level 3 Borrowings and derivatives valuation technique and quantitative information regarding the significant unobservable inputs

In millions of U.S. dollars

Portfolio	*Fair Value at June 30, 2022*	*Fair Value at June 30, 2021*	*Valuation Technique*	*Unobservable input*	*Range (average), June 30, 2022*	*Range (average), June 30, 2021*
Borrowings	$3,932	$4,594	Discounted Cash Flow	Correlations	-18% to 99% (12%)	-14% to 92% (13%)
				Interest rate volatilities	61% to 77% (68%)	52% to 54% (53%)
Derivative assets/(liabilities)	$(544)	$333	Discounted Cash Flow	Correlations	-18% to 99% (12%)	-14% to 92% (13%)
				Interest rate volatilities	61% to 77% (68%)	52% to 54% (53%)

The table below provides the details of inter-level transfers between Level 2 and Level 3 that are due to changes in observable inputs.

Table L4: Borrowings and derivatives inter-level transfers

In millions of U.S. dollars

	2022		*2021*	
	Level 2	*Level 3*	*Level 2*	*Level 3*
Borrowings				
Transfer into (out of)	$ -	$ -	$ 63	$ (63)
Transfer (out of) into	(195)	195	-	-
	$ (195)	$ 195	$ 63	$ (63)
Derivative assets, net				
Transfer into (out of)	$ 24	$ (24)	$ 9	$ (9)
Transfer (out of) into	(28)	28	-	-
	(4)	4	9	(9)
Derivative liabilities, net				
Transfer (into) out of	$ -	$ -	$ (11)	$ 11
Transfer out of (into)	9	(9)	-	-
	9	(9)	(11)	11
Total Derivative Transfers, net	$ 5	$ (5)	$ (2)	$ 2

The following tables provide a summary of changes in the fair value of IBRD's Level 3 borrowings and derivatives:

Table L5: Borrowings Level 3 changes

In millions of U.S. dollars

	2022	*2021*
Beginning of the fiscal year	$ 4,594	$ 5,347
Issuances	355	409
Settlements	(371)	(1,695)
Total realized/unrealized mark-to-market (gains) losses in:		
Net income	(711)	512
Other comprehensive income	(130)	84
Transfers to/(from) Level 3, net	195	(63)
End of the fiscal year	$ 3,932	$ 4,594

Table L6: Derivatives Level 3 changes
In millions of U.S. dollars

	2022			2021		
	Derivatives, Assets/(Liabilities)			Derivatives, Assets/(Liabilities)		
	Currency Swaps	Interest Rate Swaps	Total	Currency Swaps	Interest Rate Swaps	Total
Beginning of the fiscal year	$ 154	$ 179	$ 333	$ (153)	$ (22)	$ (175)
Issuances	-	(15)	(15)	2	1	3
Settlements	(1)	(73)	(74)	(23)	(2)	(25)
Total realized/unrealized mark-to-market (gains) losses in:						
Net income	(435)	(256)	(691)	318	198	516
Other comprehensive income	(92)	-	(92)	8	4	12
Transfers to/(from) Level 3, net	(5)	-	(5)	2	-	2
End of the fiscal year	$ (379)	$ (165)	$ (544)	$ 154	$ 179	$ 333

Information on the unrealized gains or losses included in the Statement of Income and Statement of Comprehensive Income relating to IBRD's Level 3 borrowings and derivatives that are still held at the reporting dates, is presented in the following table:

Table L7: Unrealized gains or losses relating to IBRD's Level 3 borrowings and derivatives
In millions of U.S. dollars

	2022	2021	2020
Reported as follows:			
Borrowings			
Net income (loss) [a]	$ 220	$ (449)	$ (35)
Other comprehensive income (loss) [b]	$ 130	$ (92)	$ 129
Derivatives			
Net income (loss) [a]	$ (214)	$ 446	$ 91
Other comprehensive income (loss) [c]	$ (97)	$ 25	$ (41)

a. Amounts are included in Unrealized mark-to-market gains (losses) on non-trading portfolios, net on the Statement of Income.
b. Amounts are included in Currency translation adjustment on functional currency and Net Change in DVA on fair value option elected liabilities, on the Statement of Comprehensive Income.
c. Amounts are included in Currency translation adjustment on functional currency, on the Statement of Comprehensive Income.

Table L8: Borrowings fair value and contractual principal balance
In millions of U.S. dollars

	Fair Value	Principal Amount Due Upon Maturity	Difference
June 30, 2022	$ 235,173	$ 256,753	$ (21,580)
June 30, 2021	$ 260,076	$ 260,277	$ (201)

The following table provides information on the changes in fair value due to the change in IBRD's own credit risk for financial liabilities measured under the fair value option, included in the Statement of Comprehensive Income:

Table L9: Changes in fair value due to IBRD's own credit risk
In millions of U.S. dollars

Unrealized mark-to-market gains/(losses) due to DVA on fair value option elected liabilities	2022	2021
DVA on Fair Value Option Elected Liabilities	$ 564	$ (1,377)
Amounts reclassified to net income upon derecognition of a liability	18	(55)
Net change in DVA on Fair Value Option Elected Liabilities	$ 582	$ (1,432)

The following table provides information on the cumulative changes in fair value due to the change in IBRD's own credit risk for financial liabilities measured under the fair value option, as well as where those amounts are included on the Balance Sheet:

Table L10: Cumulative changes in fair value due to the change in IBRD's own credit risk

In millions of U.S. dollars

DVA on fair value option elected liabilities- (loss) gain	*June 30, 2022*	*June 30, 2021*
Reported as:		
Accumulated other comprehensive loss	$ 364	$ (218)

Table L11: Unrealized mark-to-market gains or losses on Investments-Trading, and non-trading portfolios, net

In millions of U.S. dollars

	2022		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments-Trading	$ 1,106	$ (1,183)	$ (77)
Non-trading portfolios, net			
Loan related derivatives—Note F	6	5,988	5,994
Other asset/liability management derivatives, net	-	(3,392)	(3,392)
Borrowings, including related derivatives—Notes E and F	12	747	759[b]
Client operations derivatives	-	8	8
Others, net	-	5	5
Total non-trading portfolios, net	$ 18	$ 3,356	$ 3,374

In millions of U.S. dollars

	2021		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments-Trading	$ (672)	$ 903	$ 231
Non-trading portfolios, net			
Loan related derivatives—Note F	-	2,415	2,415
Other asset/liability management derivatives, net	-	(1,351)	(1,351)
Borrowings, including related derivatives—Notes E and F	14	140	154[b]
Client operations derivatives	-	14	14
Total non-trading portfolios, net	$ 14	$ 1,218	$ 1,232

In millions of U.S. dollars

	2020		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments-Trading	$ 517	$ (324)	$ 193
Non-trading portfolios, net			
Loan related derivatives—Note F	(14)	(1,957)	(1,971)
Other asset/liability management derivatives, net	-	1,204	1,204
Borrowings, including related derivatives—Notes E and F	146	(362)	(216)[b]
Client operations derivatives	63	(22)	41
Total non-trading portfolios, net	$ 195	$ (1,137)	$ (942)

a. Adjusted to exclude amounts reclassified to realized gains (losses).

b. Includes $20,790 million of unrealized mark-to-market losses related to derivatives associated with borrowings (unrealized mark-to-market losses of $7,209 million—June 30, 2021, and unrealized mark-to-market gains of $5,478 million—June 30, 2020).

NOTE M—CONTINGENCIES

Due to the ongoing COVID-19 pandemic, IBRD faces additional credit, market and operational risks. The length and severity of the pandemic and the related developments, as well as the impact on the financial results and position of IBRD in future periods cannot be reasonably estimated at this point in time and continues to evolve. IBRD continues to monitor the developments and to manage the risks associated with its various portfolios within existing financial policies and limits.

From time to time, IBRD may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. The outcome of any existing legal action, in which IBRD has been named as a defendant or co-defendant, as of and for the fiscal year ended June 30, 2022, is not expected to have a material adverse effect on IBRD's financial position, results of operations or cash flows.

International Development Association

Management's Discussion & Analysis
and
Financial Statements
June 30, 2022

Contents

This Management's Discussion & Analysis (MD&A) discusses the results of the International Development Association's (IDA) financial performance for the fiscal year ended June 30, 2022 (FY22). IDA undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform with the current year's presentation. For discussion of IDA's financial results for the year ended June 30, 2021, as compared to the year ended June 30, 2020, see Section IV – Financial Results in IDA's MD&A and Financial Statements for the fiscal year ended June 30, 2021 (FY21). For information relating to IDA's development operations' results and corporate performance, refer to the World Bank Corporate Scorecard and Sustainability Review.

Box 1: Selected Financial Data

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

	As of and for the fiscal years ended June 30,		
	2022	2021	2020
Lending Highlights (Sections IV & V)			
Loans, Grants and Guarantees			
Net commitments [a]	$ 37,727	$ 36,028	$ 30,365
Gross disbursements [a]	21,214	22,921	21,179
Net disbursements [a]	14,477	16,465	15,112
Balance Sheet (Section IV)			
Total assets	$ 220,014	$ 219,324	$ 199,472
Net investment portfolio [b]	39,561	37,921	35,571
Net loans outstanding	174,490	177,779	160,961
Borrowing portfolio [c]	35,032	28,335	19,653
Total equity	178,668	180,876	168,171
Income Statement (Section IV)			
Interest revenue, net of borrowing expenses	$ 1,901	$ 1,996	$ 1,843
Transfers from affiliated organizations and others	274	544	252
Development grants	(2,372)	(2,830)	(1,475)
Net income (loss)	12	(433)	(1,114)
Non-GAAP Measures:			
Adjusted Net Income (Section IV)	$ 260	$ 394	$ 724
Deployable Strategic Capital Ratio (Section IX)	26.4%	30.4%	35.8%

a. Commitments that have been approved by the Executive Directors (referred to as "the Board" in this document) and are net of full cancellations / terminations approved in the same fiscal year. Commitments and disbursements exclude IDA-IFC-MIGA Private Sector Window (PSW) activities.
b. For composition of the net investment portfolio, see Notes to the Financial Statements, Note C – Investments – Table C2.
c. Includes associated derivatives.

Section I: Executive Summary

IDA, an international organization owned by its 174[1] member countries, is one of the five institutions of the World Bank Group (WBG[2]). Each WBG organization is legally and financially independent from IDA, with separate assets and liabilities. IDA is not liable for the obligations of the other institutions.

IDA is rated triple-A by the major rating agencies and has been providing financing and knowledge services to many of the world's developing countries for more than 61 years. With its many years of experience and its depth of knowledge in the international development arena, IDA plays a key role in achieving the WBG's goal of helping countries achieve better development outcomes. IDA contributes to the WBG's twin goals of ending extreme poverty and promoting shared prosperity by providing loans, grants, and guarantees, and other financial products to the poorest and most vulnerable countries to help meet their development needs and by providing technical assistance and policy advice leveraging its experience and expertise. It also supports countries with disaster risk financing and insurance against natural disasters and health related crises and facilitates financing through trust fund partnerships.

IDA and its affiliated organizations seek to help countries achieve improvements in growth, job creation, poverty reduction, governance, the environment, climate adaptation and resilience, human capital, infrastructure, and debt transparency, among others. To meet its development goals, the WBG has been increasing its focus on country programs in order to improve growth and development outcomes. Further, the last fiscal year brought new challenges to the global outlook – high inflation and the rise in food insecurity that came on top of growing inequality, global fragility, the coronavirus disease (COVID-19) pandemic and other geopolitical events, rising debt, and macroeconomic imbalances. In response, IDA, as part of the WBG efforts, continues to work with partners at global and country levels to support its borrowing countries in addressing the impact of these multiple crises, to enhance resilience, and lay the groundwork for rebuilding better. The responses all remain in compliance with IDA's existing financial, operational and risk management policies.

The nineteenth replenishment of IDA (IDA19), which ended in FY22, built on the strong momentum of the IDA18 financing framework by combining contributions from members with market borrowings. IDA's hybrid financial model has allowed IDA to significantly expand its financial capacity and provide $72 billion in financing for its clients from the IDA19 replenishment.

On March 31, 2022, IDA's Twentieth Replenishment (IDA20) was approved by the Board of Governors. In April 2021, members agreed to launch IDA20 one year early, to commence in FY23, and to shorten IDA's Nineteenth Replenishment (IDA19) implementation period to two years (FY21-FY22). The IDA20 operational and financing framework will continue to leverage IDA's strong equity base to help low-income countries respond to the COVID-19 crisis and build a greener, more resilient, and inclusive future. Members agreed to a financing envelope of $93 billion[3] over the three-year replenishment period, FY23-FY25, supported by $23.5 billion of member contributions. See Section III: IDA's Financial Resources.

[1] *On November 3, 2021, Bulgaria became the 174th member country of IDA.*

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

[3] *U.S. dollar amounts are based on IDA20 reference rate of USD/SDR 1.42934. The U.S. dollar amounts are provided for reporting purposes only, as IDA's balance sheet is predominantly managed in Special Drawing Rights (SDR).*

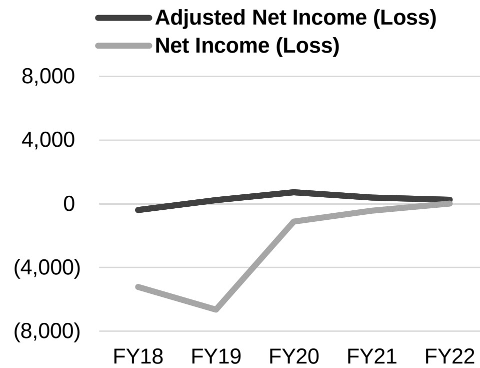
Summary of Financial Results

Net Income and Adjusted Net Income

Net Income: IDA reported net income of $12 million in FY22, compared to a net loss of $433 million in FY21. The increase was primarily driven by non-functional currency translation adjustments and the decrease in development grant expenses, partially offset by the increase in the provision for losses on loans and other exposures. See Section IV: Financial Results.

Adjusted Net Income: IDA's adjusted net income was $260 million in FY22, compared to $394 million in FY21. The decrease was primarily due to lower interest revenue on loans and higher net non-interest expenses. See Section IV: Financial Results.

In millions of U.S. dollars



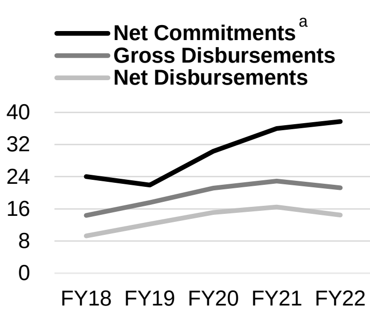
Lending Operations

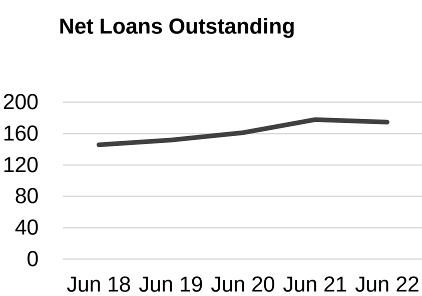
IDA's net commitments in FY22 were $37.7 billion, 5% higher than FY21 and the highest annual level in IDA's history. Out of the total net commitments, $24.5 billion were loan commitments and $13.2 billion were grant commitments. FY22 commitments reflected continued support for COVID-19 related efforts, including $2.3 billion of financing for COVID-19 vaccines and $3.7 billion of financing for food security. In addition, FY22 commitments included $1 billion financing to provide fast-disbursing support for Ukraine on an exceptional basis.

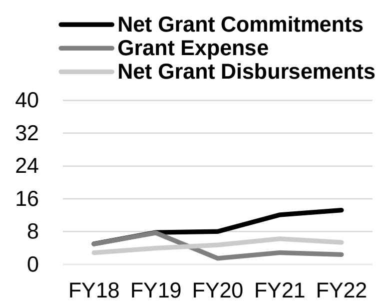
IDA's net loans outstanding decreased by $3.3 billion, from $177.8 billion as of June 30, 2021, to $174.5 billion as of June 30, 2022, primarily due to currency translation losses as the SDR depreciated against the U.S. dollar, partially offset by net loan disbursements during the year. See Section IV: Financial Results.

Development grant expenses were $2.4 billion in FY22 compared to $2.8 billion in FY21. The development grant activity volume in FY22 was higher than FY21, excluding grants of $1.3 billion disbursed to Sudan in the previous year after its arrears were cleared in March 2021. The decrease in development grant expenses from FY19 to FY20, as shown in the graph below, is due to the timing of the recognition of the grant expenses as a result of the implementation of a new accounting standard in FY20.

In billions of U.S. dollars





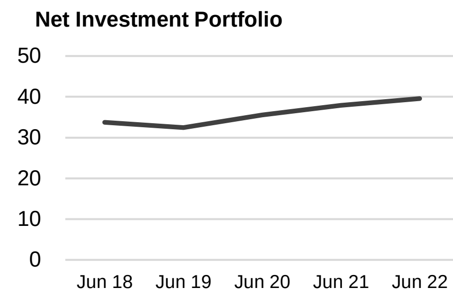


a. *Includes loans, grants, and guarantees.*

Net Investment Portfolio

As of June 30, 2022, the net investment portfolio was $39.6 billion, compared with $37.9 billion as of June 30, 2021. See Section VII: Investment Activities. The primary objective of IDA’s investment strategy is principal protection. As of June 30, 2022, 74% of IDA’s investment portfolio was held in instruments rated AA or above (See Table 30).

In billions of U.S. dollars



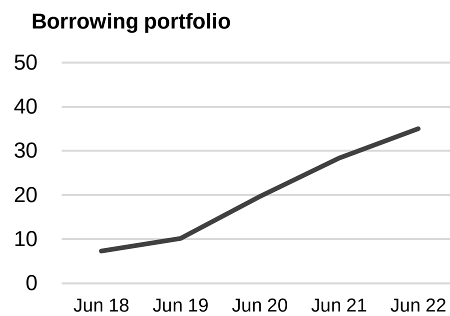
Borrowing Portfolio

Market borrowings at fair value: As of June 30, 2022, the market borrowings carried at fair value, and the related derivatives were $21.9 billion, an increase of $1.3 billion from June 30, 2021.

Market borrowings at amortized cost: As of June 30, 2022, the market borrowings carried at amortized cost were $6.2 billion (Nil - June 30, 2021).

Concessional Partner Loans at amortized cost: As of June 30, 2022, total borrowings from members - Concessional Partner Loans (CPL) were $7.0 billion, a decrease of $0.7 billion from June 30, 2021.

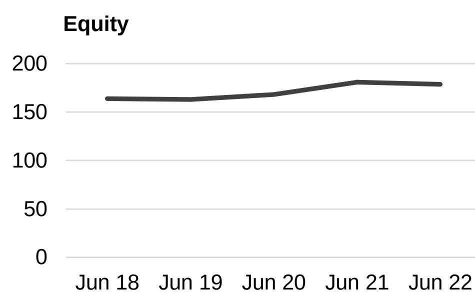
In billions of U.S. dollars



Equity and Capital Adequacy

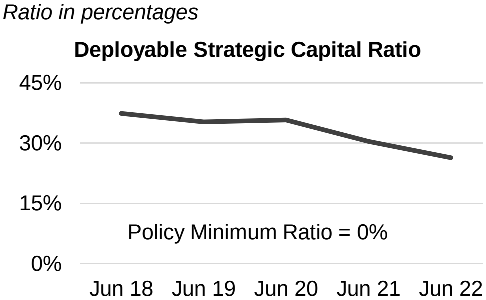
As of June 30, 2022, IDA’s equity was $178.7 billion, a decrease of $2.2 billion from June 30, 2021. The decrease was primarily due to currency translation losses consistent with the depreciation of the SDR against the U.S. dollar. See Section IV: Financial Results.

In billions of U.S. dollars



The Deployable Strategic Capital (DSC) ratio, IDA’s main capital adequacy measure, was 26.4% as of June 30, 2022, above the zero percent policy minimum and a decrease of 4.0 percentage points from 30.4% as of June 30, 2021. IDA’s capital continues to be adequate to support its operations. See Section IX: Risk Management.

Ratio in percentages



Section II: Overview

Presentation

This document provides Management's Discussion and Analysis of the financial condition and results of operations for IDA for the fiscal year ended June 30, 2022. A Glossary of Terms is provided at the end of this document.

Introduction

Generally, every three years, representatives of IDA's members[4] meet to assess IDA's financial capacity and the medium-term demand for new IDA financing. Members decide on the policy framework, agree upon the amount of financing to be made available for the replenishment period, and commit to additional contributions of equity that are required to meet these goals. The meetings culminate in a replenishment agreement that determines the size, sources (both internal and external), and uses of funds for the replenishment period.

Twentieth Replenishment of Resources (IDA20)

On March 31, 2022, the IDA20 Resolution was approved by IDA's Board of Governors. IDA20 recognizes the need to help address the profound challenges faced by IDA countries. IDA20 reaffirms the international community's commitment to scale up support to enable IDA countries to respond to the effects of the COVID-19 crisis, recoup their development losses, and resume progress toward the 2030 Sustainable Development goals. IDA20 will support the world's poorest and most vulnerable countries to emerge on a development path in line with the Green, Resilient and Inclusive Development (GRID) framework. IDA20 will build on the IDA19 special themes, with the continuation of human capital, climate change, fragility, conflict, and violence (FCV), gender and development, jobs, and economic transformation. In addition, IDA20's policy package will incorporate four crosscutting issues: crisis preparedness, governance and institutions, debt (including transparency), and technology.

With this agenda in the forefront, IDA members agreed on the IDA20 operational and financing framework that reflects a financing envelope of $93 billion, over a three-year replenishment period (FY23-FY25), that will be supported by $23.5 billion of member contributions. The remainder of the financing envelope will be covered by the Multilateral Debt Relief Initiative (MDRI), financing raised in the capital markets, the IDA19 carry-over, internal resources (e.g., loan repayments) and transfers from IBRD.

Financial Business Model

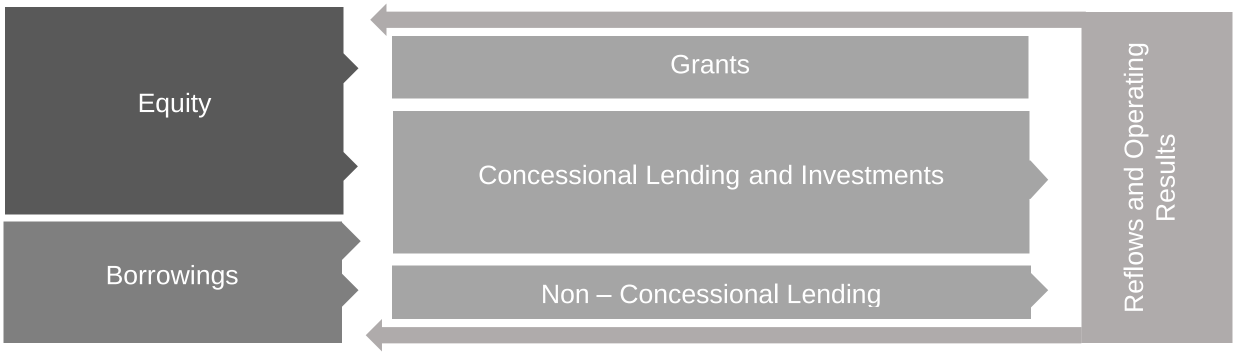
IDA has financed its operations over the years with its own equity, including regular additions to equity provided by member countries as part of the replenishment process. As a result of the strong support of member countries, IDA has built up a substantial equity base of $178.7 billion as of June 30, 2022. In FY15, IDA introduced debt to its financial model with concessional partner loans received from certain member countries. In FY18, IDA introduced a hybrid financing model by including market debt into its business model. By prudently leveraging its equity and blending market debt with equity contributions from members, IDA has increased its financial efficiency, and scaled up its financing to support the escalating demand for its resources to deliver on the following priorities:

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

Non-concessional lending will primarily be financed by market debt. Concessional lending, including grants, is primarily financed by IDA's equity. As IDA's funding program expands under the hybrid financing model, a bigger portion of concessional lending will be funded by market debt, together with member countries' contributions (equity). Funds not deployed for lending are maintained in IDA's investment portfolio to supply liquidity for its operations. See Figure 1.

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

Figure 1: IDA's Financial Business Model



Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). IDA's functional currencies are the SDR and its component currencies of the U.S. dollar, euro, Japanese yen, pound sterling and Chinese renminbi and IDA's reporting currency is the U.S. dollar. Management uses net income as the basis for deriving adjusted net income, as discussed in Section IV: Financial Results.

Adjusted Net Income

Adjusted Net Income (ANI), a non-GAAP measure, reflects the economic results of IDA's operations and is used by IDA's management and the Board as a financial sustainability measure. ANI is defined as IDA's net income, adjusted to exclude certain items. After the effects of these adjustments, the resulting ANI generally reflects amounts which are realized, not restricted for specific uses, and not directly funded by members. For a detailed discussion of the adjustments, see Section IV: Financial Results.

Section III: IDA's Financial Resources

IDA's replenishments have grown from $1.0 billion in the initial replenishment to $93 billion in IDA20. Members' subscriptions and contributions receivable for each replenishment are settled through payment of cash or deposit of nonnegotiable, non-interest-bearing demand notes which become due throughout the replenishment period, generally three years. The notes are encashed by IDA on a pro rata basis over a 9 to 11-year period which generally corresponds with the disbursement period of the loans and grants.

IDA19 Funding

In April 2021, the IDA19 financing period was shortened to two years (FY21-FY22) and the IDA19 financing framework was adjusted to $71 billion from the original commitment authority of $82 billion. The remaining $11 billion was carried forward to be utilized in the replenishment period of IDA20. In April 2022, IDA's Board approved an increase in the adjusted IDA19 commitment authority by $1 billion to $72 billion to support the urgent development financing needs and to supplement IBRD and development partners' support for Ukraine. The increase did not impact the use of the original IDA19 financing plan of $71 billion.

As of June 30, 2022, IDA completed its nineteenth replenishment period. See Table 1 for results for IDA19 sources and uses.

Table 1: Results for IDA19 Sources and Uses

In billions of U. S. dollars

Sources		USD equivalent [a]
Member equity contributions	$	23.5
Member compensation for MDRI		3.9
Reflows, carryover, and borrowings		54.7
Transfers from IBRD		0.9
Total Sources	**$**	**83.0**

Uses		USD equivalent [b]
Concessional financing		
Loans and guarantees [c]	$	45.1
Grants		25.4
Non-concessional financing		4.5
Private Sector Window		1.7
Less: Recommitments of cancellations from previous replenishments		(4.7)
Total Uses	**$**	**72.0**
Carry-over to IDA20	**$**	**11.0**
Total Uses and Carry-over	**$**	**83.0**

a. U.S. dollar amounts are based on IDA19 reference rate of USD/SDR 1.38318. The U.S. dollar amounts are provided for reporting purposes only.
b. U.S. dollar amounts are based on exchange rate as per the date of approval.
c. Includes $1.2 billion of loans approved by the Board in July 2022 due to the extension of the closing date for the approval of IDA19 operations.

Figure 2 below shows the allocation of IDA19 sources to fund IDA's lending activities (excluding PSW activities).

Figure 2: Funding Allocation during IDA19 replenishment period

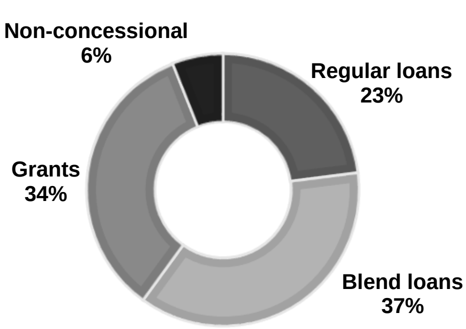


Table 2: Cumulative Net Commitments during the IDA19 replenishment period

In millions of U.S. dollars

As of June 30, 2022	Loans and Guarantees	Grants	Total
Concessional financing			
IDA Country Allocations	$ 39,382	$ 19,576	$ 58,958
IDA Concessional Windows			
Regional Window	3,447	2,450	5,897
Window for Host Communities and Refugees	30	1,239	1,269
Crisis Response Window	1,024	1,089	2,113
Arrears Clearance	-	1,000	1,000
Non-concessional financing	4,518	-	4,518
Total Net Commitments [a]	**$ 48,401**	**$ 25,354**	**$ 73,755**

a. Commitments are net of full cancellations/terminations approved in the same fiscal year. Commitments exclude IDA-IFC-MIGA Private Sector Window (PSW) activities of $1.7 billion, and $1.2 billion of loans approved by the Board in July 2022 associated with IDA19.

IDA20 Funding

IDA's financing resource envelope available for lending and grant commitments is based on the long-term outlook of IDA's financial sustainability. This takes into account the amount of member contributions and the concessionality of the proposed financing to borrowers, market conditions, and capital adequacy requirements.

Allocation of IDA20 Resources

Eligibility for IDA's resources is determined primarily by a member's relative poverty. Relative poverty is defined as Gross National Income (GNI) per capita below an established threshold and is updated annually. For FY23, the threshold is $1,255 (FY22: $1,205).

Table 3: IDA20 Sources and allocation

In billions of U.S dollars

Sources	USD equivalent [a]
Member equity contributions	$ 23.5
Member compensation for MDRI	1.8
Reflows, carryover, and borrowings	66.9
Transfers from IBRD	0.8
Total Sources	**$ 93.0**

Allocation	USD equivalent [a]
Concessional financing	
Country Allocation Envelope	$ 62.8
IDA Concessional Windows	21.4
Non-concessional financing	6.3
Private Sector Window	2.5
Total Allocation	**$ 93.0**

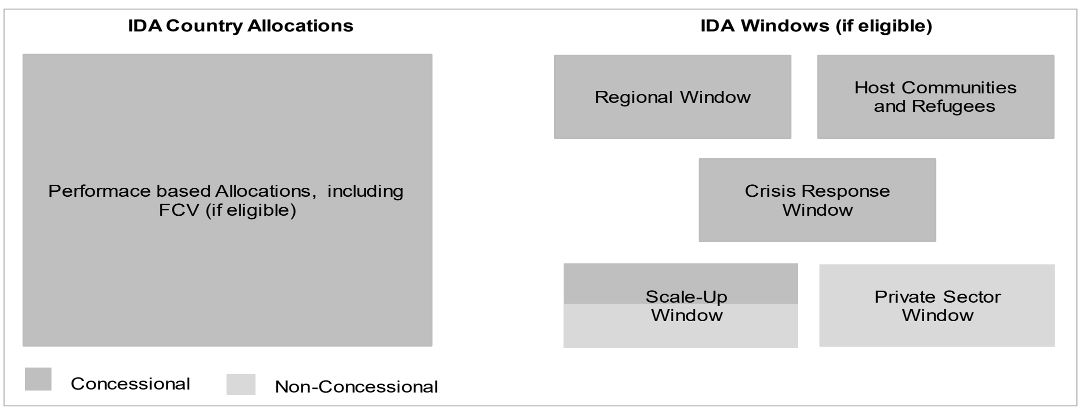
a. U.S. dollar amounts are based on IDA20 reference rate of USD/SDR 1.42934. The U.S. dollar amounts are provided for reporting purposes only.

As of July 1, 2022, 74 countries are eligible to borrow from IDA on concessional terms as follows:

IDA eligible countries	**IDA-only**	**40** countries that (a) have not exceeded the IDA operational cut-off GNI per capita for more than two consecutive years; and (b) are not creditworthy to borrow from IBRD. This includes: **11** Small Island Economies that have per capita incomes above the IDA operational cut-off for more than two consecutive years, but that have been granted the status of an "IDA-only Country" under the Small Island Economies Exception. **2** countries with loans in nonaccrual status, which were classified as "IDA-only" at the time they became nonaccrual countries.
	Gap	**17** countries that are (a) determined by IDA to be eligible for IDA financing; (b) determined by IDA to have a GNI per capita that has exceeded the cut-off for IDA eligibility for more than two consecutive years; and (c) not currently determined by IBRD to be creditworthy to borrow from IBRD. This includes **3** Small States that are not island states.
	Blend	**14** countries that are determined: (a) by IDA to be eligible for IDA financing; and (b) by IBRD to be creditworthy to borrow from IBRD. This includes **6** Small Island Economies and **1** Small State that is not an island state. **1** country with loans in nonaccrual status, which was classified as "Blend" at the time it became a nonaccrual country.

IDA financing is provided in the form of loans, grants, and guarantees. Most of IDA's resources are allocated to eligible members through IDA Country Allocations that provide unearmarked support. IDA Country Allocations are determined using the Performance Based Allocation (PBA) system, which takes into account the country's performance rating (CPR), population size and per capita income, and complemented by the FCV envelope. The rest of IDA resources are provided through five IDA Windows dedicated to addressing specific development priorities, and an Arrears Clearance framework that provides exceptional support for countries to fully reengage with the World Bank. The allocation framework is agreed for each replenishment cycle.

Figure 3: Allocation of IDA20 Resources



Allocation - Performance Based Allocation (PBA) System

IDA's resources are allocated to eligible members, using its PBA system and the allocation framework agreed during each replenishment. These allocations depend on several factors: the overall availability of IDA's resources, individual country needs, their policy performance and institutional capacity, and each country's performance relative to others. The PBA system is designed to provide resources where they are likely to be most helpful in reducing poverty.

Under the PBA, the main factor that determines the allocation of IDA's core concessional resources among eligible countries is their performance in the Country Policy and Institutional Assessment (CPIA). The CPIA reflects the results of an exercise that rates eligible countries against a set of criteria including economic management; structural policies; policies for social inclusion and equity; and public-sector management and institutions. The CPIA and portfolio performance together constitute the IDA Country Performance Rating (CPR). In addition to the CPR, population, and per capita income are factored into a country's allocation, along with the annual base allocation (SDR15 million per country). In addition, country allocations provide the FCV envelope to enhance support for eligible countries facing different FCV risks. The Sustainable Development Finance Policy (SDFP), which became effective at the beginning of IDA19, aims to incentivize IDA-eligible countries to move towards transparent, sustainable financing and to promote coordination between IDA and other creditors in support of these countries' efforts to address their debt-related vulnerabilities. A set-aside from or a discount of IDA’s country allocation are used to incentivize satisfactory implementation of Performance and Policy Actions. Countries which demonstrate satisfactory progress in implementing their Performance and Policy Actions have access to their full annual country allocation. Countries that do not satisfactorily implement their Performance and Policy Actions will either have a share of their country allocation set aside or their country allocation will be reduced.

In recognition of the change in IDA’s business model starting in IDA18, and to ensure that its lending decisions are compatible with the capital adequacy requirements of a triple-A rating, the allocation framework for IDA20 continues to be aligned with the Single Borrower Limit (SBL) and capital adequacy requirements under the DSC Framework, see Section IX: Risk Management.

Concessional Financing

Concessional financing is provided in the form of loans, grants and guarantees. Eligibility and percentage of allocation for grants for IDA-only countries are based on an assessment of the country’s risk of debt distress, where countries with high risk of debt distress will receive their IDA assistance in grants. Gap and Blend countries are only eligible for grant financing via the Window for Host Communities and Refugees, if applicable.

As part of IDA’s balance sheet optimization measures, new financing terms have been introduced in IDA20 which include:

- Concessional Shorter-Maturity Loans (SMLs). Concessional SMLs will be offered through the Scale-Up Window (SUW) and country allocations based on the PBA system. IDA-only countries at moderate and low risk of debt distress, including Small States, as well as IDA Gap and Blend countries (unless they are high risk Small States), will receive a portion of their country allocations as SMLs.
- 50-year loans for IDA-only countries at moderate risk of debt distress in lieu of the previous financing terms of half grants and half loans, with an exception for Small States. IDA-only Small States at moderate risk of debt distress will continue to receive half grants and half loans.

See Figure 4 for Overview of IDA20 Financing Terms.

Figure 4: Overview of IDA 20 Financing Terms

Lending Group		Financing Terms	
	Risk of External Debt Distress	**Non-Small States**	**Small States**
IDA-only Countries	High Risk or in Debt Distress	Grants	Grants
IDA-only Countries	Moderate Risk	• 50-year loans • 12-year Concessional SMLs	• Half grants and half 40-year loans (small economy) • 12-year Concessional SMLs
IDA-only Countries	Low Risk	• 38-year loans (regular) • 12-year Concessional SMLs	• 40-year loans (small economy) • 12-year Concessional SMLs
Gap Countries		• 30-year loans (blend) • 12-year Concessional SMLs	• 40-year loans (small economy) • 12-year Concessional SMLs
Blend Countries			

Country Allocation Envelope represents $62.8 billion of the IDA20 resource envelope and is allocated based on the PBA. The amount available for each country is a function of the country's CPR rating, population, and per capita income, complemented by the FCV envelope, where applicable. With the introduction of new financing terms in IDA20, some IDA countries will receive a portion of their country allocations as concessional SMLs. In addition, IDA-only countries at moderate risk of debt distress, with the exception of Small States, will receive their country allocations as 50-year loans. Previously, these countries were eligible for half grants and half loans.

IDA Concessional Windows allow IDA to respond to specific needs of its members. In IDA20, $21.4 billion of the IDA20 resource envelope will be used to fund the following:

- $7.9 billion of Regional Window.
- $2.4 billion of Window for Host Communities and Refugees.
- $3.3 billion of Crisis Response Window.
- $7.8 billion of Concessional Scale-up Window (SUW) – SMLs.

Regional Window

The Regional Window was developed as a funding mechanism to provide additional resources to finance projects that help low-income countries achieve their regional integration objectives. IDA fosters regional integration by playing three overlapping roles:

- supporting an enabling environment through advisory and analytical work;
- financing projects through policy and investment loans; and
- convening state and nonstate actors for coordination and collective actions.

Window for Host Communities and Refugees (WHR)

The Window for Host Communities and Refugees will support operations that promote medium-to long-term development opportunities for refugee and host communities in IDA countries. The purpose of the WHR is to support refugee hosting countries to:

- create social and economic development opportunities for refugee and host communities;
- facilitate solutions that include sustainable socio-economic inclusion of refugees in the host country and/or their return to the country of origin; and
- strengthen country preparedness for increased or potential new refugee flow.

Crisis Response Window (CRW)

The primary objective of the CRW is to provide IDA countries with additional resources that will help them to respond to major natural disasters, or public health emergencies and severe economic crises, so that they can return to their long-term development paths. The $3.3 billion window under the IDA20 resource envelope includes an allocation of up to $1.0 billion under the CRW Early Response Financing (ERF) which will support IDA countries' response to slower-onset crises, namely disease outbreaks and food insecurity.

Concessional Scale-up Window – Shorter Maturity Loans (SUW-SML)

The Shorter Maturity Loans under the Scale-up Window will provide additional concessional resources with an allocation of $7.8 billion in eligible countries i.e., IDA-only countries at low or moderate risk of debt distress, as well as Gap and Blend countries (except Small States that are at high risk or in debt distress).

Non-Concessional Financing

Non-Concessional financing comprises loans and guarantees whose terms are aligned with those of IBRD's flexible loans and guarantees. Under the adjusted IDA20 resource envelope, $6.3 billion of resources have been allocated to non-concessional financing which entirely relates to the regular Scale-up Window.

Non-Concessional Scale-up Window: The Non-Concessional Scale-up Window is a window of resources established to enhance support for high-quality, transformational, country-specific and/or regional operations with strong development impact. Allocation of Non-Concessional Scale-up Window resources to the regions will broadly conform to the allocations under the PBA, excluding countries at a high risk of debt distress. Allocations are balanced between IDA-only and Blend countries, and to avoid countries from having a concentration of Non-Concessional Scale-up Window resources. Implementation arrangements will prioritize a country's ability to absorb resources and the proposed projects' alignment with IDA20 policy priorities and the debt-related Sustainable Development Finance Policy.

Private Sector Window (PSW)

The IDA-IFC-MIGA Private Sector Window was created under IDA18 to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations. In IDA19, the PSW was allocated an initial envelope of $2.5 billion which was revised to $1.7 billion under the adjusted IDA19 resource envelope. Under IDA20, $2.5 billion has been allocated to the PSW envelope.

PSW is deployed through four facilities. These facilities have been designed to target critical challenges faced by the private sector and will leverage IFC and MIGA's business platforms and instruments.

During FY22, $1,107 million of the IDA19 PSW resources, net of full terminations and cancellations, were committed. As of June 30, 2022, $879 million had been utilized out of a combined total of $2.9 billion committed in IDA18 and IDA19. See Notes to the Financial Statements for the year ended June 30, 2022, Note G –Transactions with Affiliated Organizations – Table G4.

Table 4: Utilization of PSW Commitments

In millions of U.S. dollars

As of June 30, 2022	IDA18	IDA19	Total	Utilization Measure
Allocation [a]	$ 1,282	$ 1,668	$ 2,950	
Net Commitments [b]	1,282	1,665	2,947	
of which utilized				
Guarantees			$ 638	Face value of outstanding guarantees
Derivatives			132	Notional amount
Funding of IFC's PSW-related equity investments			59	Amortized cost
Loans			50	Amortized cost
Total utilization of IDA PSW			**$ 879**	

a. IDA18 final allocation of $1,370 million was reduced by $88 million of cancellations which were reallocated to IDA19 PSW.

b. Of the $1,282 million net commitments under IDA18 PSW, $79 million was returned to country allocations and is no longer available for utilization.

Arrears Clearance Framework

IDA has a policy of not providing additional financing to borrowers who are overdue on their current payments to IDA or IBRD. However, it may engage with these countries under limited and clearly defined circumstances. IDA's arrears clearance framework sets out these circumstances, including (i) pre-arrears clearance grants; and (ii) the arrears clearance set-aside, that can only be financed under the arrears clearance operations. In IDA20, no allocation was set aside towards arrears clearance to support the possible reengagement of IDA countries that are currently in arrears. However, during the IDA20 period, should meaningful progress arise in any country in arrears, a reallocation discussion with IDA members will be initiated.

(i) Pre-Arrears Clearance Grants (PACG)

The PACG mechanism enables IDA to engage early in support of a government undertaking convincing reforms. This was first introduced in IDA12 to be used to finance high priority activities related to the preparation of a program of social and economic recovery and to build resilience until the arrears are fully cleared. Conditions constituting this framework include indications that:

- early performance is promising as evidenced by the recipient country having taken convincing steps towards social and economic recovery.
- arrears to IDA and/or IBRD are large and protracted and cannot be easily or quickly cleared using domestic resources.
- a concerted international effort to provide positive financial flows and other assistance is underway, and other creditors have agreed not to make net withdrawals of financial resources from the country.
- alternative sources of financing for post-conflict recovery are inadequate or available only on inappropriate terms; and

- Pari passu sharing arrangements are in place between preferred creditors, for any payments made by the country in advance of arrears clearance.

The PACG program has met its objectives with each of the prior PACG recipients successfully clearing all their arrears to IDA. Prior PACG recipients are Democratic Republic of the Congo, Cote d'Ivoire, Afghanistan, Liberia, Myanmar, Somalia, and Sudan for an amount totaling $802 million between FY01 and FY22.

(ii) Arrears Clearance Set-Aside

The arrears clearance set-aside (ACSA) forms part of IDA's overall financing commitments. It is financed by additional member contributions under the replenishments. In IDA15, the arrears clearance was further enhanced. IDA members agreed to ring-fence arrears clearance support to IDA countries that were in arrears as of December 31, 2006 and meet a very narrow and well-defined set of criteria– see below, including eligibility for support under the Heavily Indebted Poor Countries (HIPC) debt initiative. Amounts were set aside within the IDA replenishment so that when circumstances allow, IDA would be able to help countries clear arrears and fully re-engage with the World Bank.

To be considered for any arrears clearance support, the country would need to meet the following criteria:

- be eligible for HIPC debt relief;
- agree to implement a medium-term growth-oriented reform program endorsed by the World Bank;
- ensure a sustainable macro and sustainable debt service after arrears clearance;
- agree on a stabilization program endorsed by the International Monetary Fund (IMF) management and monitored by IMF staff or supported by an IMF arrangement; and
- agree to a financing plan for full clearance of arrears, including normalization with other Multilateral Development Banks (MDBs).

In addition, to receive support for arrears clearance, project proposals should meet re-engagement criteria based on facts and circumstances of each case.

Section IV: Financial Results

Financial Results and Portfolio Performance

Net Income

IDA had net income of $12 million in FY22 compared with a net loss of $433 million in FY21 (See Table 5). The increase in net income during the year was primarily driven by:

- A positive change of $0.9 billion in non-functional currency translation adjustment gains/(losses) primarily attributable to the depreciation of the majority of the non-functional currencies against the U.S. dollar in FY22 compared to the appreciation of these currencies in FY21;
- A decrease of $0.5 billion in development grant expenses primarily due to the disbursement of $1.3 billion of development grants to Sudan in FY21 in support of the re-engagement and reform program after its arrears clearance;
- An increase of $0.4 billion in unrealized mark-to-market gains on non-trading portfolios. The increase was mainly driven by higher mark-to-market gains from the derivatives held for the Capital Value Protection Program (CVP), as the increase in U.S. dollar and Euro interest rates for long tenors during the year was higher compared to FY21; partially offset by
- A charge of $0.3 billion for provision for losses on loans and other exposures in FY22 compared to a release of $0.5 billion in FY21 driven by a $0.8 billion release of provision after Sudan cleared its overdues in FY21.

Adjusted Net Income

Adjusted Net Income, a non-GAAP measure, reflects the economic results of IDA's operations and is used by IDA's management and the Board as a financial sustainability measure. ANI is defined as IDA's net income, adjusted to exclude the following items.

- *Development financing activities directly funded by contributions from members:* These are mainly comprised of development grants, provision for HIPC / Multilateral Debt Relief Initiative (MDRI) debt relief, amortization of discounts on CPL. For financial reporting, these activities are treated as expenses, while contributions from members which finance these activities, are reflected directly in IDA's equity since they carry voting rights.
- *Contributions/grants received from affiliated organizations or other similar contributions:* These are mainly comprised of contributions from IBRD, IFC and other contributions from trust funds. These are intended to finance development activities similar to member contributions but are not directly included in equity as they do not carry voting rights.
- *Non-functional currency translation adjustment (gains) losses:* These represent unrealized exchange rate gains/losses resulting from the translation of loans, borrowings, development grants payable and all other assets and liabilities still held on IDA's Balance Sheet, that are denominated in currencies other than the component currencies of SDR.
- *Unrealized mark-to-market gains/losses on non-trading portfolios:* These are mainly comprised of unrealized mark-to-market gains and losses on the asset/liability management (ALM), borrowing, and non-trading investment portfolios. For the purpose of ANI, the result of loan revenue hedges is not part of the adjustment related to unrealized mark-to-market gains/losses on non-trading portfolio since the objective of the loan revenue hedges is to stabilize IDA's revenue against any currency risk.
- *Unrealized mark-to-market gains/losses on certain positions in the investment trading portfolios, net:* This adjustment applies to trades where the unrealized gains and losses on derivative forward contracts are recorded in the income statement and the underlying physical assets being purchased and sold are recorded at amortized cost during the holding period. In these cases, the unrealized gains, and losses on the forward contract at the end of the reporting period (if any) are excluded from net income when calculating adjusted net income. As of June 30, 2022, there were no active trades requiring adjustment.
- *Pension, Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve (PCRF) adjustments:* While IDA is not a participating sponsor 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 a Board-approved cost sharing ratio. The Pension adjustment reflects the difference between IDA's share of cash contributions to both the pension plans and PCRF, and the accounting expense, as well as the investment revenue earned on those assets related to

the PEBP and PCRF. The PCRF was established by the Board to stabilize contributions to the pension and post-retirement benefits plans. Management has designated the income from these assets to meet the needs of the pension plans. As a result, PEBP and PCRF investment revenue is excluded from adjusted net income.

- *Other Adjustments:*
  1. Under certain arrangements (such as Externally Funded Outputs (EFOs)), IDA receives a share of the revenue earned from agreements with donors under which funds received are to be used to finance specified outputs or services. These funds may be utilized only for the purposes specified in the agreements and are therefore considered contractually restricted until applied for these purposes. Income attributable to these arrangements is excluded from reported income when determining adjusted net income since there is no discretion about the use of these funds.
  2. Effective from FY22, the difference between fee revenue and expenses from the Reserve Advisory and Management Partnership (RAMP) program is excluded from the reported net income to arrive at adjusted net income. Under the Board-approved framework, RAMP fees are dedicated for the purpose of providing technical assistance and asset management services to external clients. Due to the potential timing mismatch between fee revenue (recognized as earned) and program expenditures (recognized as incurred), fees earned in a given fiscal year may be used to provide services in a future fiscal year. To ensure that RAMP revenues are only used for the delivery of RAMP services, and not allocated for other purposes, any difference between fee revenue and expenses from RAMP included in reported net income will be excluded to arrive at adjusted net income.

IDA's adjusted net income was $260 million in FY22 compared with $394 million in FY21 (See Table 5). The decrease of $134 million was primarily driven by a $90 million decrease in net interest revenue on loans mainly due to the recognition of $244 million of service charge revenue in FY21 when Sudan paid all the overdue principal and service charges due to IDA.

Table 5: Condensed Statement of Income

In millions of U.S. dollars

For the fiscal year ended June 30,	2022	2021	Negative Impact	Positive Impact
Interest revenue				
Loans, net	$ 1,960	$ 2,050	(90)	
Investments, net	189	147		42
Asset-liability management derivatives, net	1	(14)		15
Borrowing expenses, net	(249)	(187)	(62)	
Interest revenue, net of borrowing expenses	$ 1,901	$ 1,996	(95)	
Provision for losses on loans and other exposures, (charge) release	(278)	539	(817)	
Other (expenses) revenue, net (Table 14)	(2)	56	(58)	
Net non-interest expenses (Table 12)	(1,392)	(1,612)		220
Transfers from affiliated organizations and others	274	544	(270)	
Non-functional currency translation adjustment gains (losses), net	511	(372)		883
Unrealized mark-to-market (losses) gains on investments-trading portfolio, net [a]	(104)	144	(248)	
Unrealized mark-to-market gains on non-trading portfolios, net	1,474	1,102		372
Development grants	(2,372)	(2,830)		458
Net Income (Loss)	**$ 12**	**$ (433)**		445
Adjustments to reconcile net (loss) income to adjusted net income:				
Expenses relating to development financing activities directly funded by contributions from members	2,508	2,070		438
Contributions from affiliated organizations and others	(274)	(544)		270
Non-functional currency translation adjustment (gains) losses, net	(511)	372	(883)	
Unrealized market-to-market gains on non-trading portfolios, net [b]	(1,432)	(1,118)	(314)	
Pension and other adjustments	(43)	47	(90)	
Adjusted Net Income	**$ 260**	**$ 394**	(134)	

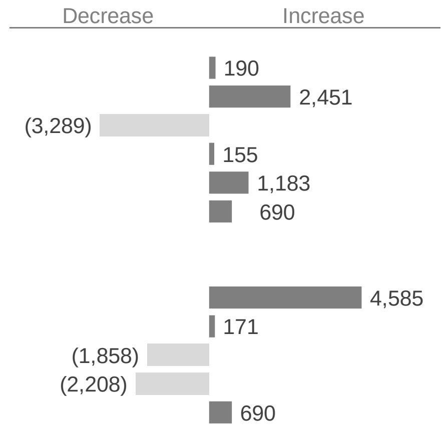
a. *Includes IDA's share of returns from Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF) assets – $37 million negative return (FY21- $184 million positive return).*

b. *Excludes $42 million of gains from revenue-related forward currency contracts (FY21 - $16 million of losses).*

Table 6: Condensed Balance Sheet

In millions of U.S. dollars

As of	June 30, 2022	June 30, 2021
Assets		
Due from banks	$ 686	$ 496
Investments	39,827	37,376
Net loans outstanding [a]	174,490	177,779
Derivative assets, net	404	249
Other assets	4,607	3,424
Total assets	**$ 220,014**	**$ 219,324**
Liabilities		
Borrowings	$ 32,899	$ 28,314
Derivative liabilities, net	579	408
Other liabilities	7,868	9,726
Equity	178,668	180,876
Total liabilities and equity	**$ 220,014**	**$ 219,324**



a. The fair value of IDA's loans was $141,193 million as of June 30, 2022 ($164,606 million –June 30, 2021).

Equity

See Table 7 below for the change in IDA's equity during FY22:

Table 7: Changes in Equity

In millions of U.S. dollars

Equity as of June 30, 2021	$ 180,876
Change during the year:	
Subscriptions and contributions paid-in	7,325
Nonnegotiable, noninterest-bearing demand obligations	1,265
Change in Accumulated deficit	12
Change in Accumulated other comprehensive (loss) income	(10,808)
Change in Deferred amounts to maintain value of currency holdings	(2)
Total change	(2,208)
Equity as of June 30, 2022	**$ 178,668**

Results from Lending Activities

Loan Portfolio and Grant Activity

As of June 30, 2022, IDA's net loans outstanding was $174.5 billion, lower by $3.3 billion compared with June 30, 2021. The decrease was mainly due to currency translation losses of $12.5 billion, consistent with the depreciation of the SDR by 6.9% against the U.S. dollar during the year, partially offset by net disbursements of $9.1 billion during the year.

As of June 30, 2022, 88% of IDA's total loans outstanding were denominated in the SDR. For the regional presentation of total loans outstanding, see Notes to the Financial Statements for the year ended June 30, 2022, Note D – Loans and Other Exposures – Table D8.

Provision for losses on loans and other exposures

In FY22, IDA recorded a provision for losses on loans and other exposures of $278 million primarily due to the increase in exposure during the year. This compares to a $539 million release of provision in FY21 mainly due to an $831 million release of loan loss provision after Sudan cleared its arrears in March 2021 (see Notes to the Financial Statements for the year ended June 30, 2022, Note D – Loans and Other Exposures – Table D5).

For adjusted net income purposes, the provision for losses on loans and other exposures excludes the provision for debt relief under HIPC/MDRI and the provision for grant advances since these are funded by contributions from members.

Table 8: Provision for losses on loans and other exposures

In millions of U.S. dollars

For the fiscal year ended June 30,	2022	2021	Variance
Provision for losses on loans and other exposures, (charge) release			
Loans and other exposures	$ (283)	$ (289)	$ 6
Debt relief under HIPC/MDRI	5	828	(823)
Total	**$ (278)**	**$ 539**	**$ (817)**

Table 9: Net Loans Outstanding Activity

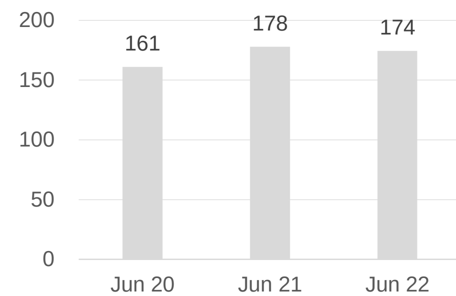
In millions of U.S. dollars

Net Loans outstanding as of June 30, 2021	$ 177,779
Change during the year:	
Gross loan disbursements	15,860
Loan repayments	(6,738)
Change in accumulated provision for loan losses [a]	135
Translation adjustments	(12,505)
Other [b]	(41)
Total change	(3,289)
Net Loans outstanding as of June 30, 2022	**$ 174,490**

a. *Includes translation adjustments on accumulated provision for loan losses and debt relief under HIPC/MDRI. See Notes to the Financial Statements, Note D – Loans and other exposures.*
b. *Includes deferred loan origination costs of $11 million, and HIPC debt relief provided of $30 million.*

Figure 5: Net Loans Outstanding

In billions of U.S. dollars



IDA's loans generally disburse within five to ten years for Investment Project Financing (IPF), and one to three years for Development Policy Financing (DPF). Therefore, each year's disbursements also include amounts relating to commitments made in earlier years (See Table 10).

Table 10: Gross Disbursements of Loans and Grants by Region

In millions of U.S. dollars

For the fiscal year ended June 30,	2022 Loans [a]	2022 Grants [b]	2022 Total	2021 Loans [a]	2021 Grants [b]	2021 Total	Variance
Eastern and Southern Africa	$ 4,520	$ 2,613	$ 7,133	$ 4,785	$ 3,296	$ 8,081	$ (948)
Western and Central Africa	4,942	1,602	6,544	4,384	1,661	6,045	499
East Asia and Pacific	1,365	137	1,502	1,186	111	1,297	205
Europe and Central Asia	631	133	764	736	144	880	(116)
Latin America and the Caribbean	346	164	510	369	126	495	15
Middle East and North Africa	63	496	559	70	309	379	180
South Asia	3,952	250	4,202	5,145	599	5,744	(1,542)
Total	**$ 15,819**	**$ 5,395**	**$ 21,214**	**$ 16,675**	**$ 6,246**	**$ 22,921**	**$ (1,707)**

a. *Excludes PSW related disbursements - $41 million (FY21 - $6 million).*
b. *Excludes Project Preparation Advances (PPA).*

As of June 30, 2022**,** 59% of IDA's loans were on regular terms (75 basis points SDR equivalent service charge) see Table 11. The decrease in IDA's revenue from loans in FY22 compared to FY21 was primarily due to $244 million of service charges recorded in March 2021 when Sudan paid all its overdue principal and charges due to IDA.

Table 11: Revenue and Balances by Product Category

In millions of U.S. dollars

	Balance as of June 30,		Interest revenue on loans [a] For the fiscal year ended June 30,	
Category	2022	2021	2022	2021
Loans				
Concessional				
Regular	$ 104,716	$ 109,612	$ 829	$ 1,055
Blend	65,617	65,203	970	862
Hard [b]	1,327	1,406	47	49
Non-concessional [c]	6,381	5,273	116	85
Others [d]	50	10	1	1
Total	**$ 178,091**	**$ 181,504**	**$ 1,963**	**$ 2,052**

a. Excludes interest rate swap expenses related to loan hedges - $3 million ($2 million in FY21).
b. Prior to July 1, 2017, IDA offered Hard-Term loans to Blend Countries (excluding Small Island Economies). Hard-term loans are no longer offered.
c. In addition, $24 million of commitment charges were earned in FY22 on undisbursed balances of non-concessional loans ($19 million in FY21).
d. Represents loans under the PSW.

Results from Investing Activities

Investment Portfolio

IDA's net investment portfolio increased to $39.6 billion as of June 30, 2022, from $37.9 billion as of June 30, 2021. The increase was primarily due to the investment of cash received from member contributions and proceeds from net new debt issuances, partially offset by net loan and grant disbursements.

Investment interest revenue, net of derivatives

During FY22, IDA's net interest revenue from investments was $189 million, an increase of $42 million compared with FY21. The increase in interest revenue was mainly driven by the higher average interest rate environment in the current year and the higher average balance of the portfolio.

Figure 6: Net Investment Portfolio

In billions of U.S. dollars

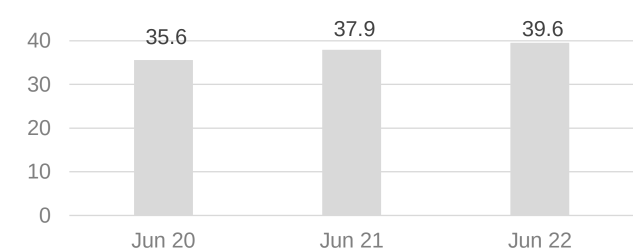
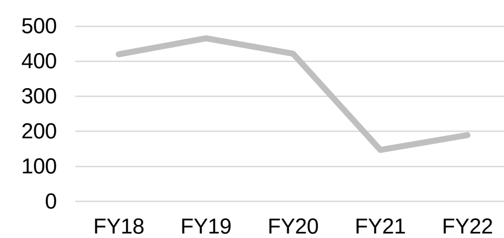


Figure 7: Net Investment Revenue

In millions of U.S. dollars



Results from Borrowing Activities (excluding associated derivatives)

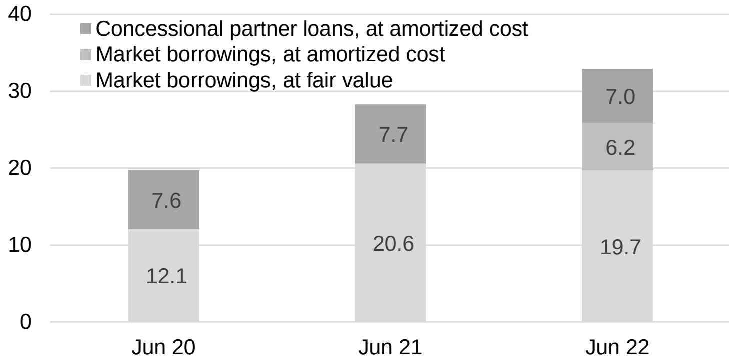
As of June 30,2022, Market borrowings recorded at fair value were $19.7 billion, a decrease of $0.9 billion compared to June 30, 2021 ($20.6 billion). The decrease was driven mainly by the impact of increasing interest rates and translation gains during the year. See Notes to the Financial Statements for the year ended June 30, 2022, Note E – Borrowings.

As of June 30, 2022, the market borrowings at amortized cost were $6.2 billion (Nil – June 30, 2021). In FY22, IDA started to issue long-term fixed rate market debt to fund fixed rate loans and the new issuances during the year were $6.2 billion. See Notes to the Financial Statements for the year ended June 30, 2022, Note E – Borrowings.

Concessional partner loans from members, recorded at amortized cost were $7.0 billion ($7.7 billion - June 30, 2021). The decrease of $0.7 billion was mainly due to translation adjustment gains.

Figure 8: Borrowings

In billions of U. S. dollars



Transfers from Affiliated Organizations

Since 1964, IBRD has made transfers to IDA out of its net income, upon approval by the Board of Governors. Under a formula-based approach for IBRD's income support to IDA, the amount of income transfer recommended for IDA is a function of IBRD's financial results. On October 14, 2021, IBRD's Board of Governors approved a transfer from FY21 allocable income of $274 million to IDA which was received by IDA on October 25, 2021.

Net Non-Interest Expense

As shown in Table 12, IDA's net non-interest expenses are primarily comprised of administrative expenses, net of revenue from externally-funded activities. IBRD and IDA's administrative budget is a single resource envelope that funds the combined work programs of IBRD and IDA. The allocation of administrative expenses between IBRD and IDA is based on an agreed cost and revenue sharing methodology, approved by their Boards. The allocation is primarily driven by the relative level of activities relating to lending, knowledge services and other services between the two institutions. The administrative expenses shown in the table below include costs related to IDA-executed trust funds and other externally funded activities.

IDA's net non-interest expenses on a GAAP basis were $1,392 million in FY22, compared to $1,612 million in FY21. The key driver for the decrease was the decrease in pension costs, primarily driven by the higher asset returns in FY21, which resulted in lower amortization of unrecognized actuarial losses in FY22.

IDA's net non-interest expenses for adjusted net income purposes were $1,472 million in FY22, compared to $1,381 million in FY21, an increase of $91 million. FY21's net non-interest expenses were significantly impacted by COVID-19-related restrictions. FY22's increase was driven by higher travel expenses due to the gradual easing of COVID-19-related travel restrictions/office closures, inflationary cost pressures, the acceleration of work programs from the high level of lending activities during the year as well as additional support and engagement in FCV countries to address the growing needs and the increase in conflict situations. As a result, travel costs increased by $56 million but are still less than what they were before the COVID-19 pandemic, approximately 38% of FY19 costs. The cost of operating in FCV countries also affected expenses including costs associated with evacuations and security in dangerous situations.

Table 12: Net Non-Interest Expenses

In millions of U.S. dollars

For the fiscal year ended June 30,	2022	2021	Variance
Administrative expenses:			
Staff costs	$ 1,137	$ 1,121	$ 16
Travel	71	15	56
Consultant and contractual services	588	544	44
Pension and other post-retirement benefits	191	494	(303)
Communications and technology	83	68	15
Premises and equipment	144	135	9
Other expenses	24	29	(5)
Total administrative expenses [a]	**$ 2,238**	**$ 2,406**	**$ (168)**
Contributions to special programs [b]	19	20	(1)
Revenue from externally funded activities:			
Reimbursable advisory services	(41)	(46)	5
Reimbursable revenue - IDA-executed trust funds	(613)	(553)	(60)
Revenue – trust funds administration	(43)	(38)	(5)
Restricted revenue	(3)	(15)	12
Other revenue	(165)	(162)	(3)
Total revenue from externally funded activities	**$ (865)**	**$ (814)**	**$ (51)**
Total Net Non-Interest Expenses (Table 5) - GAAP Basis	**$ 1,392**	**$ 1,612**	**$ (220)**
Adjustments to arrive at Net non-interest expenses - Adjusted Net Income basis			
Pension, RAMP and EFO adjustments (Table 13) [c]	80	(231)	311
Net non-interest expenses - Adjusted Net Income basis	**$ 1,472**	**$ 1,381**	**$ 91**

a. Includes expenses related to IDA executed trust funds of $613 million for FY22 and $553 million for FY21.
b. Included in Non-interest expenses – Other in the Statement of Income.
c. Adjustments are included in the Pension and other adjustments line in Table 5. The RAMP adjustment was effective in FY22 and made prospectively.

IDA's goal is to have its net administrative expenses covered by its loan revenue (interest, service charges, commitment fees, and guarantee fees). Thus, IDA monitors its net administrative expenses as a percentage of its loan revenue, using a measure referred to as the budget anchor. In FY22, IDA's budget anchor was 74.3%, higher by 7.6 percentage points compared to FY21 primarily due to the one-time effect of $244 million of service charges recognized in FY21 when Sudan paid all its overdue principal and charges due to IDA. Excluding the impact of Sudan's arrears clearance of $244 million in FY21, IDA's FY22 budget anchor improved by 1.3%. See Table 13.

Table 13: Budget Anchor

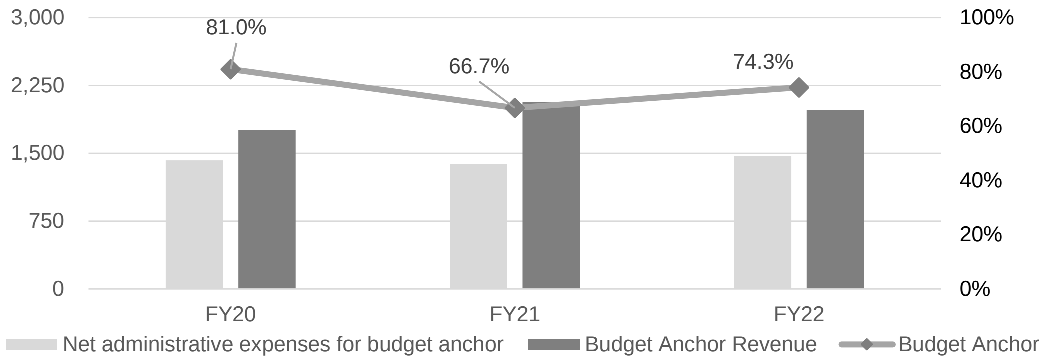
In millions of U.S. dollars

For the fiscal year ended June 30,	2022	2021	Variance
Total net Non-interest Expenses (Table 12)	$ 1,392	$ 1,612	$ (220)
Pension, RAMP and EFO adjustments (Table 12) [a]	80	(231)	311
Net administrative expenses for Budget Anchor	**$ 1,472**	**$ 1,381**	**$ 91**
Interest Revenue from Loans, net of associated borrowing expenses	$ 1,892	$ 2,050	$ (158)
Commitment fee and Guarantee fee revenue (Table 14)	46	36	10
Gains (losses) on revenue-hedging forward currency contracts	42	(16)	58
Total revenue for Budget Anchor	**$ 1,980**	**$ 2,070**	**$ (90)**
Budget Anchor	**74.3%**	**66.7%**	**7.6%**

a. These adjustments are made to arrive at net administrative expenses used for adjusted net income purposes.

Figure 9: Budget Anchor

In millions of U.S. dollars, except ratio in percentages



In FY22, IDA's net other expenses were $2 million as the PPA grant expenses exceeded PPA cancellations and refinancing of PPA grants previously approved. In contrast, in FY21, IDA had $56 million of net other revenue as PPA cancellations and refinancing of PPA grants previously approved exceeded PPA grant expenses. Refinanced PPA grants are included in the loan provided to the borrower, and correspondingly, prior grant expenses are reversed.

Table 14: Other (Expenses) Revenue, net

In millions of U.S. dollars

For the fiscal year ended June 30,		2022		2021		Variance
PPA grants and others	$	(48)	$	20	$	(68)
Guarantee fees		22		17		5
Commitment charges		24		19		5
Other (Expenses) Revenue, net (Table 5)	**$**	**(2)**	**$**	**56**	**$**	**(58)**

Unrealized mark-to-market gains (losses) on investments- trading portfolio

IDA's investments-trading portfolio, excluding the returns from the PEBP, had unrealized mark-to-market losses of $67 million in FY22, compared to unrealized mark-to-market losses of $40 million in FY21. The losses in both years were mainly due to the increase in yields on long-term euro government bonds.

Unrealized mark-to-market gains (losses) on non-trading portfolios, net

During FY22, the non-trading portfolios had $1.5 billion of net unrealized mark-to-market gains ($1.1 billion net unrealized mark-to-market gains in FY21). The increase is mainly driven by unrealized mark-to-market gains from the derivatives held for the CVP, managed as part of ALM, as the U.S. dollar and EUR interest rates for long tenors increased more in FY22 compared to FY21. (Section IX: Risk Management).

Table 15: Unrealized Mark-to-Market gains (losses) on non-trading portfolios, net

In millions of U.S. dollars

For the fiscal year ended June 30		2022		2021		Variance
Asset-liability management derivatives	$	1,441	$	1,080	$	361
Investment portfolio		(26)		(12)		(14)
Other [a]		59		34		25
Total	**$**	**1,474**	**$**	**1,102**	**$**	**372**

a. Other comprises mark-to-market gains (losses) on the borrowings, loan related derivatives and on PSW.

Non-functional currency translation adjustment gains (losses), net

Non-functional currency translation adjustment gains or losses represent unrealized exchange rate gains or losses resulting from the hedging of exchange rate risk related to future donor contributions, and the translation of loans, borrowings, and all other assets and liabilities held on IDA's Balance Sheet, that are denominated in currencies other than the SDR and its component currencies. The translation adjustment gains and losses in FY22 and FY21 were primarily driven by the hedging of exchange rate risk related to future donor contributions. Certain members pledge their future equity contributions in non-SDR currencies. These future cash flows are economically hedged using currency forwards. The economic offset is inherent in the future contribution inflows. The payable portion of the currency forward contracts are denominated in non-functional currencies. The appreciation or depreciation of these currencies against the U.S. dollar results in exchange rate gains or losses which are recorded in the income statement. Accordingly, the translation adjustment gains of $511 million in FY22 were driven by the depreciation of the hedged non-functional currencies against the U.S. dollar, while the translation adjustment losses of $372 million in FY21 were due to the appreciation of these currencies against the U.S dollar.

Section V: Development Activities, Products and Programs

Lending Framework

IDA provides financing to lower-income countries primarily through loans, grants and guarantees. IDA has a common framework which extends across all its development activities. The main elements of this framework are financing principles, financing cycles and financing categories.

Financing Principles

IDA's operations are required to conform to the general principles derived from its Articles of Agreement. These principles are described in Box 2. Within the scope permitted by the Articles of Agreement, application of these financing principles must be developed and adjusted in light of experience and changing conditions.

Financing Cycles

The process of identifying and appraising a project and approving and disbursing the funds often extends over several years. However, in response to emergency situations, such as natural disasters and financial crises, IDA is able to accelerate the preparation and approval cycle. In most cases, IDA's Board approves each loan, grant, and guarantee after appraisal of a project by staff. Under a Multiphase Programmatic Approach (MPA) approved by the Board in FY18, the Board may approve an overall program framework, its financing envelope and the first appraised phase, and then authorize management to appraise and commit financing for later program phases. Disbursements are subject to the fulfillment of conditions set out in the loan or grant agreement. IDA used this approach to expedite support for COVID-19 related projects. As of June 30, 2022, $12.0 billion was committed under the MPA, of which $6.7 billion was COVID-19 related commitments.

During implementation of IDA-supported operations, staff review progress, monitor compliance with IDA's policies, and assist in resolving any problems that may arise. An independent unit, the Independent Evaluations Group, also assesses the extent to which operations have met their major objectives, and these evaluations are reported directly to the Board.

Financing Categories

Most of IDA's lending is of three types: investment project financing, development policy financing, and program-for-results. Figure 10 shows the percentage of loans approved for investment lending, development policy operations and program-for-results over the past five years.

Box 2: Financing Principles

(i) IDA may provide financing for its development operations in the form of loans, grants, and guarantees directly to its members, public or private entities and regional or public international organizations.

(ii) IDA's financing of its development operations is designed to promote economic development, increase productivity, and thus raise standards of living in its member countries. Investment projects financed by IDA are required to meet IDA's standards for technical, economic, financial, institutional, and environmental soundness. Specific provisions apply to development policy financing, including the treatment of the macroeconomic framework, poverty and social impact, environment, forests, and other natural resources.

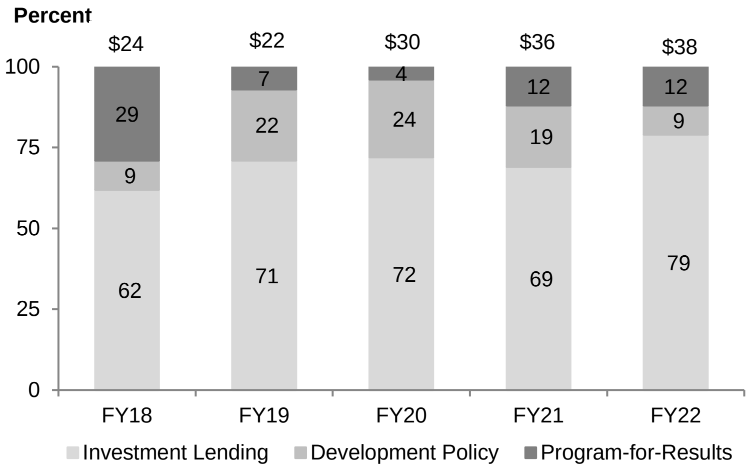
(iii) Decisions to approve financing are based upon, among other things, studies by IDA of a member country's economic structure, including assessments of its resources and ability to generate sufficient foreign currencies to meet debt-service obligations.

(iv) IDA must be satisfied that in the prevailing market conditions (taking into account the member's overall external financing requirements), the recipient would be unable to obtain financing under conditions which, in the opinion of IDA, are reasonable for the recipient. This would include loans made by private sources or IBRD.

(v) The use of funds by recipients is supervised. IDA makes arrangements intended to ensure that funds provided are used only for authorized purposes and, where relevant, with due attention to considerations of cost-effectiveness. This policy is enforced primarily by requiring recipients (a) to submit documentation establishing, to IDA's satisfaction, that the expenditures financed with the proceeds of loans or grants are made in conformity with the applicable financing agreements, and (b) to maximize competition in the procurement of goods and services by using, wherever possible, international competitive bidding procedures or, when it is not appropriate, other procedures that ensure maximum economy and efficiency. In addition, IDA considers the use of recipient country procurement, financial management and environmental and social safeguard systems in selected operations once these systems and capacity have been assessed by IDA as acceptable.

Figure 10: Net Annual Commitments and share of financing categories

In billions of U.S. dollars, except rates in percentages



Investment Project Financing (IPF)

IPF provides financing for a wide range of activities aimed at creating the physical and social infrastructure necessary to reduce poverty and create sustainable development. IPF is usually disbursed over the long-term (roughly a 5 to 10-year horizon).

FY22 net commitments under IPF totaled $29.9 billion, compared with $24.7 billion in FY21.

Development Policy Financing (DPF)

DPF aims to support the borrower in achieving sustainable development through a program of policy and institutional actions. Examples of DPF projects include strengthening public financial management, improving the investment climate, addressing bottlenecks to improve service delivery, and diversifying the economy. DPF supports such reforms through non-earmarked general budget financing. DPF provides fast-disbursing financing (roughly 1 to 3 years) to help borrowers address actual or anticipated financing requirements.

FY22 net commitments under DPF totaled $3.4 billion, compared with $7.0 billion in FY21.

Program-for-Results (PforR)

PforR helps countries improve the design and implementation of their development programs and achieve specific results by strengthening institutions and building capacity. PforR disburses when agreed results are achieved and verified. Results are identified and agreed upon during the preparation stage.

FY22 net commitments under PforR totaled $4.4 billion, compared with $4.3 billion in FY21.

These three complementary categories support the policy and institutional changes needed to create an environment conducive to sustained and equitable growth.

Financial Terms

Commitment Currency

The currency of commitment for IDA grants and concessional loans is predominantly the SDR. However, in response to client needs to reduce currency exposure and simplify debt management, IDA offers a Single Currency Lending option that allows IDA recipients to denominate new IDA loans in U.S. dollar, euro, pound sterling or Japanese yen. For cumulative loans approved under Single Currency program as of June 30, 2022, see Table 16**.**

Table 16: Cumulative Loans approved under the Single Currency program

In billions of U.S. dollar equivalent value

As of June 30,	2022
Euro	$ 30.5
U.S. dollar	23.9
Japanese Yen	0.9
Pound Sterling	0.1
Total	**$ 55.4**
Of the above, loans outstanding at the end of the year	$ 19.7

Table 17: Summary of Financial Terms for IDA Grants and Lending Products, effective July 1, 2022

Instrument type [a]	Currencies	Maturity/Grace Period	Current Charges	Interest rates
Grant	SDR	Not applicable	Not applicable	Not applicable
Regular-Term loan	SDR, USD, EUR, GBP, JPY	38/6 years	75bps SDR equivalent service charge	Not applicable
Regular-Small Economy loan	SDR, USD, EUR, GBP, JPY	40/10 years	75bps SDR equivalent service charge	Not applicable
Blend-Term loan	SDR, USD, EUR, GBP, JPY	30/5 years	75bps SDR equivalent service charge	1.25% SDR equivalent interest rate
50-year loan	SDR, USD, EUR, GBP, JPY	50/10 years	Zero interest and service charge	Zero interest and service charge
Shorter Maturity Loan (SML)	SDR, USD, EUR, GBP, JPY	12/6 years	Zero interest and service charge	Zero interest and service charge
Non-concessional loans - Scale-up Window (SUW)	USD, EUR, GBP, JPY	Up to 35 years maximum; up to 20 years average maturity	25 bps one-time front-end fee 25 bps commitment fee	IBRD Flexible Loan terms [b]
Catastrophe Deferred Draw Down Option (CAT DDO) [c]	SDR, USD, EUR, GBP, JPY	**Before Drawdown:** Front end fee and renewal fee are set at 0.5% and 0.25% respectively under SUW option, and at 0% under PBA or Undisbursed balances option. **After Drawdown:** **-** Under PBA or Undisbursed balances option - IDA concessional rates would apply. - Under SUW option - non-concessional rates would apply.		

a. *Prior to July 1, 2017, IDA offered Hard-Term loans to Blend Countries (excluding Small Island Economies). They had a single currency option, and had terms equivalent to IBRD's fixed spread loans, less 200 bps, a variable option was also available. Hard-term loans are no longer offered.*

b. *There is an implicit floor of zero on the overall interest rate in IDA's non-concessional loans.*

c. *The volume of committed and undisbursed CAT DDOs financed by IDA is limited to 0.5 percent of the country's GDP or USD 250 million, whichever is lower. The CAT DDO may be renewed once, for a maximum of six years in total.*

Charges on Loans and Grants

Service charges and interest income earned on IDA's loans are reported as Interest revenue on loans, net in the Statement of Income. Commitment charges earned on loans and grants (if any) are reported as non-interest revenue in the Statement of Income.

Service Charge: A service charge is levied on the principal amount disbursed and outstanding on all Regular, Small Economy, and Blend term loans, regardless of repayment terms, at 0.75% per annum.

Interest: Interest is charged on all loans subject to blend terms approved from IDA16, hard-term loans, and non-concessional loans. Further, loans offered under non-concessional terms are available at variable interest rates on IBRD terms. All other rates are fixed.

Commitment Charge: A commitment charge, which is payable on any undisbursed loan or grant amount, is set by the Board at the beginning of each fiscal year. Commitment charges are set at a level to ensure that net loan revenue covers administrative expenses over the medium term. From FY09 to FY22, the commitment charge on undisbursed concessional loans had been set at zero, and for grants it had been set at zero from FY03 to FY22. For FY23, commitment charges remain set at zero, the same level as FY22. The commitment charge on non-concessional loans is aligned to IBRD terms, which include a commitment charge of 0.25%.

Repayment Terms

Loans approved through June 30, 1987 have a final maturity of 50 years, including a grace period of 10 years. In recent replenishments, differentiation in IDA's lending terms has been introduced to recognize the variation in economic development of broad categories of IDA recipients.

Since 1987, the legal agreements of regular, blend and hard-term loans include an accelerated repayment clause to double the principal repayments of the loan if the borrower's GNI per capita exceeds a specific threshold and the borrower is eligible for IBRD financing. Implementation is subject to negotiation with the borrower and approval by IDA's Board after considering a borrower's economic development. The borrower can further negotiate either to (a) shorten the loan's maturity (principal option), (b) pay interest at a rate that would result in the same net present value (interest option), or a combination of the two options.

As of June 30, 2022, the acceleration clause was implemented for the qualifying loans of 18 borrowers that have graduated from IDA since the introduction of the accelerated repayment clause. Of these 18 borrowers, 11 borrowers selected the principal option, 6 borrowers selected the interest option, and one borrower selected a combination of the two options.

The accelerated repayment clauses in all of these legal agreements also allow a borrower to subsequently request pausing of those accelerated terms if economic conditions in the borrower's country have deteriorated, in which case, the terms of repayment can revert to the original terms of the financing agreements. As repayment accelerations, and pausing of accelerations, are contemplated in the original terms of the instruments, they do not constitute loan modifications. Given the challenging economic situation as a result of the COVID-19 outbreak, for ten graduate countries whose accelerated repayments were approved by the Board for implementation in IDA17 and IDA19, management approved a one-year pause, which became effective July 1, 2020, of the accelerated payment terms to conform to the schedule originally provided in their financing agreements. Subsequently, this was extended for an additional year for five graduate countries. As of June 30, 2022, $16.2 billion of loans outstanding were under the accelerated repayment terms.

Loans, Grants and Guarantee Activity

Commitments

FY22 net loan commitments were $24.5 billion, an increase of $0.6 billion or 2% over FY21 ($23.9 billion), mainly driven by higher IPF commitments. There were no guarantee commitments in both FY22 and FY21. (See Table 18). Also, see Section VI: Other Development Activities and Programs.

FY22 Net commitments of grants were $13.2 billion, an increase of $1.1 billion or 9% over FY21 ($12.1 billion). (See Table 19).

Table 18: Net Commitments of Loans by Region

In millions of U.S. dollars

For the fiscal year ended June 30,	2022	% of total	2021	% of total	Variance
Eastern and Southern Africa	$ 7,751	32	$ 7,105	30	$ 646
Western and Central Africa	8,779	36	7,900	33	879
East Asia and Pacific	1,039	4	1,003	4	36
Europe and Central Asia	2,046	8	966	4	1,080
Latin America and the Caribbean	534	2	622	3	(88)
Middle East and North Africa	162	1	20	*	142
South Asia	4,183	17	6,291	26	(2,108)
Total	**$ 24,494**	**100**	**$ 23,907**	**100**	**$ 587**

** Indicates percentage less than 0.5%.*

Table 19: Net Commitments of Grants by Region

In millions of U.S. dollars

For the fiscal year ended June 30,	2022	% of total	2021	% of total	Variance
Eastern and Southern Africa	$ 7,515	57	$ 6,984	58	$ 531
Western and Central Africa	3,434	26	3,055	25	379
East Asia and Pacific	634	5	112	1	522
Europe and Central Asia	465	3	349	3	116
Latin America and the Caribbean	496	4	147	1	349
Middle East and North Africa	655	5	638	5	17
South Asia	34	*	836	7	(802)
Total	**$ 13,233**	**100**	**$ 12,121**	**100**	**$ 1,112**

** Indicates percentage less than 0.5%.*

Section VI: Other Development Activities and Programs

IDA has products, services, and programs, other than lending, that it offers to its borrowing member countries to help them meet their development goals. These include guarantees, debt relief, trust fund administration, and externally funded reimbursable advisory services.

Guarantees

IDA offers both project-based and policy-based guarantees. These guarantees are available for projects and programs in member countries to help mobilize private financing for development purposes. IDA's guarantees are partial in nature as they are intended to cover risks only to the extent necessary to obtain the required private financing, taking into account country, market and, if appropriate, project circumstances. IDA's guarantees require a sovereign counter-guarantee and indemnity, comparable to the requirement of a sovereign guarantee for IDA lending to sub-sovereign and non-sovereign borrowers. See Table 20 for the types of guarantees that IDA provides. These guarantees are separate and distinct from those offered under the Private Sector Window. The Corporate Risk Guarantee Committee reviews the choice of instrument for all proposed new guarantee operations.

Table 20: Types of Guarantees

Project-based guarantees	Project-based guarantees are provided to mobilize private financing for a project and/or mitigate payment and/or performance related risks of a project. There are two types: 1. Loan guarantees: these cover loan-related debt service defaults caused by the government's failure to meet specific payment and/or performance obligations arising from contract, law, or regulation. Loan guarantees include coverage for debt service defaults on: (i) commercial debt, normally for a private sector project; and (ii) a specific portion of commercial debt irrespective of the cause of such default, normally for a public-sector project. 2. Payment guarantees: These cover payment default on non-loan related government payment obligations to private entities and foreign public entities arising from contract, law, or regulation.
Policy-based guarantees	Policy-based guarantees are provided to mobilize private financing for sovereigns or sub-sovereigns. They cover debt service default, irrespective of the cause of such default, on a specific portion of commercial debt owed by government and associated with the supported government's program of policy and institutional actions.

Table 21: Pricing for IDA's Project-Based and Policy-Based Guarantees, effective July 1, 2022

Charges	Guarantees on Concessional Terms		Guarantees on Non-Concessional Terms	
	Private Projects	Public Projects	Private Projects	Public Projects
Front-end fee	N.A.	N.A.	25 bps	25 bps
Initiation fee [a]	15 bps	N.A.	15 bps	N.A.
Processing fee [b]	Up to 50 bps	N.A.	Up to 50 bps	N.A.
Standby fee	0 bps	0 bps	25 bps	25 bps
Guarantee fee	75 bps	75 bps	50-100 bps [c]	50-100 bps [c]

a. The Initiation fee is 15 basis points of the guaranteed amount or $100,000, whichever is greater.
b. The processing fee is determined on a case-by-case basis.
c. Based on the weighted average maturity of the guarantee.

Guarantee Exposure

IDA's guarantee exposure is measured by discounting each guaranteed amount from its next call date. See Table below for IDA's guarantee exposure and maximum potential undiscounted future payments that IDA could be required to make under these guarantees. In addition, IDA had $638 million of exposure under PSW guarantees as of June 30, 2022 ($484 million — June 30, 2021). See Section III: IDA's Financial Resources**.** For additional information, see Notes to the Financial Statements for the year ended June 30, 2022, Notes D – Loans and Other Exposures and Note G – Transactions with Affiliated Organizations.

In millions of U.S. dollars

As of June 30,	2022	2021
Guarantee Exposure	$ 1,845	$ 1,998
Maximum potential undiscounted future payments	1,869	2,029

Other Financial Products and Services

IDA facilitates access to risk management solutions to mitigate the financial effects of natural disasters for borrowing members. Financial solutions can include disaster risk financing through catastrophe swaps, insurance and reinsurance contracts, and regional pooling facilities.

In order to promote countries' resilience to disasters and expand the range of IDA's crisis instruments, in IDA18, members endorsed the introduction of the Catastrophe Deferred Draw-Down Option (CAT-DDO). The CAT-DDO is a contingent credit line that provides immediate liquidity to countries in the aftermath of a catastrophe and serves as early financing while funds from other sources such as bilateral aid or reconstruction loans are being mobilized. CAT-DDOs are intended to enhance IDA countries' capacity to plan for and manage crises. As of June 30, 2022, the amount of CAT DDOs disbursed and outstanding was $359 million (compared to $388 million as of June 30, 2021), and the undisbursed amount of effective CAT DDOs was $53 million, compared to $56 million a year earlier.

Grant Making Facilities

Grant-Making Facilities (GMFs) are complementary to IDA's work. In FY22, IDA recorded $19 million under this program in accordance with the cost sharing agreement with IBRD (FY21 - $20 million). These amounts are reflected in Non-Interest Expenses - Other in IDA's Statement of Income.

Debt Relief

The Heavily Indebted Poor Countries Debt Initiative (HIPC Initiative) was launched in 1996 as a joint effort by bilateral and multilateral creditors to provide debt relief to the poorest countries to reduce their external debt payments to sustainable levels. Under the HIPC initiative, implementation mechanisms include partial forgiveness of IDA debt service as it comes due and partial repayment with IDA resources of outstanding IBRD debt. The Multilateral Debt Relief Initiative (MDRI) was implemented in 2006 and provides debt relief by writing-off of eligible loans upon qualifying borrowers reaching the HIPC Completion Point. Both of the initiatives are part of a global effort focused on heavily indebted poor countries with strong policy performance. The initiatives aim to reduce the external debt of eligible countries as part of a broader poverty reduction strategy, whilst safeguarding the long-term financial capacity of IDA and other participating multilateral institutions; and encouraging the best use of additional member resources for development, by allocating these resources to low-income countries on the basis of policy performance.

In order to receive irrevocable debt relief, eligible countries are required to maintain macroeconomic stability, carry out key structural and social reforms, and implement a Poverty Reduction Strategy, in addition to being in good standing with respect to all eligible debt repayments. To ensure IDA's financial capacity was not eroded, members agreed to compensate IDA with additional contributions to offset the impact of the forgone reflows, resulting from the provision of debt relief.

The accumulated provision for debt relief was recorded at the inception of the initiative and is based on both quantitative and qualitative analyses of various factors, including estimates of the Decision and the Completion Point dates. These factors are periodically reviewed, and the adequacy of the accumulated provision is reassessed and adjusted to reflect the impact of any changes.

During FY22, HIPC debt relief was provided on $30 million of loans ($9 million in FY21). There was no HIPC debt relief on service charges in FY22 or FY21. On a cumulative basis, debt relief has been provided on $2.2 billion of loans and $335 million of service charges under HIPC as of June 30, 2022.

During FY22 and FY21, there was no cancellation of eligible loans under MDRI. On a cumulative basis, debt relief has been provided on $40.2 billion of loans under the MDRI as of June 30, 2022. The provision for the debt relief was recorded at the beginning of the MDRI Initiative.

Externally-Funded Activities

Mobilization of external funds from third-party partners includes trust funds. Additional external funds include reimbursable funds and revenues from fee-based services to member countries, which are related to Reimbursable Advisory Services (RAS), and EFO.

Trust Fund Activity

Trust Funds are a part of the WBG's development activities, providing resources and added flexibility in providing development solutions that serve member recipients and donors alike. The partnerships funded by trust funds often serve as a platform from which IDA and its members can draw on the WBG's diverse technical and financial resources to achieve development goals that cannot be addressed effectively by any single member, given their complexity, scale, and scope.

IDA's roles and responsibilities in managing trust funds depend on the type of fund, outlined as follows:

IDA-Executed Trust Funds (BETFs): IDA, alone or jointly with one or more of its affiliated organizations, manages the funds and implements the activities financed. These trust funds support IDA's work program. IDA, as an executing agency, disbursed $613 million in FY22 ($553 million in FY21) of trust fund program funds.

Recipient-Executed Trust Funds (RETFs): Funds are provided to a third party, normally in the form of project grant financing, and are supervised by IDA.

Financial Intermediary Funds (FIFs): IDA, as a trustee, administrator, or treasury manager, offers specific administrative or financial services with a limited operational role. Arrangements include the administration of debt service trust funds, fiscal agency funds and other more specialized limited fund management roles.

IDA uses a cost recovery framework for trust funds, which aims to recover the costs of performing agreed roles in administrating trust funds, and is guided by principles of transparency, fairness, simplification, standardization, predictability, and consistent treatment across all trust fund donors.

Management continues to implement measures to better integrate planning, support sustainability and enhance alignment of External Funds with mission priorities through greater use of umbrella trust fund programs, increased cost recovery, and new budgetary planning measures to manage External Funds usage.

During FY22, IDA's share of revenue and fees from Trust Fund administration activity was $43 million ($38 million in FY21). For additional information, see Notes to the Financial Statements for the year ended June 30, 2022, Note H-Trust Funds Administration.

As noted in the discussion of Trust Fund activities above, IDA, alone or jointly with one or more of its affiliated organizations, administers on donors' behalf funds restricted for specific uses. Such administration is governed by agreements with donors, who include members, their agencies, and other entities. These funds are held in trust and are not included on IDA's Balance Sheet, except for $707 million of undisbursed third-party contributions made to IDA-executed trust funds, which are recognized on the Balance Sheet. These amounts are included in Other assets and the corresponding liabilities are included in Accounts payable and miscellaneous liabilities on the Balance Sheet. The cash and investment assets held in trust by IDA as administrator and trustee as of June 30, 2022, and June 30, 2021, are summarized in Table 22.

Table 22: Cash and Investment Assets Held in Trust by IDA

In millions of U.S. dollars

	Total Fiduciary Assets	
As of June 30,	2022	2021
IDA-executed	$ 38	$ 44
Jointly executed with affiliated organization	1,004	1,025
Recipient-executed	1,855	2,365
Financial intermediary funds	285	286
Execution not yet assigned [a]	5,800	5,365
Total	**$ 8,982**	**$ 9,085**

a. These represent assets held in trust for which the determination as to the type of execution is yet to be finalized.

Reimbursable Advisory Services (RAS)

While most of IDA's advisory and analytical work is financed by its own budget or donor contributions (e.g., trust funds), clients may also pay for services. IDA offers technical assistance and other advisory services to its member countries, in connection with, and independent of, lending operations. Available services include, for example, assigning qualified professionals to survey developmental opportunities in member countries; analyzing member countries fiscal, economic, and developmental environments; helping members devise coordinated development programs; and improving their asset and liability management techniques. In FY22, income relating to reimbursable advisory services was $41 million (FY21 - $46 million).

Externally Financed Outputs (EFOs)

IDA offers donors the ability to contribute to specific projects and programs. EFO contributions are recorded as restricted revenue when received because they are for contractually specified purposes. IDA received and recorded $3 million of restricted revenue in FY22 (FY21 - $15 million), which was included in net non-interest expenses – GAAP basis. See Table 12.

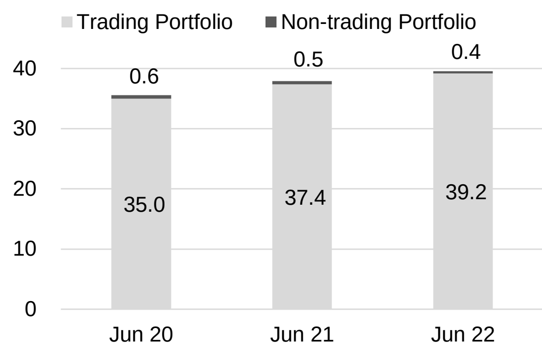
Restrictions are released once the funds are used for the purposes specified by donors. In FY22, there was a release of $17 million (FY21 - $21 million).

Section VII: Investment Activities

As of June 30, 2022, IDA's net investment portfolio totaled $39.6 billion (Figure 11). See the Notes to the Financial Statements for the year ended June 30, 2022, Note C – Investments.

Figure 11: Net Investment Portfolio

In billions of U.S. dollars



Investments – Trading Portfolio

The primary objective of IDA's investments-trading portfolio strategy continues to be preservation of capital within institutional constraints. Consistent with this primary objective, IDA invests in high quality instruments. IDA aims to earn reasonable investment returns, while ensuring timely availability of funds for future cash flow requirements, including disbursements for loans, grants, debt service, and administrative expenses.

Table 23: Investments-Trading Portfolio Composition

In millions of U.S. dollars

As of June 30,		2022		2021
Investments-trading portfolio				
Operational	$	15,929	$	12,836
Stable		22,734		24,598
Discretionary		552		-
Total	**$**	**39,215**	**$**	**37,434**

As of June 30, 2022, $31.0 billion (approximately 80% of total volume) was due to mature within six months, of which $12.3 billion was expected to mature within one month.

IDA's total return on its investments-trading portfolio for FY22 (excluding unrealized mark-to-market gains / losses on PEBP assets) was 0.26%, compared to 0.25% in FY21, primarily due to higher interest revenue resulting from increase in both average interest rates and average portfolio balance in FY22, partially offset by higher unrealized mark-to-market losses in FY22 compared to FY21. The unrealized mark-to-market losses in FY22 primarily reflected the increase in yield curves of long-term EUR government bonds during the year.

Table 24 provides a breakdown of the average balances and returns of IDA's investments-trading portfolio. For details on returns of the total portfolio, refer to Section IV: Financial Results.

Table 24: Average Balances and Returns by Sub-Portfolio

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

	FY22			FY21		
Sub Portfolios		Average Balance	Return		Average Balance	Return
Operational	$	16,136	0.25%	$	9,557	0.23%
Stable		23,959	0.26%		25,708	0.23%
Discretionary [a]		167	-		87	0.26%
Total	**$**	**40,262**	**0.26%**	**$**	**35,309**	**0.25%**

a. Discretionary portfolio was discontinued between December 2020 and September 2021.

IDA's liquid assets are mainly held in the following types of highly rated, fixed-income instruments. See Table 29 for eligibility criteria for IDA's investments.

- Government and Agency Obligations.
- Time deposits, and other unconditional obligations of banks and financial institutions.
- Asset-backed securities (including mortgage-backed securities).
- Currency and interest rate derivatives (including currency forward contracts).
- Exchange-traded options and futures.

IDA's prudential minimum liquidity policy ensures that it holds sufficient liquidity. The prudential minimum liquidity level is set at 80% of 24 months of projected net outflows. For FY22, the prudential minimum was $19.3 billion. The prudential minimum for FY23 has been set at $20.8 billion. See Section IX: Risk Management for details on how IDA manages liquidity risk.

Investments - Non-Trading Portfolio

During FY15, with the proceeds of a concessional loan from a member, IDA purchased a debt security issued by the IFC. IDA elected to measure the security at fair value, so that the measurement method could be consistently applied to all its investments. The changes in fair value for this security are reflected in the Statement of Income. As of June 30, 2022, the investments non-trading portfolio had a fair value of $346 million ($487 million in FY21). See Notes to the Financial Statements for the year ended June 30, 2022, Note C – Investments.

Section VIII: Borrowing Activities

Concessional Partner Loans

Concessional partner loans (CPL) continue as a source of funding, whereby the borrowing terms of the concessional loans from members aim to follow the concessional features of IDA's loans.

The maturities of the CPL are either 25 or 40 years to match the terms of IDA's loans, with a grace period of 5 years for a 25-year loan and 10 years for the 40-year loan. In addition, beginning in FY22, IDA had CPL with maturity of 50 years and a grace period of 10 years. The loans have an all-in SDR equivalent coupon of up to one percent.

Voting rights are allocated to members who provide concessional loans following the drawdowns by IDA, and are based on the cash paid, computed as the derived grant element of the loan. The grant element, which is paid in cash and recorded as equity, is a function of the terms of the loan and the discount rate agreed upon during the replenishment discussions.

		SDR Discount rates	
Maturity	Grace period	IDA19	IDA20
25-year	5 years	2.25%	1.41%
40-year	10 years	2.57%	1.79%
50-year	10 years	-	1.84%

The decrease of $0.7 billion in concessional partner loans outstanding was primarily due to translation adjustment gains. Interest expense associated with these loans was $144 million in FY22 (FY21 - $149 million). See Table 25.

Market Debt

IDA started to issue bonds in the international capital markets in 2018. In FY22, IDA continued to extend its benchmark curve and issued bonds with longest maturity of 20 years. As of June 30, 2022, market borrowings recorded at fair value were $19.7 billion, a decrease of $0.9 billion compared to June 30, 2021, primarily due to translation gains during the year. Beginning in July 2021, IDA issued long-term fixed rate bonds recorded at amortized cost to fund its fixed rate loans. See Table 25.

Table 25: Borrowings

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

	Outstanding as of June 30,		Interest expense [a]		Weighted average rate	
	2022	2021	FY22	FY21	FY22	FY21
Market debt, at fair value	$ 19,718	$ 20,555	$ 152	$ 95	1.00%	0.65%
Market debt, at amortized cost	6,201	-	14	-	0.86%	-
Concessional partner loans	6,980	7,759	144	149	1.99%	1.90%
Total	**$ 32,899**	**$ 28,314**	**$ 310**	**$ 244**	**1.17%**	**0.99%**

a. Excludes interest revenue/expenses associated with borrowings swaps and repurchase agreements - $61 million in FY22 (FY21– $57 million).

IDA uses currency and interest rate derivatives in connection with its borrowings for asset and liability management purposes. For more details, see Section IX: Risk Management.

Figure 12: Effect of Derivatives on Currency Composition of the Borrowing Portfolio–June 30, 2022

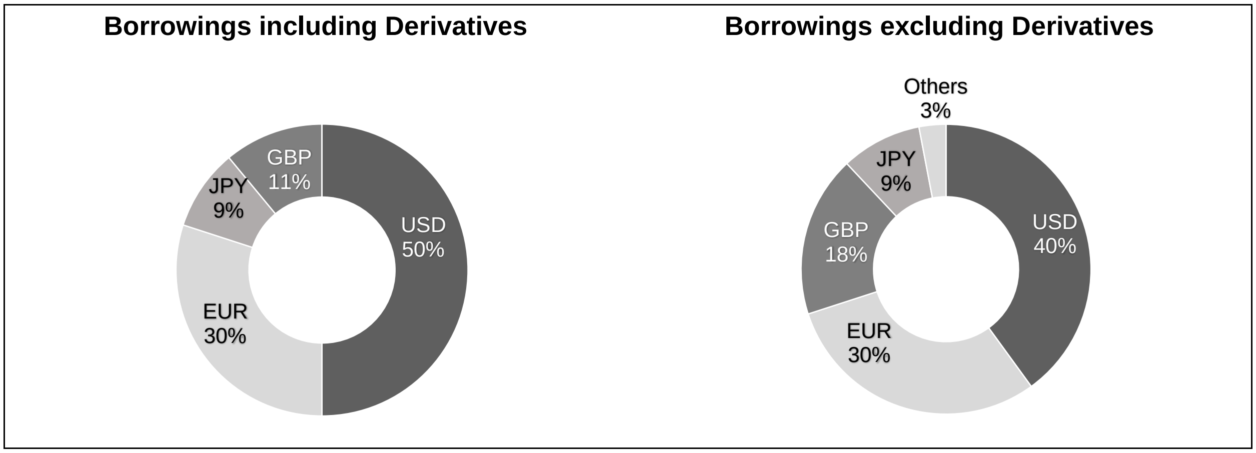
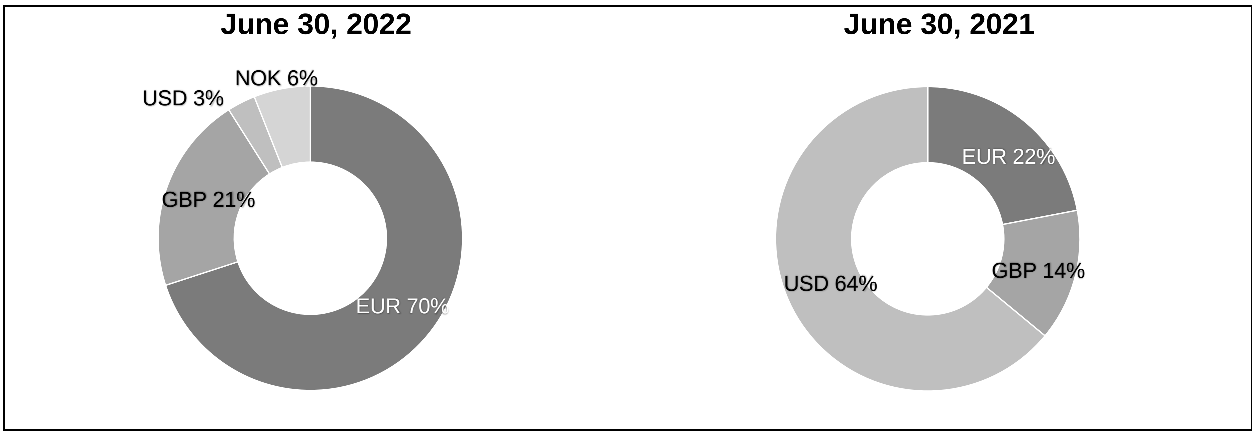


Figure 13: Medium- and Long-Term Borrowings Issued by Currency during the year, excluding Derivatives



Other Short-Term Borrowings

Under its Investment Guidelines, IDA is allowed to enter into transactions involving securities sold under repurchase agreements and securities lent under securities lending agreements. These transactions are accounted for as short-term borrowings. The agreements are secured predominantly by high quality collateral, including government issued debt, and are used both to enhance returns and for liquidity management purposes.

As of June 30, 2022, and June 30, 2021, there were no securities sold under repurchase agreements or any securities lent under securities lending agreements. During FY22, the securities sold under repurchase agreements or any securities lent under securities lending agreements were immaterial with the weighted average rate of 0.04%. In FY21, the average monthly balance during the year was $9 million and the maximum month-end balance was $107 million with the weighted average rate of 0.16%.

Contractual Obligations

In conducting its business, IDA takes on contractual obligations that may require future payments mainly associated with IDA's borrowings. See Notes to the Financial Statements for the year ended June 30, 2022, Note E – Borrowings – Table E6. These contractual obligations exclude the following obligations reflected on IDA's balance sheet: undisbursed loans, amounts payable for currency and interest rate swaps, amounts payable for investment securities purchased, guarantees, and cash received under agency arrangements.

Section IX: Risk Management

Risk Governance

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

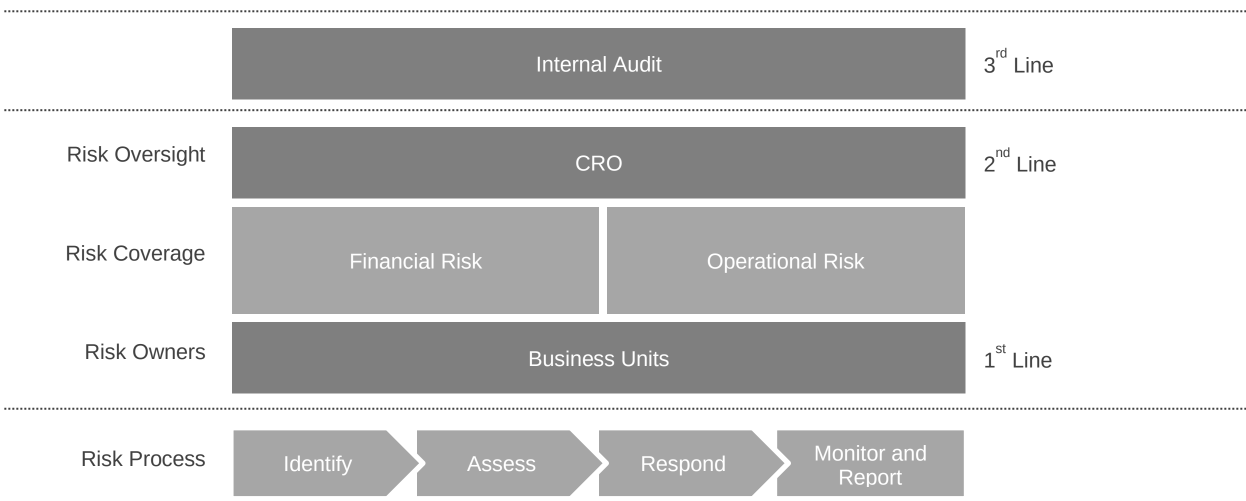
Management believes that effective risk management is critical for IDA's overall operations. Accordingly, the risk management governance structure is designed to manage the principal risks IDA assumes in its activities, and supports management in its oversight function, particularly in coordinating different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

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

- Business units are responsible for directly managing risks in their respective functional areas,
- The Vice President and WBG Chief Risk Officer (CRO) provides direction, challenge, and oversight over financial and operational risk activities, and
- Internal Audit provides independent oversight.

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

Figure 14: Financial and Operational Risk Management Structure



Risk Oversight and Coverage

Financial and Operational Risk Management

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

The risk of IDA's operations not meeting the expected development outcomes (development outcome risks) in IDA's lending activities is monitored at the corporate level by Operations Policy and Country Services (OPCS). Where fraud and corruption risks may impact IDA-financed projects, OPCS, the Regions and Practice Groups, and the Integrity Vice Presidency jointly address such issues.

The following three departments report directly to the CRO:

Credit Risk Department

- Identifies, measures, monitors, and manages country credit risk faced by IDA. By agreement with the Board, the individual country credit risk ratings are not shared with the Board and are not made public.
- Assesses loan portfolio risk and capital requirements, determines the adequacy of provisions for losses on loans and other exposures, and monitors borrowers that are vulnerable to crises in the near term. The department assesses the consistency of country lending programs as determined in IDA's PBA allocation framework with overall capital adequacy.
- Reviews proposed new financial products for any implications for country credit risk.

Market and Counterparty Risk Department

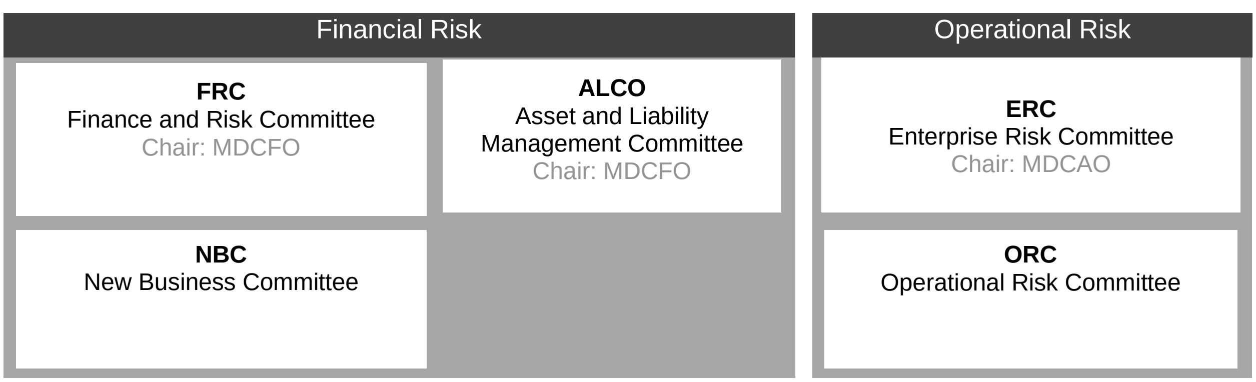
- Responsible for market, liquidity, and counterparty credit risk oversight, assessment, and reporting. It does these in coordination with IDA's financial managers who are responsible for the day-to-day execution of trades for the liquid asset and derivative portfolios, within applicable policy and guideline limits.
- Ensures effective oversight, including: i) maintaining sound credit assessments, ii) addressing transaction and product risk issues, iii) providing an independent review function, iv) monitoring market and counterparty risk in the investment, borrowing and client operation portfolios, and v) implementing the model risk governance framework. It also provides reports to the Audit Committee and the Board on the extent and nature of risks, risk management, and oversight.

Operational Risk Department

- Provides direction and oversight for operational risk activities by business function.
- Key operational risk management responsibilities include: (i) administering the Operational Risk Committee (ORC) for IDA, (ii) implementing the operational risk management framework which is aligned with Basel principles and provides direction to business unit partners to ensure consistent application, (iii) assisting and guiding business units in identifying and prioritizing significant operational risks and enabling monitoring and reporting of risks through suitable metrics (or risk indicators), (iv) helping identify emerging risks and trends through monitoring of internal and external risk events, (v) supporting risk response and mitigating actions, and prepares a corporate Operational Risk Report for review and discussion by the ORC.
- Responsible for business continuity management, and enterprise risk management functions and corporate insurance.

Risk Committees

Figure 15: Management Risk Committee Structure for Financial and Operational Risks



Financial Risk Committees:

The Finance and Risk Committee (FRC), a Vice President level committee, provides a high-level governance structure for decisions that may have financial risks. The FRC is chaired by the Managing Director and WBG Chief Financial Officer (MDCFO) and approves, clears, or discusses: (a) policy and procedure documents related to financial integrity, income sustainability and balance sheet strength, and (b) issues and new business initiatives with policy implications related to IDA's financial and operational risks in the areas of finance, which include country credit, market, counterparty, liquidity, and model risks, and operational risks related to the finance business functions. The FRC helps to integrate individual components of finance and risk management activities by building on mechanisms and processes already in place and provides a forum for discussing and communicating significant risk related issues. The FRC meets regularly to discuss the new products and services and financial risk management of IDA.

The New Business Committee (NBC) is a standing subcommittee of the FRC. The NBC provides advice, guidance, and recommendations to the FRC, by performing due diligence over new financial products or services to ensure that management has a full understanding of the rationale, costs, risks and rewards of the product or service being considered.

Asset Liability Management Committee (ALCO), a Vice President level committee chaired by the MDCFO provides a high-level forum to ensure prudent balance sheet management of IDA by: a) monitoring its financial positions and ALM activities for compliance with its respective guidelines, policies and procedures, including borrowing and investment activities; b) identifying and providing recommendations on emerging ALM issues for IDA, as well as those related to capital, balance-sheet planning, and financial sustainability; and c) serving as reviewing and recommending body for ongoing decisions as part of implementing the ALM policies and procedures of IDA, including those that impact lending rates and net income.

Operational Risk Committees:

The Enterprise Risk Committee (ERC) is a Vice President-level committee chaired by the Managing Director and Chief Administrative Officer (MDCAO) that oversees IDA's non-financial risks through reviewing, discussing and/or formulating proposed policies, procedures, directives, guidance, and other matters. ERC's scope comprises of: a) operational risk, including business continuity, corporate security, cyber security, and IT service continuity; b) enterprise risk; c) Integrity Vice Presidency (INT) and Ethics and Business Conduct (EBC) policies and methodologies; d) shared services; and e) any other matters brought by the MDCAO. The ERC leverages existing risk management mechanisms that are in place to provide a corporate view of operational and non-financial risks.

Operational Risk Committee (ORC) is the main governance committee for operational risk and provides a mechanism for an integrated review and response across IDA units on operational risks associated with people, processes, and systems or from external events and recognizing that business units remain responsible for managing operational risks. The Committee's key responsibilities include monitoring significant operational risk matters and events on a quarterly basis to ensure that appropriate risk-response measures are taken and reviewing and concluding on IDA's overall operational risk profile. The ORC is chaired by the CROVP and escalates significant risks and decisions to the FRC and ERC.

Management of IDA's Risks

IDA assumes financial risks in order to achieve its development and strategic objectives. IDA's financial risk management framework is designed to enable and support the institution in achieving its goals in a financially sustainable manner. IDA manages credit, market, and operational risks for its financial activities which include lending, borrowing, and investing (Table 26). The primary financial risk to IDA is the country credit risk inherent in its loan and guarantee portfolio. IDA is also exposed to risks in its liquid asset and derivative portfolios, where the major risks are interest rate, exchange rate, commercial counterparty, and liquidity risks. IDA's operational risk management framework is based on a structured and uniform approach to identify, assess, and monitor key operational risks across business units.

Table 26: Summary of IDA's Specific Risk Categories

Types of Financial Risk	How the risk is managed
Credit Risk	
Country Credit Risk	IDA's credit-risk-bearing capacity and individual country exposure limits.
Counterparty Credit Risk	Counterparty credit limits and collateral.
Market Risk	
Interest Rate Risk	Interest rate derivatives to match the sensitivity of assets and liabilities.
Exchange Rate Risk	Currency derivatives to match the currency composition of assets and liabilities.
Liquidity Risk	Prudential minimum liquidity level.
Operational Risk	Risk assessment and monitoring of key risk indicators and internal and external operational risk events.

Geopolitical events and COVID-19

Ukraine

The war in Ukraine that began in February 2022 has negatively impacted regional and global financial markets and economic conditions. It has also created significant needs for humanitarian and other critical support.

On April 29, 2022, IDA's Board approved an increase of the IDA19 commitment authority by $1 billion to support Ukraine, a country without eligibility for IDA financing, on an exceptional basis. This $1 billion extraordinary financing will be on non-concessional terms and carry a shorter maturity to provide fast-disbursing support for sustaining institutional and civil service capacity. As of June 30, 2022, $26 million had been disbursed. As of June 30, 2022, IDA had no lending operations or other exposures to the Russian Federation.

COVID-19

As a result of the ongoing COVID-19 pandemic, IDA continues to respond to client needs and operate its core business functions effectively by utilizing technology for remote work, where needed. IDA will continue to prioritize the health and safety of its staff through mitigation measures, including vaccination, masking, and testing.

As of June 30, 2022, despite the broad impact of geopolitical events and the COVID-19 pandemic on macroeconomic conditions, IDA had sufficient resources to meet its liquidity requirements and continues to have access to capital market resources. IDA continues to maintain a robust liquidity position and flexibility to access the necessary liquidity resources. Management remains vigilant in assessing funding needs in the medium and longer-term to manage the effect of possible severe market movements.

IDA's capital remains adequate and above the zero percent policy minimum as indicated by the DSC ratio (Table 27).

As of the reporting date, country credit risk and counterparty credit risk remain in line with the existing governance framework and established credit limits. The loan loss provisions include IDA's current assessment of country credit risk. The fair values of related financial instruments reflect counterparty credit risk in IDA's portfolios. Developments in the market continue to be closely monitored and managed.

IDA continues to monitor associated risks and will mitigate its exposures and risks in line with the existing risk governance framework.

Capital Adequacy

IDA uses a solvency-based capital adequacy model, which mandates that IDA hold capital for credit risk, market risk and operational risk covering all activities and assets on its books. The main measure of capital adequacy is DSC, a non-GAAP measure, which is the capital available to support future commitments, over and above the current portfolio. IDA is required, by the Board, to keep the DSC at levels greater than or equal to zero percent. The DSC is calculated as the amount by which Total Resources Available (TRA) exceed Total Resources Required (TRR), plus a Conservation Buffer (CB). The TRA consists of IDA's existing equity plus accumulated provision for loan losses and other exposures. The TRR is the minimum capital required to cover expected and unexpected losses, (under a stressed but still plausible downside scenario), in connection with all of IDA's currently existing operations and assets. Within the TRR there is also a capital allowance to reflect losses that result from valuing IDA's concessional loan portfolio in present value terms using market interest rates. This allowance is calculated using a stressed interest rate to account for a potential future rise in market interest rates. In addition, TRR includes capital requirements to account for development grants which are approved but not yet expensed. It also takes into consideration the capital adequacy protection provided by long-term fixed rate borrowings against changes in market interest rates. The CB is an extra buffer in the amount of 10 percent of TRA.

As of June 30, 2022, the DSC was 26.4%, lower by 4.0 percentage points compared with June 30, 2021 (30.4%). The decrease in ratio is mainly due to a higher TRR. The increase in TRR was primarily due to higher capital requirements for conditional development grants approved but not yet expensed. IDA's capital continues to be adequate to support its operations. See Table 27.

Table 27: Deployable Strategic Capital Ratio

In billions of U.S. dollars except ratios in percentages

As of June 30,		2022		2021		Variance
Total Resources Available (TRA)	$	183.5	$	185.7	$	(2.2)
Total Resources Required (TRR)		116.7		110.6		6.1
Conservation Buffer (CB)		18.4		18.6		(0.2)
Deployable Strategic Capital (DSC = TRA-TRR-CB)	$	48.4	$	56.5	$	(8.1)
Deployable Strategic Capital as a percentage of TRA		**26.4%**		**30.4%**		**(4.0%)**

Asset/Liability Management

On July 1, 2021, IDA implemented an interim ALM policy which, under specific criteria, allows funding fixed rate loans with long-term fixed rate market debt and CPL (both reported at amortized cost), as part of IDA's interest rate risk management to match debt characteristics with that of the loan portfolio. For more details, see Notes to the Financial Statements for the year ended June 30, 2022, Note E - Borrowings.

Capital Value Protection Program

In FY20, as part of IDA's ALM policies, IDA executed pay fixed, receive floating forward-starting swaps with a notional of $15.0 billion under a Board-approved Capital Value Protection Program. The objective of the program is to partially reduce the sensitivity of IDA's capital adequacy model to changes in long-term interest rates and allow for more resources to be available for lending under the capital adequacy framework.

Changes in the values of these forward-starting swaps partially offset changes in the present value of loans, thereby reducing the sensitivity of IDA's capital adequacy to long-term interest rate movements and providing greater stability in IDA's long-term financing to clients. These swaps are included in the ALM portfolio. For more details, see Notes to the Financial Statements for the year ended June 30, 2022, Note F - Derivative Instruments.

Asset Coverage Principles

In addition to the DSC framework, IDA has policies in place to ensure alignment of its lending and borrowing activities. Specifically, the Board approved the following asset coverage principles:

- Management will monitor the level of assets available to satisfy all of IDA's borrowings and shall adjust future lending and grant commitments should the level of asset coverage fall below the level expected for a triple-A rated entity.
- Management will monitor IDA's liquidity to ensure its ability to satisfy its borrowing and commitment obligations even under stressed conditions taking into account the level expected for a triple-A rated entity without callable capital.
- If IDA's access to the capital markets or alternative sources of cash funding is impaired, then no additional loan or grant commitments will be approved until access to cash funding has resumed or all market debt is repaid.

Credit Risk

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

Country Credit Risk

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

While the PBA framework was not originally intended as a credit quality metric, it incorporates factors related to country credit risk. The PBA determines the volume of concessional IDA resources allocated to each country, based on performance in implementing policies that promote economic growth and poverty reduction, as assessed under the Country Policy and Institutional Assessment (CPIA). The CPIA includes economic management criteria, such as fiscal policy and debt policy and management.

In addition to these considerations in the PBA, IDA assesses the country credit risk of all its borrowers. IDA produces credit risk ratings for all its borrowing countries, which reflect country economic, financial, and political circumstances, and also considers environmental, social and governance (ESG) risk factors. Based on these risk ratings, to manage overall portfolio risk, the allocation outcomes of the PBA and other mechanisms are reviewed to ensure that they are compatible with the Deployable Strategic Capital Framework and Single Borrower Limit.

Single Borrower Limit

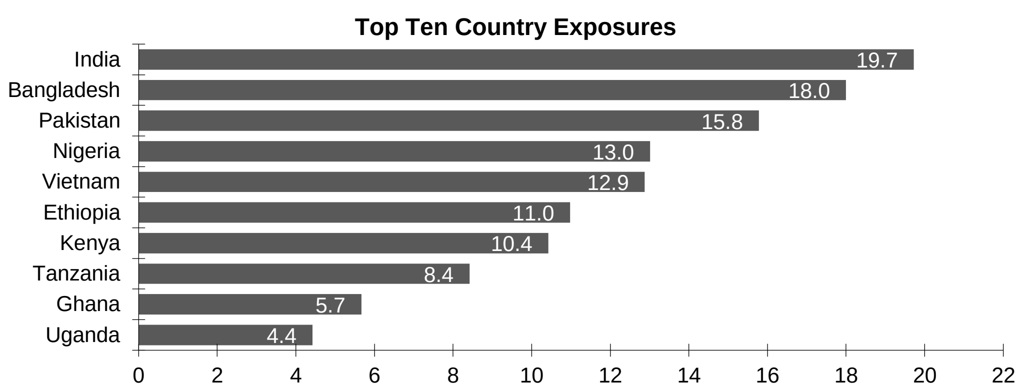
Portfolio concentration risk, which arises when a small group of borrowing countries account for a large share of loans outstanding, is a key consideration for IDA. Concentration risk is managed through the SBL, which caps exposure to any single borrowing country at 25 percent of equity, in line with the Basel-based maximum exposure limit.

For FY23, the SBL has been set at $45 billion (25 percent of $178.7 billion of equity as of June 30, 2022), largely unchanged compared to FY22. Currently, the maximum country exposure levels compatible with IDA's overall capital adequacy target are lower than the SBL for all IDA-borrowing countries. As a consequence, the SBL is not currently a constraining factor.

As of June 30, 2022, the ten countries with the highest exposures accounted for 66% of IDA's total exposure (Figure 16). Monitoring these exposures relative to the SBL requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

Figure 16: Country Exposures as of June 30, 2022

In billions of U.S. dollars



Debt Relief

IDA has participated in two comprehensive debt relief initiatives, HIPC and MDRI, adopted by the global development community to reduce the debt burdens of developing countries. In each case, IDA agreed to provide debt relief in return for future compensation from members for forgone reflows, ensuring that IDA's financial capacity would not be reduced. For a borrower to be eligible for debt relief on its loans with IDA, it is required to maintain macroeconomic stability, carry out key structural and social reforms, and maintain all loans in accrual status.

Expected Losses, Overdue Payments and Non-Performing Loans

When a borrower fails to make payments on any principal, interest, or other charges due to IDA, IDA may suspend disbursements immediately on all loans and grants to that borrower. IDA's current practice is to exercise this option using a gradual approach (Table 28). These practices also apply to member countries eligible to borrow from both IDA and IBRD, and whose payments on IBRD loans may become overdue. It is IDA's practice not to reschedule service charges, interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. As of June 30, 2022, two of the IDA borrowing countries in the accrual portfolio had overdue payments beyond 45 days.

Table 28: Treatment of Overdue Payments

Overdue by 30 days	Where the borrower is the member country, no new loans, or grants to the member country, or to any other borrower in the country, will be presented to the Board for approval nor will any previously approved loans or grants be signed, until payments for all amounts 30 days overdue or longer have been received. Where the borrower is not the member country, no new loans or grants to that borrower will be signed or approved.
Overdue by 45 days	In addition to the provisions cited above for payments overdue by 30 days, to avoid proceeding further on the notification process leading to suspension of disbursements, the country as borrower or guarantor and all borrowers in the country must pay not only all payments overdue by 30 days or more, but also all payments due regardless of the number of days since they have fallen due. Where the borrower is not the member country, no new loans, or grants to, or guaranteed by, the member country, will be signed or approved.
Overdue by 60 days	In addition to the suspension of approval for new loans or grants and signing of previously approved loans or grants, disbursements on all grants or loans to or guaranteed by the member country are suspended until all overdue amounts are paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements can be made to a member country upon the Board's approval.
Overdue by more than six months	All loans made to or guaranteed by a member of IDA are placed in nonaccrual status, unless IDA determines that the overdue amount will be collected in the immediate future. Unpaid service charges and other charges not yet paid on loans outstanding are deducted from the income for the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, if collectability risk is considered to be particularly high, the member's exposures may not automatically emerge from nonaccrual status. In such instances, a decision is made on the restoration of accrual status on a case-by-case basis and in certain cases, this decision may be deferred until after a suitable period of payment performance has passed.

As an exception to the practices set forth in Table 28, IDA has provided financing to countries with overdue payments, in very specific situations:

- IDA has provided grants from its Crisis Response Window to third party agencies for use in Somalia and Zimbabwe in response to major crises, during FY17 and FY19 respectively, and;
- IDA has financed a few regional projects, for the benefit of countries with overdue payments to IDA, through its Regional Program Window.

In the past, on an exceptional basis, IDA financed through concessional loans and grants the following regional projects, where participation of a country with overdue payments was crucial to the success of the regional project.

- In April 2017, the Kenya Displacement project ($103 million) through Intergovernmental Authority on Development (IGAD) that included financing for Somalia, a country with overdue payments at the time.
- In December 2014, Kariba Dam Rehabilitation Project ($75 million) that included benefits for Zimbabwe, a country with overdue payments.
- In September 2003, West Africa HIV/AIDS project for the Abidjan-Lagos Transport Corridor ($17 million) that included benefits for Togo, a country with overdue payments at that time.

In the above cases, financing was not made directly to the country with overdue payments. Implementation arrangements were such that a regional bank or another participating country took on the obligation of the regional project on behalf of the country with overdue payments to IDA.

In addition, IDA may engage with countries with overdue payments when a very narrow and well-defined set of criteria are met, including a clear path to arrears clearance. For more details on exceptional financing, see Section III: IDA's Financial Resources.

Accumulated Provision for Losses on Loans and other Exposures

The total exposure for provisioning is the current exposure and the estimated exposure taking into account expected disbursements and repayments over the life of the instruments. The expected credit losses related to loans and other exposures are calculated over the life of the instruments based on the expected exposures, the expected default frequency (probability of default to IDA) and the estimated loss given default. The provision for expected losses is the sum of the expected annual losses over the life of the instruments. A key determinant in the provision for losses on loans and other exposures is IDA's borrowing country credit risk ratings. These ratings are IDA's own assessment of borrowers' ability and willingness to repay IDA on time and in full.

As of June 30, 2022, IDA had $178.1 billion of loans outstanding, of which loans in nonaccrual status represent 0.5%. IDA's total provision for losses on loans and other exposures was $4.8 billion, which represents a provisioning rate of 1.9% of the underlying exposures ($4.9 billion as of June 30, 2021, 2.0% of the underlying exposures). For a summary of countries with loans or guarantees in nonaccrual status as of June 30, 2022, see Notes to the Financial Statements for the year ended June 30, 2022, Note D–Loans and Other Exposures.

Commercial Counterparty Credit Risk

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

IDA mitigates the counterparty credit risk from its investment and derivative holdings through the credit approval process, the use of collateral agreements and risk limits, and other monitoring procedures. The credit approval process involves evaluating counterparty and product specific creditworthiness, assigning internal credit ratings and limits, and determining the risk profile of specific transactions. Credit limits are set and monitored throughout the year. Counterparty exposure is updated daily, taking into account current market values of assets held, estimates of potential future movements of exposure for derivative instruments, and related counterparty collateral agreements. Collateral posting requirements are based on thresholds driven by public credit ratings. Collateral held includes cash and highly rated liquid investment securities. Commercial credit risk management includes ESG related assessments in the approval and monitoring of higher exposure counterparties for the liquid asset portfolio and for derivative counterparties.

IDA's liquid asset portfolio consists mostly of sovereign government bonds, debt instruments issued by sovereign government agencies, and time deposits with banks. 74% of these investments are with issuers and counterparties rated triple-A or double-A (Table 30).

Derivative Instruments

In the normal course of its business, IDA enters into various derivative instruments to manage foreign exchange and interest rate risks. These instruments are also used to help borrowers to manage their financial risks. Derivative transactions are conducted with other financial institutions and, by their nature, entail commercial counterparty credit risk.

While the volume of derivative activity can be measured by the contracted notional value of derivatives, notional value is not an accurate measure of credit or market risk. IDA uses the estimated replacement cost of the derivative instruments, or potential future exposure (PFE), to measure credit risk with counterparties.

Under IDA's mark-to-market collateral arrangements, IDA receives collateral when mark-to-market exposure is greater than the ratings-based collateral threshold. As of June 30, 2022, IDA received $772 million of cash collateral for its derivative transactions (Nil - June 30, 2021).

IDA is not required to post collateral under its derivative agreements as long as it maintains a triple-A credit rating. (For the contractual value, notional amounts, related credit risk exposure amounts, and the amount IDA would be required to post in the event of a downgrade, see Notes to the Financial Statements for the year ended June 30, 2022, Note F–Derivative Instruments).

Investment Securities

IDA's Board-approved General Investment Authorization provides the basic authority for IDA to invest its liquid assets. Furthermore, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines set by management. The investment guidelines are approved by the MDCFO and implemented by the Treasurer. The most recent update was in FY18, to incorporate the changes required under the IDA18 hybrid financing model. Issuer and product investment eligibility and risk parameters relative to benchmarks are core components of these Guidelines. The Guidelines also include a consultative loss limit to reflect a level of tolerance for the risk of underperforming the benchmark in any fiscal year and a duration deviation metric. Clear lines of responsibility for risk monitoring and compliance are highlighted in the Guidelines. Credit risk appetite is conveyed through specific eligibility criteria (Table 29). IDA has procedures in place to monitor performance against this limit and potential risks, and it takes appropriate actions if the limit is reached. All investments are subject to additional conditions specified by the market and counterparty risk department, as deemed necessary.

Table 29: Eligibility Criteria for IDA's Investments

Eligible Investments [a]	Description
Sovereigns	IDA may only invest in obligations issued or unconditionally guaranteed by governments of member countries with a minimum credit rating of AA-. However, no rating is required if government obligations are denominated in the national currency of the issuer.
Agencies	IDA may invest only in obligations issued by an agency or instrumentality of a government of a member country, a multilateral organization, or any other official entity other than the government of a member country, with a minimum credit rating of AA-.
Corporates and asset-backed securities	IDA may only invest in securities with a triple-A credit rating.
Time deposits [b]	IDA may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.
Commercial paper	IDA may only invest in short-term borrowings (less than 190 days) from commercial banks, corporates, and financial institutions with at least two Prime-1 ratings.
Securities lending, and borrowing, repurchases, resales, and reverse repurchases	IDA may engage in securities lending, against adequate collateral repurchases and reverse repurchases, against adequate margin protection, of the securities described under the sovereigns, agencies, and corporates and asset-backed security categories.
Collateral assets	IDA may engage in collateralized forward transactions, such as swap, repurchase, resale, securities lending, or equivalent transactions that involve certain underlying assets not independently eligible for investment. In each case, adequate margin protection needs to be received.

a. All investments are subject to approval by the Market and Counterparty Risk department and must appear on the "Approved List" created by the department.

b. Time deposits include certificates of deposit, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks or other financial institutions.

The credit quality of IDA's investment portfolio remains in the upper end of the credit spectrum with 74% of the portfolio rated AA or above as of June 30, 2022, 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 $40,376 million as of June 30, 2022.

Commercial Counterparty Credit Risk Exposure

As a result of IDA's use of mark-to-market collateral arrangements for swap transactions, its residual commercial counterparty credit risk exposure is concentrated in the investment portfolio, in instruments issued by sovereign governments and non-sovereign holdings (including agencies, asset backed securities, corporates, and time deposits). (See Table 30).

Table 30: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

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

	As of June 30, 2022				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 10,567	$ 5,038	$ -	**$ 15,605**	39 %
AA	2,226	11,949	155	**14,330**	35
A	4,256	5,901	284	**10,441**	26
Total	**$ 17,049**	**$ 22,888**	**$ 439**	**$ 40,376**	**100 %**

	As of June 30, 2021				
Counterparty Rating [a]	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	$ 9,345	$ 6,023	$ -	**$ 15,368**	41 %
AA	2,519	7,438	179	**10,136**	27
A	7,571	4,378	68	**12,017**	32
Total	**$ 19,435**	**$ 17,839**	**$ 247**	**$ 37,521**	**100 %**

a. Average rating is calculated using available ratings from the three major rating agencies; however, if ratings are not available from each of the three rating agencies, IDA uses the average of the ratings available from any of such rating agencies or a single rating to the extent that an instrument or issuer (as applicable) is rated by only one rating agency.

For the contractual value, notional amounts and related credit risk exposure amounts by instrument see Notes to the Financial Statements for the year ended June 30, 2022, Note F - Derivative Instruments.

Credit and Debit Valuation Adjustments

Most outstanding derivative positions are transacted over-the-counter and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a Credit Valuation Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a Debit Valuation Adjustment (DVA) to reflect its own credit risk.

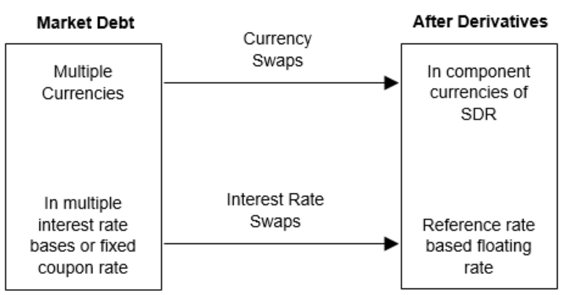
The CVA is calculated using the fair value of the derivative contracts, net of collateral received under credit support agreements, and the probability of counterparty default based on the Credit Default Swaps (CDS) spread and, where applicable, proxy CDS spreads. IDA does not currently hedge this exposure. The DVA calculation is generally consistent with the CVA methodology and incorporates IDA's own credit spread as observed through the CDS market. As of June 30, 2022, IDA recorded a CVA on its balance sheet of $35 million, and a DVA of $19 million.

Market Risk

IDA is exposed to changes in interest and exchange rates. The introduction of market debt financing into IDA's business model from FY18 presents additional exposures.

IDA uses derivatives to manage its exposure to various market risks. Derivatives are used to align the interest and currency composition of its assets (loan and investment trading portfolios) with that of its liabilities (borrowing portfolio) and equity, with the exception of the long-term fixed rate market debt that is used to fund fixed rate loans. Figure 17 below illustrates the use of derivatives for market borrowing portfolios. Loan, investment and borrowing portfolios are largely maintained in SDR and its component currencies.

Figure 17: Use of Derivatives for Market Borrowings



Interest Rate Risk

IDA is exposed to interest rate risk due to mismatches between its assets (loan and investment portfolios) and its liabilities (borrowing portfolio) both in terms of maturity and instrument type. Despite the rising interest rate, low and negative fixed interest rates remain a challenge for the investment of the liquid asset portfolio. Given IDA's lengthy disbursement profile, the duration of IDA's loans is relatively long (12 years). As of June 30, 2022, IDA's investment-trading portfolio (liquid asset portfolio) had a duration of four months.

Under its integrated financing model, IDA employs the following strategies to manage interest rate risk:

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

Alternative Reference Rate

In July 2017, the Financial Conduct Authority (FCA), the regulator of the London Interbank Offered Rate (LIBOR), announced that it would no longer compel panel banks to submit rates required to calculate LIBOR after December 31, 2021, and therefore, market participants, including IDA and its borrowers, needed to move to alternative reference rates.

In March 2021, the FCA confirmed that all LIBOR settings will either cease to be provided by any administrator or will no longer be representative, as follows:

Type of LIBOR	Setting	Date of cessation
GBP LIBOR EUR LIBOR CHF LIBOR JPY LIBOR	All settings	December 31, 2021
USD LIBOR	1-week, 2-month	
USD LIBOR	Remaining settings, including 6-month	June 30, 2023

In consideration of the regulatory guidance and in preparation for the global markets' transition away from LIBOR, IDA took the necessary steps to facilitate a smooth and orderly transition of its financial instruments affected by alternative reference rates.

Most of IDA's loans are on fixed rate concessional terms. Therefore, the impact of the LIBOR transition on IDA loans is limited. For IDA's LIBOR based non-concessional and hard-term loans, in FY20, the Board endorsed an omnibus amendment and notification process with borrowers for certain existing loan agreements to address inadequate fallback provisions for LIBOR replacement, allowing IDA to maintain the principles of fairness and equivalence for any replacement reference rate. IDA's non-concessional loans were denominated in USD, EUR, GBP, and JPY as of December 31, 2021. IDA adopted the following alternative reference rates: Secured Overnight Financing Rate (SOFR) for USD denominated loans, Euro Interbank Offered Rate (EURIBOR) for EUR denominated loans, Sterling Overnight Index Average (SONIA) for GBP denominated loans and Tokyo Overnight Average Rate (TONA) for JPY denominated loans. Through these processes, the vast majority of its borrowers' loans were ready for transition by December 31, 2021.

Effective January 1, 2022, IDA offers new non-concessional loans with alternative reference rates and ceased to offer LIBOR based loans. The switchover of existing variable spread and non-USD fixed spread loans to alternative reference rates began in January 2022, at the loan reset dates. The remaining USD fixed spread loans will be transitioning beginning in July 2023, as the loans reset. Out of the total loans outstanding of $178,091 million as of June 30, 2022, approximately 0.5% have transitioned and 1.4% are still subject to transition to alternative reference rates. The remaining 98.1% are not subject to transition to alternative reference rates as they are on fixed-rate terms.

As of June 30, 2022, IDA's borrowing portfolio before associated derivatives carries only fixed interest rates and is not subject to transition to alternative reference rates.

Out of the total derivative portfolio notional as of June 30, 2022, approximately 5% have transitioned and 35% are subject to transition to alternative reference rates. The remaining 60% of the total derivative portfolio notional are not subject to transition to alternative reference rates. For the vast majority of the derivative portfolio subject to transition, IDA either has sufficient provisions in the derivative agreements with its counterparties or has adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol (IBOR Protocol) or works bilaterally with counterparties to ensure smooth transition to alternative reference rates.

IDA will continue to work with key stakeholders, including internal subject matter experts, senior management, borrowers, industry groups and other market participants, to mitigate potential financial and operational risks to which IDA is exposed and to ensure an orderly transition to alternative reference rates.

Exchange Rate Risk

IDA faces foreign exchange rate risk as a result of the currency mismatch between its commitments for loans and grants, which are mainly 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 are denominated in U.S. dollars.

Changes in exchange rates affect the capital adequacy of IDA when the currency of the equity supporting the loan portfolio and other assets is different from that of the risk exposure. Accordingly, the primary objective of IDA's currency risk management is to protect IDA's financial capacity, as measured by the capital adequacy framework, from exchange rate movements.

To achieve this, IDA's balance sheet is managed in multiple currencies: SDR and the currencies comprising the SDR basket. The exchange rate risk management methodology includes the hedging of: (i) currency risk arising from settlement of loan disbursements, loan repayments and donor contributions; (ii) debt funding; (iii) IDA loans; (iv) donor contributions; and (v) administrative budget.

The reported levels of its assets, liabilities, income, and expenses in the financial statements are affected by exchange rate movements in all the currencies in which IDA transacts, relative to its reporting currency, the U.S. dollar. These movements are shown as currency translation adjustments. Translation adjustments relating to the revaluation of assets and liabilities denominated in SDR and SDR component currencies (IDA's functional currencies), are reflected in Accumulated Other Comprehensive Income (Loss), in equity. Translation adjustments relating to non-functional currencies are reported in IDA's Statement of Income (see Notes to the Financial Statements for the year ended June 30, 2022, Note A – Summary of Significant Accounting and Related Policies).

IDA uses currency forward contracts to convert future inflows from members' receivables provided in national currencies into the five currencies of the SDR basket, thereby aligning the currency composition of member contributions with the net cash outflows relating to loans and grants, which are primarily denominated in SDR.

Liquidity Risk

Liquidity risk arises in the general funding of IDA's activities and in managing its financial position. It includes the risk of IDA being unable to fund its portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

IDA's aggregate liquid asset holdings are kept above a specified prudential minimum to safeguard against cash flow interruptions. The Prudential Minimum is equal to 80% of 24 months of projected net outflows. For FY22, the prudential minimum was $19.3 billion. For FY23, the prudential minimum has been set at $20.8 billion. As of June 30, 2022, IDA's liquid assets were $39.2 billion, 203% of the FY22 prudential minimum.

IDA will hold liquidity above the prudential minimum to ensure sufficient liquidity under a wide range of shock scenarios as well as to give it flexibility in timing its borrowing transactions and to meet working capital needs.

Operational Risk

Operational risk is defined as the risk of financial loss, or damage to IDA's reputation resulting from inadequate or failed internal processes, people, and systems, or from external events.

IDA recognizes the importance of operational risk management activities, which are embedded in its financial operations. As part of its business activities, IDA is exposed to a range of operational risks including physical security and staff health and safety, data and cyber security, business continuity, and third-party vendor risks. IDA's approach to identifying and managing operational risk includes a dedicated program for these risks and a robust process that includes identifying, assessing, and prioritizing operational risks, monitoring, and reporting relevant key risk indicators, aggregating, and analyzing internal and external events, and identifying emerging risks that may affect business units and developing risk response and mitigating actions.

Cybersecurity Risk Management

IDA's operations rely on the secure processing, storage, and transmission of confidential and other information in computer systems and networks. As is the case for financial institutions generally, cybersecurity risk continues to be significant for IDA due to the evolving sophistication and complexity of the cyber threat landscape. These risks are unavoidable, and IDA seeks to manage them on a cost-effective basis consistent with its risk appetite.

To protect the security of its computer systems, software, networks and other technology assets, IDA has developed its cybersecurity risk management program, consisting of cybersecurity policies, procedures, compliance, and awareness programs. IDA deploys a multi-layered approach for cybersecurity risk management to help prevent and detect malicious activity, both from within the organization and from external sources. In managing emerging cyber threats such as malware including ransomware, denial of service and phishing attacks, IDA strives to adapt its technical and process-level controls and raise the level of user awareness to mitigate the risk.

IDA periodically assesses the maturity and effectiveness of its cyber defenses, through risk mitigation techniques, including but not limited to, targeted testing, internal and external audits, incident response desktop exercises and industry benchmarking.

Section X: Critical Accounting Policies and the Use of Estimates

IDA's significant accounting policies, as well as estimates made by management, are integral to its financial reporting. While all of these policies require a certain level of judgment and estimates, significant policies require management to make highly difficult, complex, and subjective judgments as these relate to matters inherently uncertain and susceptible to change. Note A to the financial statements contains a summary of IDA's significant accounting policies including a discussion of recently issued accounting pronouncements.

Fair Value of Financial Instruments

All fair value adjustments are recognized through the Statement of Income, except for changes in the fair value of debt related to IDA's own credit, which are reported in Other Comprehensive Income. The fair values of financial instruments are based on a three-level hierarchy.

For financial instruments classified as Level 1 or 2, less judgment is applied in arriving at fair value measures as the inputs are based on observable market data. For financial instruments classified as Level 3, unobservable inputs are used. These require management to make important assumptions and judgments in determining fair value measures.

Derivative contracts include currency forward contracts, to-be-announced (TBA) securities, swaptions, exchange traded options and futures contracts, currency swaps, and interest rate swaps. Plain vanilla swaps and structured swaps are valued using the standard discounted cash flow methods using observable market inputs such as yield curves, foreign exchange rates and basis spreads.

In instances where management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

The majority of IDA's financial instruments which are recorded at fair value are classified as Level 1 and Level 2 as of June 30, 2022, as the inputs are based on observable market data and less judgment is applied in arriving at fair value measures.

On a quarterly basis, the methodology, inputs, and assumptions are reviewed to assess the appropriateness of the fair value hierarchy classification of each financial instrument. All the financial models used for input to IDA's financial statements are subject to both internal and periodic external verification and review by qualified personnel.

Provision for Losses on Loans and Other Exposures

IDA's accumulated provision for losses on loans and other exposures reflects the expected losses inherent in its nonaccrual and accrual portfolios after taking into consideration the expected relief under the HIPC Debt Initiative and MDRI and any provision for losses on the buy-down of loans.

Adjustments to the accumulated provision are recorded as a charge to or a release of provision in the Statement of Income. Actual losses may differ from expected losses due to unforeseen changes in any of the factors that affect borrowers' creditworthiness.

The Credit Risk Committee monitors aspects of country credit risk, in particular, reviewing the provision for losses on loans and guarantees taking into account, among other factors, any changes in exposure, risk ratings of borrowing member countries, or movements between the accrual and nonaccrual portfolios.

Additional information on IDA's provisioning policy and the status of nonaccrual loans can be found in the Notes to Financial Statements for the year ended June 30, 2022, Note A-Summary of Significant Accounting and Related Policies and Note D- Loans and Other Exposures.

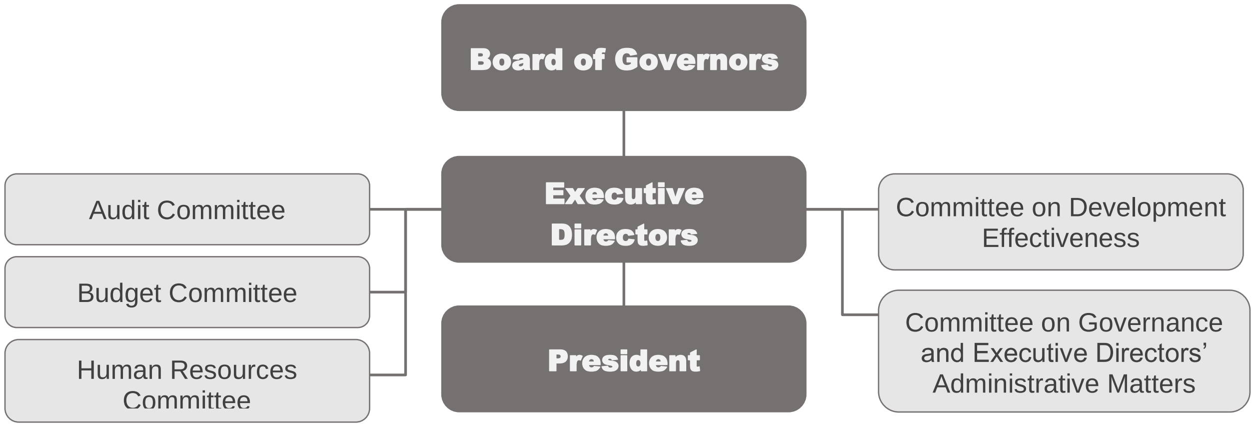
Provision for HIPC Debt Initiative and MDRI

IDA records a provision for all the estimated expected write-offs of loans outstanding for debt relief to be delivered under the HIPC Debt Initiative and MDRI. Donors have agreed to compensate IDA through member contributions for the foregone loan reflows under the HIPC Debt Initiative and MDRI.

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of Decision and Completion Point dates of eligible countries. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI. Adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of income.

Section XI: Governance and Internal Controls

Figure 18: Governance Structure



Business Conduct

The WBG promotes a positive work environment in which staff members understand their ethical obligations to the institution. In support of this commitment, the institution has a Code of Conduct in place. The WBG has both an Ethics Helpline and a Fraud and Corruption hotline. A third-party service offers many methods of worldwide communication. Reporting channels include telephone, mail, email, or confidential submission through a website.

IDA has in place procedures for receiving, retaining, and handling recommendations and concerns relating to business conduct identified during the accounting, internal control, and auditing processes.

WBG staff rules clarify and codify the staff's obligations in reporting suspected fraud, corruption, or other misconduct that may threaten the operations or governance of the WBG. These rules also offer protection from retaliation.

General Governance

IDA's decision-making structure consists of the Board of Governors, the Executive Directors, the President, management, and staff. The Board of Governors is the highest decision-making authority. Governors are appointed by their member governments for a five-year term, which is renewable. The Board of Governors may delegate authority to the Executive Directors (referred to as the Board in this document) to exercise any of its powers, except for certain powers enumerated in the IDA Articles. IDA has its own policies and frameworks that are carried out by staff that share responsibilities for both IDA and IBRD.

In addition, IBRD and IDA have joint internal institutional oversight units which play an assurance role to shareholders and management that IDA's work is impactful and accountable, informed by best practices, and delivered to the highest ethical standards with risk management controls and governance processes that are functioning effectively. Expenses for these oversight units, including the Executive Directors, were $116.6 million in FY22 (and $111.7 million FY21) shared between IBRD and IDA.

Executive Directors

In accordance with the Articles, Executive Directors are appointed or elected every two years by their member governments. The Board currently has 25 Executive Directors who represent all 174 member countries. Executive Directors are neither officers nor staff of IDA. The President is the only member of the Board from management, and he serves as a non-voting member and as Chairman of the Board.

The Board is required to consider proposals made by the President on IDA loans, grants, and guarantees and on other policies that affect its general operations. The Board is also responsible for presenting to the Board of Governors, at the Annual Meetings, audited accounts, an administrative budget, and an annual report on operations and policies and other matters.

The Board and its committees are in sessions as business requires. Each committee's terms of reference establish its respective roles and responsibilities. As committees do not vote on issues, their role is primarily to serve the Board in discharging its responsibilities.

The committees are made up of eight members and function under their respective terms of reference. These committees are as follows:

- Audit Committee - assists the Boards in overseeing IDA's finances, accounting, risk management and internal controls (See further explanation below).
- Budget Committee - assists the Boards in approving the World Bank's budget and in overseeing the preparation and execution of IDA's business plans. The committee provides guidance to management on strategic directions of IDA.
- Committee on Development Effectiveness - supports the Boards in assessing IDA's development effectiveness, providing guidance on strategic directions of IDA, monitoring the quality and results of operations.
- Committee on Governance and Executive Directors' Administrative Matters - assists the Boards in issues related to the governance of IDA, the Boards' own effectiveness, and the administrative policy applicable to Executive Directors' offices.
- Human Resources Committee - strengthens the efficiency and effectiveness of the Board in discharging its oversight responsibility on the World Bank's human resources strategy, policies and practices, and their alignment with the business needs of the organization.

Audit Committee

Membership

The Audit Committee consists of eight Executive Directors. Membership in the Audit Committee is determined by the Board, based on nominations by the Chairman of the Board, following informal consultation with Executive Directors.

Key Responsibilities

The Audit Committee is appointed by the Board for the primary purpose of assisting the Board in overseeing IDA's finances, accounting, risk management, internal controls, and institutional integrity. Specific responsibilities include:

- Oversight of the integrity of IDA's financial statements.
- Appointment, qualifications, independence, and performance of the External Auditor.
- Performance of the Group Internal Audit Vice Presidency.
- Adequacy and effectiveness of financial and accounting policies and internal controls and the mechanisms to deter, prevent and penalize fraud and corruption in IDA operations and corporate procurement.
- Effective management of financial, fiduciary and compliance risks in IDA.
- Oversight of the institutional arrangements and processes for risk management across IDA.

In carrying out its role, the Audit Committee discusses financial issues and policies that affect IDA's financial position and capital adequacy, with management, external auditors, and internal auditors. It also recommends the annual audited financial statements for approval to the Board. The Audit Committee monitors and reviews developments in corporate governance and its own role on an ongoing basis.

Executive Sessions

Under the Audit Committee's terms of reference, it may convene an executive session at any time, without management's presence. The Audit Committee meets separately in executive session with the external and internal auditors.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information to enable it to carry out its duties and meets both formally and informally throughout the year to discuss relevant matters. It has complete access to management, and reviews and discusses with management topics considered in its terms of reference.

The Audit Committee has the authority to seek advice and assistance from outside legal, accounting, or other advisors as it deems necessary.

Auditor Independence

The appointment of the external auditor for IDA is governed by a set of Board-approved principles. These include:

- Limits on the external auditor's provision of non-audit-related services;
- Requiring all audit-related services to be pre-approved on a case-by-case basis by the Board, upon recommendation of the Audit Committee; and
- Renewal of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter.

The external auditor may provide non-prohibited, non-audit related services subject to monetary limits.

Broadly, the list of prohibited non-audit services includes 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.

Communication between the external auditor and the Audit Committee is ongoing and carried out as often as deemed necessary by either party. The Audit Committee meets periodically with the external auditor and individual committee members have independent access to the external auditor. IDA's external auditors also follow the communication requirements with the Audit Committee set out under generally accepted auditing standards in the United States.

External Auditors

The external auditor is appointed to a five-year term, with a limit of two consecutive terms, and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Board.

Following a mandatory rebidding of the external audit contract, IDA's Board approved the selection of Deloitte & Touche LLP as IDA's external auditor for a five-year term from FY19 through FY23, subject to annual reappointment. In addition, in May 2022, IDA's Board approved Deloitte & Touche LLP as IDA's external auditor for a second five-year term commencing in FY24.

Senior Management Changes

The following changes were effective January 1, 2022:

- Jingdong Hua, Vice President and Treasurer of the World Bank, retired.
- Jorge Familiar was appointed to the role of Vice President and Treasurer of the World Bank.
- Pamela O'Connell was appointed as the Vice President and World Bank Group Controller, succeeding Jorge Familiar in that role.

Internal Controls

Internal Control over Financial Reporting

Each fiscal year, management evaluates the internal control over financial reporting to determine whether any changes made in these controls during the fiscal year materially affect, or would be reasonably likely to materially affect, IDA's internal control over financial reporting. The internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), "Internal Control - Integrated Framework (2013)" provides guidance for designing, implementing, and conducting internal control and assessing its effectiveness. IDA uses the 2013 COSO framework to assess the effectiveness of the internal control over financial reporting. As of June 30, 2022, management maintained effective internal control over financial reporting. See "Management's report regarding effectiveness of Internal Control over Financial Reporting" on page 58.

IDA's internal control over financial reporting was audited by Deloitte & Touche LLP, and their report expresses an unqualified opinion on the effectiveness of IDA's internal control over financial reporting as of June 30, 2022. See Independent Auditor's Report on page 60.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed is gathered and communicated to management as appropriate, to allow timely decisions regarding required disclosure by IDA. Management conducted an evaluation of the effectiveness of such controls and procedures and the President and the MDCFO have concluded that these controls and procedures were effective as of June 30, 2022.

Appendix

Glossary of Terms

Blend Borrower: IDA Member that is eligible to borrow from IDA on the basis of per capita income and is also eligible to borrow from IBRD. Given the access to both sources of funds, blend borrowers are expected to limit IDA funding to social sector projects and to use IBRD resources for projects in the other sectors.

Board: The Executive Directors as established by IDA's Articles of Agreement.

Replenishment Envelope: Total value of resources available during a particular replenishment including member equity contributions, borrowings, internal resources, IBRD transfers, IFC grants and other resources.

Completion Point: When conditions specified in the legal notification sent to a country are met and the country's other creditors have confirmed their full participation in the HIPC debt relief initiative. When a country reaches its Completion Point, IDA's commitment to provide the total debt relief for which the country is eligible, becomes irrevocable.

Consultative Loss Limit: Reflects a level of IDA's tolerance for risk of underperforming the benchmark in any fiscal year.

Credit Valuation Adjustment (CVA): The CVA represents the counterparty credit risk exposure and is reflected in the fair value of derivative instruments.

Debit Valuation Adjustment (DVA): DVA on Fair Value Option (FVO) Elected Liabilities that corresponds to the change in fair value of the liability presented under the FVO that relates to the instrument specific credit risk ("own-credit risk").

Deputies: Representatives of IDA's contributing partners, known as "the IDA Deputies".

Duration: Provides an indication of the sensitivity of underlying yield to changes in interest rates.

Encashment: Draw down (payment in cash) of a demand note in accordance with a schedule agreed for each replenishment.

Externally Financed Output (EFO): An instrument for receiving external contributions to support the Bank's work program, typically, for amounts under $1 million, however larger amounts can also be received.

Graduate Member: A member country that was once eligible to borrow from IDA, however due to improvements in the member's economic results is no longer eligible to borrow from IDA and is deemed to have "graduated" to IBRD.

Instrument of Commitment (IoC): The instrument through which a government commits to make a subscription or a subscription and contribution to IDA's resources.

Lending operations: Total projects from a fiscal year based on project approval date as of June 30 of the fiscal year.

Net Commitments: Commitments of Loans, grants and guarantees, net of full cancellations and terminations approved in the same fiscal year.

Net Disbursements: Loans and grant disbursements net of repayments and prepayments.

Prudential Minimum: The minimum amount of liquidity that IDA is required to hold. It represents 80% of twenty-four months coverage as calculated at the start of every fiscal year.

Replenishment: The process of regular review of the adequacy of IDA resources and authorization of additional subscriptions. Under IDA's Articles, replenishments are required to be approved by IDA's Board of Governors by a two-thirds majority of the total voting power.

Special Drawing Rights (SDR): The SDR is an international reserve asset, created by the International Monetary Fund in 1969 to supplement the existing official reserves of member countries. The SDR is defined as a basket of currencies, consisting of the Chinese Renminbi, Euro, Japanese Yen, Pound Sterling, and U.S. dollar. The basket composition is reviewed every five years to ensure that it reflects the relative importance of currencies in the world's trading and financial systems.

Voting Rights: IDA's voting rights consist of a combination of membership and subscription votes.

World Bank (WB): The World Bank consists of IBRD and IDA.

World Bank Group (WBG): The World Bank Group consists of the IBRD, IDA, IFC, MIGA and ICSID.

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INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS
JUNE 30, 2022

Management's Report Regarding Effectiveness of Internal Control over Financial Reporting

August 5, 2022

The management of the International Development Association (IDA) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of IDA's financial statements and audit of its internal control over financial reporting were valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over financial reporting supports the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

IDA assessed its internal control over financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2022. This assessment was based on the criteria for effective internal control over financial reporting described in the *Internal Control-Integrated Framework* (*2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that IDA maintained effective internal control over financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2022. The independent audit firm that audited the financial statements has issued an Independent Auditors Report which expresses an opinion on IDA's internal control over financial reporting.

The Executive Directors of IDA have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IDA. The Audit Committee is comprised entirely of Executive Directors who are independent of IDA's management. The Audit Committee is responsible for recommending to the Executive Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of IDA in addition to reviewing IDA's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

David Malpass
David Malpass
President

Anshula Kant
Anshula Kant
Managing Director and World Bank Group Chief Financial Officer

PamO'Connell
Pamela O'Connell
Vice President and World Bank Group Controller

Deloitte & Touche LLP
7900 Tysons One Place
Suite 800
McLean, VA 22102
USA
Tel: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

Deloitte.

INDEPENDENT AUDITOR'S REPORT

President and Board of Executive Directors
International Development Association

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of International Development Association ("IDA") as of June 30, 2022, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, IDA maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the financial statements as of and for the year ended June 30, 2022 of IDA, and our report dated August 5, 2022, expressed an unmodified opinion on those financial statements.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are required to be independent of IDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report Regarding Effectiveness of Internal Control over Financial Reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP

August 5, 2022

Deloitte & Touche LLP
7900 Tysons One Place
Suite 800
McLean, VA 22102
USA
Tel.: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

President and Board of Executive Directors
International Development Association

Opinion

We have audited the accompanying financial statements of International Development Association ("IDA"), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of income, comprehensive income, changes in accumulated deficit, and cash flows for each of the three years in the period ended June 30, 2022, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IDA as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), IDA's internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 5, 2022, expressed an unmodified opinion on IDA's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note A to the financial statements, IDA changed its method of accounting for the accumulated provision for loan losses and other exposures on July 1, 2020, due to the adoption of Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IDA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility IDA's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information Included in Management's Discussion & Analysis and Financial Statements

Management is responsible for the other information included in Management's Discussion & Analysis and Financial Statements. The other information comprises the information included in Management's Discussion & Analysis and Financial Statements but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

August 5, 2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCIAL STATEMENTS
JUNE 30, 2022

BALANCE SHEET
June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2022	*2021*
Assets		
Due from banks—Notes C and K		
Unrestricted cash	$ 662	$ 470
Restricted cash	24	26
	686	496
Investments (including securities transferred under repurchase or securities lending agreements of Nil - June 30, 2022; Nil - June 30, 2021) —Notes C, G and K	39,827	37,376
Derivative assets, net—Notes C, F, G and K	404	249
Receivable from affiliated organization—Note G	1,006	865
Other receivables		
Receivable from investment securities traded—*Note C*	9	7
Accrued interest and commitment charges	531	511
	540	518
Loans outstanding (Summary statement of loans, Notes D, G and K)		
Total loans approved	250,300	251,676
Less: Undisbursed balance (including signed loan commitments of $61,812 million—June 30, 2022; $60,775 million—June 30, 2021)	(72,209)	(70,172)
Loans outstanding	178,091	181,504
Less: Accumulated provision for loan losses	(3,583)	(3,718)
Deferred loan income	(18)	(7)
Net loans outstanding	174,490	177,779
Other assets—Note H and I	3,061	2,041
Total assets	$ 220,014	$ 219,324

	2022	2021
Liabilities		
Borrowings—Notes E and K		
Market borrowings, at fair value	$ 19,718	$ 20,555
Market borrowings, at amortized cost	6,201	-
Concessional partner loans, at amortized cost	6,980	7,759
	32,899	28,314
Derivative liabilities, net—Notes C, F, G and K	579	408
Payable for development grants—Note I	4,615	6,820
Payable to affiliated organization—Note G	578	561
Other liabilities		
Payable for investment securities purchased—*Note C*	343	73
Accounts payable and miscellaneous liabilities—*Notes D and H*	2,332	2,272
	2,675	2,345
Total liabilities	41,346	38,448
Equity		
Members' subscriptions and contributions (Statement of voting power and subscriptions and contributions and Note B)		
Unrestricted	289,214	292,210
Restricted	322	324
Subscriptions and contributions committed	289,536	292,534
Less:		
Subscriptions and contributions receivable	(27,902)	(38,240)
Cumulative discounts/ credits on subscriptions and contributions, net	(3,857)	(3,842)
Subscriptions and contributions paid-in	257,777	250,452
Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions		
Unrestricted	(10,120)	(11,382)
Restricted	(47)	(50)
	(10,167)	(11,432)
Deferred amounts to maintain value of currency holdings	(246)	(244)
Accumulated deficit (Statement of changes in accumulated deficit)	(59,544)	(59,556)
Accumulated other comprehensive (loss) income—Note J	(9,152)	1,656
Total equity	178,668	180,876
Total liabilities and equity	$ 220,014	$ 219,324

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

STATEMENT OF INCOME

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	*2021*	*2020*
Interest revenue			
Loans, net—Note D	$ 1,960	$ 2,050	$ 1,684
Investments, net—Notes C, F, G and K	189	147	422
Asset-liability management derivatives, net—Notes F and K	1	(14)	(22)
Borrowing expenses, net—Note E	(249)	(187)	(241)
Interest revenue, net of borrowing expenses	1,901	1,996	1,843
Provision for losses on loans and other exposures, (charge) release — Note D	(278)	539	170
Non-interest revenue			
Revenue from externally funded activities—Notes G and H	865	814	902
Commitment charges—Note D	24	19	15
Other	22	17	15
Total	911	850	932
Non-interest expenses			
Administrative—Notes G and H	(2,238)	(2,406)	(2,389)
Contributions to special programs—Note G	(19)	(20)	(21)
Other	(48)	20	(40)
Total	(2,305)	(2,406)	(2,450)
Transfers from affiliated organizations and others—Notes G and H	274	544	252
Development grants—Note I	(2,372)	(2,830)	(1,475)
Non-functional currency translation adjustment gains (losses), net	511	(372)	95
Unrealized mark-to-market (losses) gains on Investments-Trading portfolio, net—Notes F and K	(104)	144	207
Unrealized mark-to-market gains (losses) on Non-Trading portfolios, net			
Asset-liability management derivatives—Notes F and K	1,441	1,080	(699)
Other non-trading portfolios—Note K	33	22	11
Total	1,474	1,102	(688)
Net income (loss)	$ 12	$ (433)	$ (1,114)

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

STATEMENT OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	*2021*	*2020*
Net income (loss)	$ 12	$ (433)	$ (1,114)
Other Comprehensive (loss) income—Note J			
Currency translation adjustments on functional currencies	(10,851)	5,647	(1,526)
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	43	(64)	7
Comprehensive (loss) income	$ (10,796)	$ 5,150	$ (2,633)

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	*2021*	*2020*
Accumulated Deficit at beginning of the fiscal year	$ (59,556)	$ (58,321)	$ (57,207)
Cumulative effect of a change in accounting principle-Note D	-	(802)	-
Adjusted Accumulated Deficit at beginning of the fiscal year	$ (59,556)	$ (59,123)	$ (57,207)
Net income (loss)	12	(433)	(1,114)
Accumulated Deficit at end of the fiscal year	$ (59,544)	$ (59,556)	$ (58,321)

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

Statement of Cash Flows

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	2021	2020
Cash flows from investing activities			
Loans			
Disbursements	$ (15,860)	$ (16,681)	$ (16,449)
Principal repayments	6,738	6,457	6,016
Principal prepayments	-	-	51
Non-trading securities—Investments			
Repayments	114	125	124
Net cash used in investing activities	(9,008)	(10,099)	(10,258)
Cash flows from financing activities			
Members' subscriptions and contributions	8,589	8,355	7,823
Medium and long-term borrowings			
New issues	9,756	9,405	5,725
Retirements	(101)	(96)	(43)
Short-term borrowings (original maturities greater than 90 days)			
New issues	5,716	8,219	12,018
Retirements	(8,131)	(9,561)	(8,178)
Net short-term borrowings (original maturities less than 90 days)	1,890	120	16
Net derivatives-borrowings	8	29	(20)
Net cash provided by financing activities	17,727	16,471	17,341
Cash flows from operating activities			
Net income (loss)	12	(433)	(1,114)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Provision for losses on loans and other exposures charge (release)	278	(539)	(170)
Non-functional currency translation adjustment (gains) losses, net	(511)	372	(95)
Unrealized mark-to-market (gains) losses on non-trading portfolios, net	(1,474)	(1,102)	688
Other non-interest expenses (income), net	48	(20)	40
Amortization of discount on borrowings	105	96	133
Changes in:			
Investments—Trading	(5,936)	(2,090)	(2,323)
Net receivable/payable from investment securities traded/purchased	299	603	(155)
Net derivatives—Investments	973	160	(89)
Net derivatives—Asset-liability management	58	19	533
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	775	(109)	(601)
Net receivable/payable from/to affiliated organizations	(124)	45	14
Payable for development grants	(1,808)	(2,652)	(3,070)
Accrued interest and commitment charges	(55)	(57)	(43)
Other assets	(1,171)	(1,367)	(1,279)
Accounts payable and miscellaneous liabilities	37	471	992
Net cash used in operating activities	(8,494)	(6,603)	(6,539)
Effect of exchange rate changes on unrestricted and restricted cash	(35)	53	(8)
Net increase (decrease) in unrestricted and restricted cash	190	(178)	536
Unrestricted cash and restricted cash at beginning of the fiscal year	496	674	138
Unrestricted and restricted cash at end of the fiscal year	$ 686	$ 496	$ 674

Statement of Cash Flows

For the fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020

Expressed in millions of U.S. dollars

	2022	2021	2020
Supplemental disclosure			
(Decrease) Increase in ending balances resulting from exchange rate fluctuations:			
Loans outstanding	$ (12,505)	$ 5,909	$ (1,543)
Investment portfolio	(2,205)	1,180	(449)
Borrowings	(2,950)	627	(149)
Derivatives - Borrowings	446	(173)	62
Derivatives - Asset-liability management	1,253	(880)	321
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	30	9	10
Loans prepaid—carrying value	-	-	54
Interest paid on borrowing portfolio	119	118	161

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

SUMMARY STATEMENT OF LOANS

June 30, 2022

Amounts expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Undisbursed balance*		*Loans outstanding*	*Percentage of total loans outstanding* [a]
		Loans approved but not yet signed	*Signed loan commitments*		
Afghanistan	$ 308	$ -	$ -	$ 308	0.17 %
Albania	456	-	-	456	0.26
Angola	418	-	*	418	0.23
Armenia	831	-	5	826	0.46
Azerbaijan	183	-	-	183	0.10
Bangladesh	25,954	1,547	6,482	17,925	10.06
Benin	2,598	243	1,016	1,339	0.75
Bhutan	412	-	22	390	0.22
Bolivia	920	-	201	719	0.40
Bosnia and Herzegovina	814	-	-	814	0.46
Botswana	*	-	-	*	*
Burkina Faso	3,353	-	1,291	2,062	1.16
Burundi	123	-	-	123	0.07
Cabo Verde, Republic of	575	-	116	459	0.26
Cambodia	1,710	157	667	886	0.50
Cameroon	3,923	1,037	1,144	1,742	0.98
Central African Republic	126	-	-	126	0.07
Chad	159	-	-	159	0.09
China	365	-	-	365	0.20
Comoros	139	-	108	31	0.02
Congo, Democratic Republic of	4,423	76	2,327	2,020	1.13
Congo, Republic of	580	29	247	304	0.17
Côte d'Ivoire	4,934	138	2,411	2,385	1.34
Djibouti	469	-	253	216	0.12
Dominica	217	-	99	118	0.07
Dominican Republic	*	-	-	*	*
Ecuador	*	-	-	*	*
Egypt, Arab Republic of	231	-	-	231	0.13
El Salvador	1	-	-	1	*
Equatorial Guinea	16	-	-	16	0.01
Eritrea	415	-	-	415	0.23
Eswatini	*	-	-	*	*
Ethiopia	14,568	-	3,622	10,946	6.15
Fiji	317	49	28	240	0.13
Gambia, The	144	-	17	127	0.07
Georgia	762	-	4	758	0.43
Ghana	7,033	856	1,471	4,706	2.64
Grenada	298	-	101	197	0.11
Guinea	850	13	227	610	0.34
Guinea-Bissau	270	-	91	179	0.10
Guyana	194	42	57	95	0.05
Honduras	1,695	270	468	957	0.54
India	20,340	83	536	19,721	11.07
Indonesia	534	-	-	534	0.30
Iraq	248	-	-	248	0.14
Jordan	206	-	42	164	0.09
Kenya	13,630	238	3,149	10,243	5.75
Kosovo	381	-	208	173	0.10
Kyrgyz Republic	1,015	25	364	626	0.35
Lao People's Democratic Republic	1,245	-	514	731	0.41
Lebanon	95	-	10	85	0.05
Lesotho	680	71	193	416	0.23

Summary Statement of Loans

June 30, 2022

Amounts expressed in millions of U.S. dollars

Borrower or guarantor	*Total loans*	*Undisbursed balance: Loans approved but not yet signed*	*Undisbursed balance: Signed loan commitments*	*Loans outstanding*	*Percentage of total loans outstanding* [a]
Liberia	$ 963	$ 29	$ 300	$ 634	0.36 %
Madagascar	3,317	-	1,332	1,985	1.12
Malawi	2,155	240	649	1,266	0.71
Maldives	118	-	22	96	0.05
Mali	2,566	-	543	2,023	1.14
Mauritania	454	-	65	389	0.22
Mauritius	*	-	-	*	*
Moldova	1,053	136	249	668	0.38
Mongolia	927	49	129	749	0.42
Montenegro	15	-	-	15	0.01
Morocco	1	-	-	1	*
Mozambique	3,134	-	150	2,984	1.68
Myanmar	3,054	-	1,394	1,660	0.93
Nepal	5,745	489	1,228	4,028	2.26
Nicaragua	1,071	116	83	872	0.49
Niger	3,542	132	1,582	1,828	1.03
Nigeria	20,151	1,228	6,374	12,549	7.05
North Macedonia	163	-	-	163	0.09
Pakistan	20,486	863	4,063	15,560	8.74
Papua New Guinea	927	148	245	534	0.30
Paraguay	2	-	-	2	*
Philippines	15	-	-	15	0.01
Rwanda	3,441	-	839	2,602	1.46
Samoa	101	-	-	101	0.06
São Tomé and Príncipe	10	-	-	10	0.01
Senegal	5,154	-	1,625	3,529	1.98
Serbia	87	-	-	87	0.05
Sierra Leone	497	-	47	450	0.25
Solomon Islands	197	6	147	44	0.03
Somalia	110	-	-	110	0.06
South Sudan	76	-	-	76	0.04
Sri Lanka	3,552	-	517	3,035	1.70
St. Kitts and Nevis	*	-	-	*	*
St. Lucia	292	30	119	143	0.08
St. Vincent and the Grenadines	305	15	87	203	0.11
Sudan	313	-	-	313	0.18
Syrian Arab Republic	14	-	-	14	0.01
Tajikistan	513	-	160	353	0.20
Tanzania	12,638	-	4,218	8,420	4.73
Timor-Leste	268	116	114	38	0.02
Togo	649	-	310	339	0.19
Tonga	46	-	5	41	0.02
Tunisia	*	-	-	*	*
Türkiye	*	-	-	*	*
Uganda	6,581	1,036	1,136	4,409	2.48
Ukraine	985	-	959	26	0.01
Uzbekistan	4,488	400	1,802	2,286	1.28
Vanuatu	167	-	68	99	0.05
Vietnam	15,218	-	2,341	12,877	7.23
Yemen, Republic of	1,287	-	26	1,261	0.71
Zambia	2,642	365	674	1,603	0.90
Zimbabwe	438	-	-	438	0.25
Subtotal—Members [a]	$ 249,086	$ 10,272	$ 61,093	$ 177,721	99.79 %

SUMMARY STATEMENT OF LOANS

June 30, 2022

Amounts expressed in millions of U.S. dollars

		Undisbursed balance			
Borrower or guarantor	*Total loans*	*Loans approved but not yet signed*	*Signed loan commitments*	*Loans outstanding*	*Percentage of total loans outstanding* [a]
African Trade Insurance Agency	$ 422	$ -	$ 388	$ 34	0.02 %
Bank of the States of Central Africa	55	-	13	42	0.02
Caribbean Development Bank	9	-	-	9	0.01
West African Development Bank	342	-	107	235	0.13
Subtotal—Regional development banks	**$ 828**	**$ -**	**$ 508**	**$ 320**	**0.18 %**
Private Sector Window (PSW) Loans	386	125	211	50	0.03
Total—June 30, 2022 [a]	**$ 250,300**	**$ 10,397**	**$ 61,812**	**$ 178,091**	**100.00 %**
Total—June 30, 2021	**$ 251,676**	**$ 9,397**	**$ 60,775**	**$ 181,504**	

** Indicates amount less than $0.5 million or 0.005 percent*

a. May differ from the calculated amounts or sum of individual figures shown due to rounding.

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

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS
June 30, 2022

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*			*Subscriptions and contributions committed* [b]
Part I Members					
Australia	369,627	1.24	%	$	5,459.93
Austria	280,620	0.94			4,076.83
Belgium	328,254	1.10			5,381.19
Canada	796,011	2.66			13,436.47
Denmark	280,433	0.94			4,250.85
Estonia	54,499	0.18			21.53
Finland	186,548	0.62			2,229.86
France	1,140,506	3.81			20,461.16
Germany	1,592,292	5.33			28,772.38
Greece	60,268	0.20			219.01
Iceland	65,969	0.22			103.65
Ireland	111,780	0.37			916.91
Italy	676,761	2.26			11,115.85
Japan	2,492,887	8.34			49,373.14
Kuwait	122,631	0.41			1,119.02
Latvia	61,003	0.20			19.57
Lithuania	54,366	0.18			19.40
Luxembourg	84,672	0.28			455.53
Netherlands	603,321	2.02			10,497.76
New Zealand	82,461	0.28			414.58
Norway	313,507	1.05			4,564.17
Portugal	77,016	0.26			338.75
Russian Federation	90,647	0.30			749.31
Slovenia	60,474	0.20			45.20
South Africa	76,935	0.26			248.56
Spain	326,300	1.09			4,909.53
Sweden	621,680	2.08			9,727.31
Switzerland	400,003	1.34			6,553.25
United Arab Emirates	1,367	-			5.58
United Kingdom	2,044,544	6.84			35,871.41
United States	2,947,708	9.86			56,214.92
Subtotal—Part I Members [b]	16,405,090	54.86	%	$	277,573
Part II Members					
Afghanistan	59,204	0.20			1.50
Albania	61,859	0.21			0.36
Algeria	122,959	0.41			30.53
Angola	153,438	0.51			8.35
Argentina	423,520	1.42			161.21
Armenia	65,146	0.22			0.72
Azerbaijan	72,886	0.24			6.14
Bahamas, The	59,906	0.20			8.54
Bangladesh	156,110	0.52			8.03
Barbados	62,860	0.21			2.36
Belize	19,834	0.07			0.27
Benin	60,820	0.20			0.76
Bhutan	58,732	0.20			0.08
Bolivia, Plurinational State of	79,165	0.26			1.67
Bosnia and Herzegovina	55,440	0.19			2.48

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2022

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed* [b]
Botswana	53,807	0.18 %	$ 3.63
Brazil	477,996	1.60	833.48
Bulgaria	108,609	0.36	8.02
Burkina Faso	66,636	0.22	0.79
Burundi	55,801	0.19	1.09
Cabo Verde, Republic of	43,840	0.15	0.13
Cambodia	71,089	0.24	1.60
Cameroon	60,782	0.20	1.60
Central African Republic	48,910	0.16	0.77
Chad	52,210	0.17	0.78
Chile	58,505	0.20	39.11
China	723,535	2.42	2,354.76
Colombia	133,321	0.45	25.17
Comoros	47,140	0.16	0.13
Congo, Democratic Republic of	82,699	0.28	4.59
Congo, Republic of	52,210	0.17	0.74
Costa Rica	30,998	0.10	0.28
Côte d’Ivoire	67,377	0.23	1.54
Croatia	91,994	0.31	5.92
Cyprus	75,327	0.25	30.90
Czech Republic	133,572	0.45	154.77
Djibouti	48,116	0.16	0.26
Dominica	58,892	0.20	0.14
Dominican Republic	27,780	0.09	0.58
Ecuador	50,151	0.17	0.94
Egypt, Arab Republic of	134,452	0.45	18.61
El Salvador	46,516	0.16	0.49
Equatorial Guinea	6,167	0.02	0.41
Eritrea	46,536	0.16	0.14
Eswatini	22,322	0.07	0.42
Ethiopia	51,732	0.17	0.69
Fiji	19,809	0.07	0.75
Gabon	2,093	0.01	0.63
Gambia, The	55,208	0.18	0.42
Georgia	65,717	0.22	0.98
Ghana	86,677	0.29	3.12
Grenada	28,927	0.10	0.14
Guatemala	40,696	0.14	0.56
Guinea	37,287	0.12	1.33
Guinea-Bissau	44,500	0.15	0.22
Guyana	74,343	0.25	1.27
Haiti	54,538	0.18	1.11
Honduras	59,206	0.20	0.44
Hungary	208,032	0.70	164.29
India	864,601	2.89	612.98
Indonesia	256,899	0.86	139.39
Iran, Islamic Republic of	115,867	0.39	24.18
Iraq	73,199	0.24	1.11
Israel	91,185	0.30	155.17
Jordan	24,865	0.08	0.41
Kazakhstan	23,297	0.08	8.50

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS
June 30, 2022

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed* [b]
Kenya	77,960	0.26 %	$ 2.38
Kiribati	43,592	0.15	0.10
Korea, Republic of	310,747	1.04	2,702.37
Kosovo, Republic of	50,857	0.17	0.84
Kyrgyz Republic	64,522	0.22	0.57
Lao People's Democratic Republic	48,910	0.16	0.73
Lebanon	8,562	0.03	0.56
Lesotho	57,005	0.19	0.23
Liberia	52,038	0.17	1.12
Libya	44,771	0.15	1.31
Madagascar	70,516	0.24	1.39
Malawi	58,540	0.20	0.98
Malaysia	104,565	0.35	59.77
Maldives	55,046	0.18	0.05
Mali	62,445	0.21	1.35
Marshall Islands	4,902	0.02	0.01
Mauritania	52,210	0.17	0.78
Mauritius	75,236	0.25	1.31
Mexico	142,236	0.48	168.34
Micronesia, Federated States of	18,424	0.06	0.03
Moldova	56,582	0.19	0.88
Mongolia	45,818	0.15	0.30
Montenegro	59,594	0.20	0.76
Morocco	111,332	0.37	5.54
Mozambique	63,917	0.21	2.06
Myanmar	82,096	0.27	2.56
Nepal	54,710	0.18	0.72
Nicaragua	62,982	0.21	0.44
Niger	52,210	0.17	0.76
Nigeria	121,086	0.40	40.49
North Macedonia	47,095	0.16	1.09
Oman	59,288	0.20	1.42
Pakistan	246,431	0.82	78.12
Palau	3,804	0.01	0.03
Panama	10,185	0.03	0.03
Papua New Guinea	67,754	0.23	1.27
Paraguay	46,493	0.16	0.44
Peru	93,132	0.31	18.07
Philippines	150,947	0.50	34.32
Poland	597,334	2.00	144.63
Romania	96,010	0.32	5.08
Rwanda	52,038	0.17	1.12
Samoa	43,901	0.15	0.14
São Tomé and Principe	49,519	0.17	0.12
Saudi Arabia	1,003,435	3.36	3,205.70
Senegal	74,743	0.25	2.64
Serbia	86,096	0.29	7.08
St. Kitts and Nevis	13,868	0.05	0.17
St. Lucia	30,532	0.10	0.23
St. Vincent and the Grenadines	49,929	0.17	0.12

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS
June 30, 2022

Amounts expressed in millions of U.S. dollars

Member [a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed* [b]
Sierra Leone	63,638	0.21 %	$ 1.03
Singapore	58,284	0.19	317.32
Slovak Republic	95,378	0.32	37.30
Solomon Islands	43,901	0.15	0.13
Somalia	10,506	0.04	0.95
South Sudan	52,447	0.18	0.45
Sri Lanka	106,639	0.36	4.11
Sudan	65,003	0.22	1.50
Syrian Arab Republic	14,131	0.05	1.19
Tajikistan	53,918	0.18	0.53
Tanzania	68,943	0.23	2.31
Thailand	114,375	0.38	18.38
Timor-Leste	45,123	0.15	0.44
Togo	61,840	0.21	1.18
Tonga	49,514	0.17	0.11
Trinidad and Tobago	81,067	0.27	2.13
Tunisia	2,793	0.01	1.89
Türkiye	179,011	0.60	201.84
Tuvalu	8,838	0.03	0.03
Uganda	50,392	0.17	2.31
Ukraine	115,569	0.39	8.04
Uzbekistan	73,936	0.25	1.92
Vanuatu	50,952	0.17	0.31
Vietnam	61,168	0.20	2.23
Yemen, Republic of	68,976	0.23	2.20
Zambia	87,027	0.29	3.66
Zimbabwe	105,982	0.35	6.41
Subtotal—Part II Members [b]	13,493,143	45.14 %	$ 11,963
Total—June 30, 2022 [b]	29,898,233	100.00 %	$ 289,536
Total—June 30, 2021	29,361,600		$ 292,534

NOTES

a. See Notes to Financial Statements—Note A for an explanation of the two categories of membership

b. May differ from the calculated amounts or sum of individual figures shown due to rounding.

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

NOTES TO FINANCIAL STATEMENTS

PURPOSE AND AFFILIATED ORGANIZATIONS

The International Development Association (IDA) is an international organization established in 1960. IDA's main goal is reducing poverty through promoting sustainable economic development in the less developed countries of the world that are members of IDA, by extending concessional and non-concessional financing in the form of grants, loans and guarantees, and by providing related technical assistance. The activities of IDA are complemented by those of three affiliated organizations, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Each of these organizations is legally and financially independent from IDA, with separate assets and liabilities, and IDA is not liable for their respective obligations. Transactions with these affiliates are disclosed in the notes that follow.

IDA is immune from taxation pursuant to Article VIII, Section 9, *Immunities from Taxation*, of IDA's Articles of Agreement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING AND RELATED POLICIES

IDA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the 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 these estimates. Significant judgment has been used in the valuation of certain financial instruments and the determination of the adequacy of the accumulated provisions for debt relief and losses on loans and other exposures that include signed loan commitments, including deferred drawdown options that are effective and irrevocable commitments, guarantees and repaying project preparation facilities.

On August 5, 2022, the Executive Directors approved these financial statements for issue, which was also the date through which IDA's management evaluated subsequent events.

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

Translation of Currencies

IDA's financial statements are expressed in U.S. dollars for the purpose of reporting its financial position and the results of its operations.

IDA conducts its operations in Special Drawing Rights (SDR) and its component currencies of the U.S. dollar, euro, Japanese yen, pound sterling and Chinese renminbi. These constitute the functional currencies of IDA.

Assets and liabilities are translated at market exchange rates in effect at the end of the reporting period. Revenue and expenses are translated at either the market exchange rates in effect on the dates of revenue and expense recognition, or at an average of the market exchange rates in effect during the month. Translation adjustments relating to the revaluation of all assets and liabilities denominated in either SDR or the component currencies of SDR, are reflected in Accumulated Other Comprehensive Income. Translation adjustments relating to other currencies (non-functional currencies) are reported in the Statement of Income.

Members' Subscriptions and Contributions

Recognition

Members' subscriptions and contributions committed for each IDA replenishment are initially recorded as both subscriptions and contributions committed and, correspondingly, as subscriptions and contributions receivable. Prior to effectiveness, only a portion of the value of Instruments of Commitment (IoCs) received as specified in the replenishment resolution is recorded as subscriptions and contributions committed. Upon effectiveness, the remainder of the value of IoCs received is subsequently recorded as subscriptions and contributions committed.

IoCs can contain unqualified or qualified commitments. Under an unqualified commitment, a contributing member agrees to pay a specified amount of its subscription and contribution without requiring appropriation legislation. A qualified commitment is subject to the contributing member obtaining the necessary appropriation legislation. Subscriptions and contributions made under IoCs become available for commitment for loans, grants and guarantees by IDA for a particular replenishment in accordance with the IDA replenishment envelope as approved by the Executive Directors.

A replenishment becomes effective when IDA receives IoCs from members whose subscriptions and contributions aggregate to a specified portion of the full replenishment. Amounts not yet paid in at the date of effectiveness, are recorded as subscriptions and contributions receivable and shown as a reduction of subscriptions and contributions committed. These receivables become due throughout the replenishment period, generally three years, in accordance with an agreed payment schedule. The actual payment of receivables when they become due may be subject to the budgetary appropriation processes for certain members.

The subscriptions and contributions receivable are settled through payment of cash or deposit of nonnegotiable, non-interest bearing demand notes. The notes are encashed by IDA on an approximately *pro rata* basis either as provided in the relevant replenishment resolution over the disbursement period of the loans and grants committed under the replenishment, or as needed.

In certain replenishments, donors receive discounts (a reduced obligation) when they pay a contribution amount before the relevant due date, and acceleration credits when they pay their full contribution amount before the due date. IDA retains any related revenue earned on these early payments, with subscriptions and contributions committed being recorded at contribution amounts received, grossed up for discounts and acceleration credits. Acceleration credits and discounts are presented on the Balance Sheet in the line item cumulative discounts/credits on subscriptions and contributions, net. The discounts and acceleration credits are deducted in arriving at the subscriptions and contributions paid-in.

Under the Seventeenth Replenishment of IDA's Resources (IDA17), which became effective beginning fiscal year ended June 30, 2015, IDA's Executive Directors approved the use of a limited amount of concessional debt funding, referred to as concessional partner loans (CPL), which continued in the subsequent Replenishments of IDA's Resources. The borrowing terms of this concessional debt funding aim to match the concessional features of IDA's loans. Proceeds received under this arrangement have two separate components: (1) a borrowing component and (2) a grant component, for which voting rights are allocated to providers of the CPL. The borrowing component of the CPL is recognized and reported at amortized cost (see borrowings section for more details). The grant component is calculated as a function of the terms of the loan and the discount rate agreed upon during the replenishment discussions. This grant component is recorded as equity, equivalent to the cash received.

For the purposes of determining its subscriptions and contributions, the membership of IDA is divided into two categories: (1) Part I members, which make payments of subscriptions and contributions provided to IDA in convertible currencies that may be freely used or exchanged by IDA in its operations and (2) Part II members, which make payments of ten percent of their initial subscriptions in freely convertible currencies, and the remaining 90 percent of their initial subscriptions, and all additional subscriptions and contributions, in their own currencies or in freely convertible currencies. Certain Part II members provide a portion of their subscriptions and contributions in the same manner as mentioned in (1) above. IDA's Articles of Agreement and subsequent replenishment resolutions provide that the currency of any Part II member paid in by it may not be used by IDA for projects financed by IDA and located outside the territory of the member except by agreement between the member and IDA. The national currency portion of subscriptions of Part II members is recorded as restricted under Members' subscriptions and contributions unless released under an agreement between the member and IDA, or used for administrative expenses. The cash paid and notes deposited in nonconvertible local currencies for the subscriptions of Part II members are recorded either as Restricted cash under Due from Banks, or as restricted notes included under Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' subscriptions and contributions.

Following adoption by the Board of Governors on April 21, 2006 of a resolution authorizing additions to IDA's resources to finance the MDRI (Multilateral Debt Relief Initiative), pledges received in the form of IoCs for financing the MDRI are recorded and accounted for in their entirety. Therefore, the full value of all IoCs received is recorded as Subscriptions and contributions committed. Correspondingly, the IoCs are recorded as Subscriptions and contributions receivable and deducted from equity.

Withdrawal of Membership

Under IDA's Articles of Agreement, a member may withdraw from membership in IDA at any time. When a government ceases to be a member, it remains liable for all financial obligations undertaken by it to IDA, whether as a member, borrower, guarantor or otherwise. The Articles provide that upon withdrawal, IDA and the government shall proceed to a settlement of accounts. If agreement is not reached within six months, standard arrangements are provided. Under these arrangements, IDA would pay to the government the lower of the member's total paid-in subscriptions and contributions or the member's proportionate share of IDA's net assets. These funds would be paid as a proportionate share of all principal repayments received by IDA on loans made during the period of the government's membership.

Valuation of Subscriptions and Contributions

The subscriptions and contributions provided through the Third Replenishment are expressed in terms of "U.S. dollars of the weight and fineness in effect on January 1, 1960" (1960 dollars). Following the abolition of gold as a common denominator of the monetary system and the repeal of the provision of the U.S. law defining the par value of the U.S. dollar in terms of gold, the pre-existing basis for translating 1960 dollars into current dollars or any other currency disappeared. The Executive Directors of IDA decided, that until such time as the relevant provisions of the Articles of Agreement are amended, the words "U.S. dollars of the weight and fineness in effect on January 1, 1960" in Article II, Section 2(b) of the Articles of Agreement of IDA are interpreted to mean the SDR introduced by the International Monetary Fund as the SDR was valued in terms of U.S. dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being equal to $1.20635 for one SDR (the 1974 SDR). The Executive Directors also decided to apply the same standard of value to amounts expressed in 1960 dollars in the relevant resolutions of the Board of Governors.

The subscriptions and contributions provided through the Third Replenishment are expressed on the basis of the 1974 SDR. Prior to the decision of the Executive Directors, IDA had valued these subscriptions and contributions on the basis of the SDR at the current market value of the SDR.

The subscriptions and contributions provided under the Fourth Replenishment and thereafter are expressed in members' currencies or SDRs and are payable in members' currencies. Subscriptions and contributions made available for disbursement in cash to IDA are translated at market exchange rates in effect on the dates they were made available. Subscriptions and contributions not yet available for disbursements are translated at market exchange rates in effect at the end of the reporting period.

Maintenance of Value

Article IV, Section 2(a) and (b) of IDA's Articles of Agreement provides for maintenance of value payments on account of the local currency portion of the initial subscription whenever the par value of the member's currency or its foreign exchange value has depreciated or appreciated to a significant extent, so long as, and to the extent that, such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Section 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through the Third Replenishment, but are not applicable to those of the Fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987 that settlements of maintenance of value, which would result from the resolution of the valuation issue on the basis of the 1974 SDR, would be deferred until the Executive Directors decide to resume such settlements. These amounts are shown as Deferred Amounts to Maintain Value of Currency Holdings and deducted from equity; any changes relate solely to translation adjustments.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions

Payments on these instruments are due to IDA upon demand and these instruments are held in bank accounts in IDA's name. These instruments are carried and reported at face value as a reduction to equity on the Balance Sheet.

Loans and Other Exposures

In fulfilling its mission, IDA makes concessional and non-concessional loans to the poorest countries. These loans and other exposures (collectively "exposures") are made to, or guaranteed by, member governments or to the government of a territory of a member (except for loans which have been made to regional development institutions for the benefit of members or territories of members of IDA). In order to qualify for lending on IDA terms, a country's per capita income must be below a certain level ($1,205 for the fiscal year ended June 30, 2022 and $1,185 for the fiscal year ended June 30, 2021) and the country may have only limited or no access to IBRD lending.

Loans are reported on the balance sheet at amortized cost. Commitment charges on the undisbursed balance of loans are recognized in revenue as earned. Any loan origination fees incorporated in the terms of a loan are deferred and recognized over the life of the loan as an adjustment of the yield. Accrued interest is presented on the Balance Sheet in the line item Other receivables, accrued interest and commitment charges.

It is IDA's practice not to reschedule service charges, interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. Should modifications be made to the terms of existing loans, IDA would perform an evaluation to determine the required accounting treatment, including whether the modifications would result in the affected loans being accounted for as a trouble debt restructuring, new loan, or as a continuation of the existing loans.

It is IDA's policy to place into nonaccrual status all loans and other exposures made to, or guaranteed by, a member or to the territory of a member if principal or charges with respect to any such loan and other exposures are overdue by more than six months, unless IDA's management determines that the overdue amount will be collected in the immediate future. In addition, if loans by IBRD to a member government are placed into nonaccrual status, all loans and other exposures to that member will also be placed into nonaccrual status by IDA. On the date a member's loans and other exposures are placed into nonaccrual status, unpaid charges that had been accrued on loans are deducted from loan revenue in the current period.

Interest and other charges on nonaccruing exposures are included in revenue only to the extent that payments have been received by IDA. A decision on the restoration of accrual status is made upon arrears clearance. If collectability risk is considered to be particularly high at the time of arrears clearance, the member's exposures may not automatically emerge from nonaccrual status until a suitable period of payment or policy performance has passed.

The repayment obligations of loans funded from resources through the Fifth Replenishment are expressed in the loan agreements in terms of 1960 dollars. In June 1987, the Executive Directors decided to value those loans at the rate of $1.20635 per 1960 dollar on a permanent basis. Loans funded from resources provided under the Sixth Replenishment and thereafter are denominated in SDRs, with the exception of loans provided under the Single Currency Lending program, which allows IDA recipients to denominate new IDA loans in one of the five constituent currencies of the SDR basket.

Loan commitments: Undisbursed loans relate to operations approved by the Executive Directors for which disbursements are yet to be made. IDA records a provision for expected losses on undisbursed loan commitments including Deferred Drawdown Options (DDOs), when signed by both parties. The signature of the loan agreement is a binding event that prevents IDA from unconditionally withdrawing from the agreement.

Buy-down of Loans

IDA enters into loan buy-down agreements with third party donors who make payments on the borrower's service and commitment charges through a trust fund until the borrower reaches agreed performance goals. The trust fund then buys down the related loans for an amount equivalent to the present value of the remaining cash flows of the related loans, ensuring IDA incurs no economic loss. The trust fund subsequently cancels the purchased loans, converting them to grant terms.

Development Grants

Development grants made by IDA that are deemed to be conditional, are expensed when all the conditions have been met, which generally occurs at the time of disbursement. At times, grant advances may be disbursed to recipients prior to the conditions stipulated in the grant agreement being met and are presented in the Other assets line on the Balance Sheet. Development grants that are deemed to be unconditional are expensed upon approval.

Commitment charges on the undisbursed balance of development grants are recognized in revenue as earned.

Project Preparation Advances

Project Preparation Advances (PPAs) are advances made to borrowers to finance project preparation costs pending the approval of follow-on development operations. If approved under grant terms, these amounts are expensed upon approval by management. To the extent there are follow-on loans or grants, these PPAs are refinanced out of the proceeds of the loans and grants. Accordingly, the PPA grant amounts initially charged to expense are reversed upon approval of the follow-on development grants or loans.

Guarantees

Financial guarantees are commitments issued by IDA to guarantee payment performance by a member country (the debtor) to a third party in the event that a member government (or government-owned entity) fails to perform its contractual obligations to a third party.

Guarantees are regarded as outstanding when the underlying financial obligation of the borrower is incurred, and called when a guaranteed party demands payment under the guarantee. IDA would be required to perform under its guarantees if the payments guaranteed are not made by the borrower and the guaranteed party called the guarantee by demanding payment from IDA in accordance with the terms of the guarantee.

At inception of the guarantees, IDA records the fair value of the obligation to stand ready and a corresponding guarantee fee receivable, included in Other Liabilities - Accounts payable and miscellaneous liabilities and in Other Assets, respectively, on the Balance Sheet. Upfront guarantee fees received are deferred and amortized over the life of the guarantee.

In the event that a sovereign guarantee is called, IDA has the contractual right to require payment from the member country.

HIPC Debt Initiative

The Heavily Indebted Poor Countries (HIPC) Debt Initiative was launched in 1996 as a joint effort by bilateral and multilateral creditors to ensure that reform efforts of HIPCs would not be put at risk by unsustainable external debt burdens.

Under the Enhanced HIPC Framework, implementation mechanisms include: (i) partial forgiveness of IDA debt service as it comes due, and ii) in the case of countries with a substantial amount of outstanding IBRD debt, partial repayment with IDA resources (excluding transfers from IBRD) of outstanding IBRD debt.

Upon signature by IDA of the country specific legal notification, immediately following the decision by the Executive Directors of IDA to provide debt relief to the country (the Decision Point), the country becomes eligible for debt relief up to the nominal value equivalent of one third of the net present value of the total HIPC debt relief committed to the specific country. A Completion Point is reached when the conditions specified in the legal notification are met and the country's other creditors have confirmed their full participation in the debt relief initiative. When the country reaches its Completion Point, IDA's commitment to provide the total debt relief for which the country is eligible, becomes irrevocable. IDA's provisioning policy for the HIPC Debt Initiative is discussed below.

Donors compensate IDA on a "pay-as-you-go" basis to finance IDA's forgone loan reflows (principal and service charge repayments) under the HIPC Debt Initiative. This means that for the debt relief provided by writing off the principal and charges during a replenishment, the donors compensate IDA for the forgone reflows through additional contributions in the relevant replenishment. These additional resources are accounted for as equity, as subscriptions and contributions, because they carry voting rights.

MDRI

Debt relief provided under the Multilateral Debt Relief Initiative (MDRI), which is characterized by the writeoff of eligible loans upon qualifying borrowers reaching the HIPC Completion Point, is in addition to existing debt relief commitments provided by IDA and other creditors under the HIPC Debt Initiative. When a country reaches Completion Point, the applicable loans are written off. This writeoff occurs at the beginning of the quarterly period following the date on which the country reaches Completion Point. For forgone repayments under MDRI, donors established a separate MDRI replenishment spanning fiscal years 2007 through 2044 and pledged to compensate IDA for the costs of providing debt relief under MDRI on a "dollar-for-dollar" basis. These additional resources are accounted for as equity, as subscriptions and contributions, because they carry voting rights.

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provisions for losses on loan exposures, which reflects the expected losses inherent in IDA's exposures.

The accumulated provision for losses on loans and other exposures includes the accumulated provision for HIPC Debt Initiative and MDRI.

HIPC Debt Initiative and MDRI

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of the Decision and the Completion point dates. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI.

Upon approval by the Executive Directors of a country as potentially eligible for IDA debt relief under the Enhanced HIPC Initiative, the principal component of the estimated debt relief costs is recorded within the accumulated provision for loan losses on the Balance Sheet, and as a provision expense in the Statement of Income. This estimate is subject to periodic revision. Adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income. The accumulated provision for HIPC Debt Initiative is reduced as debt relief is provided. The accumulated provision for HIPC Debt Initiative is reduced by the amount of the eligible loans written off when the country reaches Completion Point and becomes eligible for MDRI debt relief.

Following the Executive Directors' approval of IDA's participation in the MDRI in June 2006, IDA fully provided for the estimated writeoff of the principal component of debt relief to be delivered under the MDRI for the HIPC eligible countries confirmed by the Executive Directors as eligible for relief at that time.

Loans

Loan exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. In each group, a credit risk rating is assigned to the exposures for each borrower (defined as the nominal amount of loans outstanding less the accumulated provision for loss under the HIPC Debt Relief Initiative, and MDRI).

The total exposure for provisioning is the current exposure and the estimated exposure taking into account expected disbursements and repayments over the life of the instruments. The expected credit losses related to loans and other exposures are calculated over the life of the instruments based on the expected exposures, the expected default frequency (probability of default to IDA) and the estimated loss given default. The provision for expected losses is the sum of the expected annual losses over the life of the instruments.

For countries in accrual status, these exposures are grouped in pools of borrowers with a similar risk rating. The determination of a borrower’s rating is based on various factors (see Note D—Loans and other exposures). Each risk rating is mapped to an expected default frequency using IDA’s credit migration matrix, based on historical observations of credit ratings at the beginning and at the end of each year.

Expected losses on loan exposures comprise estimates of potential losses arising from default and nonpayment of principal and interest amounts due, and any economic loss due to delays in receiving payments. The estimated loss given default is determined at each balance sheet date, based on IDA’s historical experience as well as parameters adjusted for current conditions during the reasonable and supportable forecast period of IDA. The loss given default is based on the borrower’s eligibility, namely: IDA, Blend (IBRD and IDA) and IBRD, with the highest loss given default associated with IDA eligibility. The borrower’s eligibility is assessed at least annually. The main factors used to determine the loss given default are the estimated length of delays in receiving loan payments and the effective interest rate of the exposures. IDA’s loan portfolio comprises mostly fixed interest rate loans, therefore, the measurement of loss severity is not sensitive to market interest rate movements.

For the calculation of expected credit losses, IDA applies a three-year reasonable and supportable forecast period representing the most reliable and available economic data during this period. IDA also applies a ten-year straight-line reversion to the mean to reflect the historical pattern of rating migration to the mean of its loan portfolio.

This methodology is also applied to countries with exposures in nonaccrual status, although the expected default frequency is equal to 100%. At times, to reflect certain distinguishing circumstances of a particular nonaccrual situation, different input assumptions may be used for a specific country.

All exposures for countries in nonaccrual status are individually assessed. Exposure for certain countries in accrual status may be individually assessed on the basis that they do not share common risk characteristics with an existing pool of exposures. Except for debt relief provided under the HIPC Debt Initiative and MDRI, it is IDA’s practice not to write off its loans. To date, no loans have been written off, other than under the HIPC Debt Initiative, MDRI and buy-down of loans.

Management reassesses the adequacy of the accumulated provision on a quarterly basis and adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income. In addition, reasonableness of the inputs used is reassessed at least annually.

When a member country prepays its outstanding loans, it may receive a discount equivalent to the difference between the outstanding carrying amount and the present value of the remaining cash flows. In such instances, IDA records a provision for losses on loans equivalent to the discount provided, at the time when the prepayment terms are agreed between IDA and the member country.

Loan Commitments

IDA records the expected credit losses on loan commitments based on the projected disbursements of signed loan commitments (adjusted by cancellations based on historical experience), the probability of default and loss given default. The provision is included in Other liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheet.

Guarantees

IDA records a contingent liability for the expected losses related to guarantees over the projected life of the instruments, which is determined based on the estimated exposure at default multiplied by the corresponding loss given default and expected default probability for the projected life of the guarantee. This provision, as well as the unamortized balance of the deferred guarantee fees, and the unamortized balance of the obligation to stand ready, are included in Other liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheet.

Statement of Cash Flows: For the purpose of IDA's Statement of Cash Flows, cash is defined as the amount of both Unrestricted cash and Restricted cash presented under the Due from banks line on the Balance Sheet.

Restricted Cash: This mainly includes amounts which have been received from members as part of their subscriptions, which are restricted for specified purposes.

Investments

Investment securities are classified based on management’s intention on the date of purchase, their nature, and IDA’s policies governing the level and use of such investments. All investment securities are held in the trading portfolio except for a security purchased from IFC in 2015 which is classified as non-trading. While IDA does not plan to sell the IFC security, IDA elected to measure it at fair value, so that all of its investment securities are measured on the same basis. All investment securities and related financial instruments held by IDA are carried and reported at fair value, or at face value which approximates fair value. Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, asset-backed securities (ABS) and mortgage-backed securities (MBS). 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 observable market inputs such as yield curves, credit spreads, and constant prepayment rates. 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. Purchases and sales of securities are recorded on a trade-date basis. Time deposits and money market deposits are recorded at settlement. The first-in first-out method is used to determine the cost of securities sold in computing the realized gains and losses on these instruments.

Interest revenue is included in the Investments, net line in the Statement of Income. Unrealized mark-to-market gains and losses for investment securities and related financial instruments held in the investment portfolio are included in the Statement of Income. Realized gains and losses on trading securities are recognized in the Statement of Income when securities are sold.

IDA may require collateral in the form of cash or approved liquid securities from individual counterparties under legal agreements that provide for collateralization, in order to mitigate its credit exposure to these counterparties. For collateral received in the form of cash from counterparties, IDA invests the amounts received and records the investment and a corresponding obligation to return the cash. Collateral received in the form of liquid securities is only recorded on IDA’s Balance Sheet to the extent that it has been transferred under securities lending agreements in return for cash.

Securities Purchased Under Resale Agreements, Securities Sold Under Repurchase Agreements, Securities Lent Under Securities Lending Agreements and Payable for Cash Collateral Received

Securities purchased under resale agreements, securities sold under repurchase agreements, securities lent under securities lending agreements and payable for cash collateral received are recorded at face value, which approximates fair value, as they are short term in nature. IDA receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The securities transferred to counterparties under the repurchase and security lending arrangements and the securities transferred to IDA under the resale agreements have not met the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Balance Sheet, and securities received under resale agreements are not recorded on the Balance Sheet. Securities lent under securities lending agreements and sold under securities repurchase agreements as well as securities purchased under resale agreements are presented on a gross basis, which is consistent with the manner in which these instruments are settled. The interest earned with respect to securities purchased under resale agreements is included in Investments, net, line in the Statement of Income. The interest expense pertaining to the securities sold under repurchase agreements and security lending arrangements is included in the Borrowing expenses, net line in the Statement of Income.

Borrowings

IDA introduced long term borrowings through CPL for the first time in the fiscal year commencing July 1, 2014. The borrowing terms of the CPL aim to match the features of IDA's concessional loans. These borrowings are unsecured and unsubordinated 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.

IDA also issues debt instruments in the capital markets. Through June 30, 2021, all market debt was carried at fair value. Starting July 1, 2021, IDA only elects fair value for market debt designated to fund the investment portfolio or variable rate loans. Market debt not meeting the fair value election criteria are reported at amortized cost. For debt carried at fair value, changes in fair value are recognized in the related Unrealized mark-to-market gains and losses on non-trading portfolios, net, line in the Statement of Income, except for changes in the fair value that relate to IDA's own credit risk, which are reported in Other Comprehensive Income (OCI) as a Debit Valuation Adjustment (DVA). The DVA on fair value option elected liabilities is measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IDA's cost of funding relative to the applicable reference rates.

Plain vanilla bonds and discount notes, if any, are valued using the standard discounted cash flow method which relies on observable market inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. Where available, quoted market prices are used to determine the fair value of short-term notes.

For the purpose of the Statement of Cash Flows, short term borrowings, if any, with an original maturity of less than 90 days, are presented net of new issuances and retirements. In contrast, short term borrowings with an original maturity greater than 90 days and less than one year are presented on a gross basis.

Interest expense relating to all debt instruments in IDA's borrowing portfolio is measured on an effective yield basis and is reported as part of the Borrowing expenses, net line in the Statement of Income.

For presentation purposes, amortization of discounts and premiums is also included in the Borrowing expenses, net line in the Statement of Income.

Accounting for Derivatives

IDA has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are recorded at fair value on the Balance Sheet, with changes in fair value accounted for through the Statement of Income.

The presentation of derivative instruments on IDA's Balance Sheet reflects the netting of derivative asset and liability positions and the related cash collateral received from the counterparty when a legally enforceable master netting agreement exists, and the other conditions set out in *ASC Topic 210-20, Balance Sheet—Offsetting*, are met. In addition, in the Notes to the financial statements, unless stated differently, derivatives are presented on a net basis by instrument.

A master netting agreement is an industry standard agreement with a counterparty that permits multiple transactions governed by that agreement to be terminated or accelerated and settled through a single payment in a single currency in the event of a default (e.g., bankruptcy, failure to make a required payment or transfer securities or deliver collateral when due). Obligations under master netting agreements are often secured by collateral posted under an industry standard credit support annex to the master netting agreement. Upon default by the counterparty, the collateral agreement grants an entity the right to set-off any amounts payable by the counterparty against any posted collateral.

IDA uses derivative instruments in its investment trading portfolio to manage interest rate and currency risks. These derivatives are carried and reported at fair value. Interest revenue (expenses) are reflected as part of Interest revenue, while unrealized mark-to-market gains and losses on these derivatives are reflected as part of the Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net line in the Statement of Income.

IDA also uses derivatives in its loan, asset-liability management and borrowing portfolios. Within the asset-liability management portfolio, currency forward contracts are used to manage foreign exchange fluctuation risks and interest rate swap contracts under the Capital Value Protection program are used to manage interest rate volatility of IDA's capital adequacy model. In the loan and borrowing portfolios, interest rate swaps are used to modify the interest rate characteristics of these portfolios. The interest component of these derivatives is recognized as an adjustment to the loan revenue and borrowing costs over the life of the derivative contracts and is included in Loans, net and Borrowing expenses, net lines in the Statement of Income. Changes in fair values of these derivatives are recorded in the Statement of Income as Unrealized mark-to-market gains and losses on non-trading portfolios, net.

For the purpose of the Statement of Cash Flows, IDA has elected to report the cash flows associated with the derivative instruments that are used to economically hedge its borrowings and investments, in a manner consistent with the presentation of the related borrowing and investment cash flows.

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and futures contracts, currency swaps and interest rate swaps. Currency swaps and interest rate swaps are primarily plain vanilla instruments and they are valued based on standard discounted cash flow methods using observable market inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Most outstanding derivative positions are transacted over-the-counter and are therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA is in a net receivable position, IDA calculates a Credit Valuation Adjustment (CVA) to reflect credit risk. For net derivative positions with commercial and non-commercial counterparties where IDA is in a net payable position, IDA calculates a DVA to reflect its own credit risk. The CVA is calculated using the fair value of the derivative contracts, net of collateral received under credit support agreements, and the probability of counterparty default based on the Credit Default Swap (CDS) spread and, where applicable, proxy CDS spreads. The DVA calculation is generally consistent with the CVA methodology and incorporates IDA's own credit spread as observed through the CDS market.

Valuation of Financial Instruments

IDA has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available.

Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models and other established valuation models. These models primarily use market-based or independently sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs may involve some judgment. In instances where management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as the inputs applied in determining those values.

IDA also has various internal controls in place to ensure that the valuations are appropriate where internally developed models are used.

As of June 30, 2022 and June 30, 2021, IDA had no financial assets or liabilities measured at fair value on a non-recurring basis.

Fair Value Hierarchy

Financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3).

Financial assets and liabilities recorded at fair value on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

IDA's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Accounting for Contributions to Special Programs

IDA recognizes unconditional grants such as contributions to special programs as an expense upon approval by the Executive Directors.

Transfers

Transfers from IBRD's net income to IDA are recognized in the Statement of Income upon approval by the Board of Governors of IBRD. Similarly, transfers relating to grants made from IFC's retained earnings to IDA are recognized in the Transfers from affiliated organizations and others on the Statement of Income and Other assets on the Balance Sheet upon execution of a grant agreement between IFC and IDA.

In addition, IDA periodically receives contributions from trust funds and private institutions. IDA does not assign any voting rights for these contributions. Temporary restrictions relating to these contributions may arise from the timing of receipt of cash, or donor imposed restrictions as to use.

Trust Funds

To the extent that IDA acts as an agent for or controls IDA-executed trust funds, assets held on behalf of specified beneficiaries are recorded on IDA's Balance Sheet, along with corresponding liabilities. Amounts disbursed from these trust funds are recorded as expenses with the corresponding amounts recognized as revenue. For Recipient-executed trust funds, since IDA acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

In some trust funds, execution is split between Recipient-executed and IDA-executed portions. Decisions on assignment of funding resources between the two types of execution may be made on an ongoing basis; therefore, the execution of a portion of these available resources may not yet be assigned.

IDA also acts as a financial intermediary to provide specific administrative or financial services with a limited fiduciary or operational role. These arrangements, referred to as Financial Intermediary Funds, include, for example, administration of debt service trust funds, financial intermediation and other more specialized limited fund management roles. For these arrangements, funds are held and disbursed in accordance with instructions from donors or, in some cases, an external governance structure or a body operating on behalf of donors. For Financial Intermediary Funds, since IDA acts as a trustee, no assets or liabilities relating to these activities are recorded on IDA's Balance Sheet.

Segment Reporting

Based on an evaluation of its operations, management has determined that IDA has only one reportable segment since financial results are reviewed and resource allocation decisions are made at the entity level.

Accounting and Reporting Developments

Evaluated Accounting Standards:

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL ASU). The ASU and its subsequent amendments introduce a new model for the accounting of credit losses of loans and other financial assets measured at amortized cost. The current expected credit loss (CECL) model requires an entity to estimate the credit losses expected over the life of an exposure, considering historical information, current information, and reasonable and supportable forecasts. Additionally, the ASUs require enhanced disclosures about credit quality and significant estimates and judgments used in estimating credit losses.

For IDA, the ASUs became effective on July 1, 2020. The transition adjustment increased the Accumulated Deficit by $802 million, which reflects the increase in the credit losses relating to loans and other exposures under CECL compared to the previous "incurred loss" model. The impact is mainly driven by the requirement to provision over the full life of IDA's long maturity profile credit exposures as well as the inclusion of signed loan commitments in the determination of the provision.

See the table below for details of the CECL transition adjustment as of July 1, 2020. The transition adjustment had no impact to the Statement of Income. See Note D — Loans and Other Exposures, for additional details.

In millions of U.S. dollars

Accumulated provision related to	*Location on the Balance Sheet*	*June 30, 2020 As reported*	*Impact of the adoption of the CECL ASU*	*July 1, 2020 Adjusted*
Loans outstanding	Accumulated provision for loan losses	$ 2,829	$ (59)	$ 2,770
Debt Relief under HIPC/MDRI	Accumulated provision for loan losses	1,591	-	1,591
Signed loan commitments	Other liabilities	-	859	859
Other exposures	Other liabilities	72	2	74
Total accumulated provision		$ 4,492	$ 802	$ 5,294
Accumulated Deficit		$ (58,321)	$ (802)	$ (59,123)

***Accounting Standards Under Evaluation*:**

In March 2022, the FASB issued the Accounting Standard Update (ASU) 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the accounting guidance on troubled debt restructurings (TDRs) for creditors and amends the guidance on "vintage disclosures" to require disclosure of current-period gross writeoffs by year of origination. For IDA, the ASU will be effective from the quarter ending September 30, 2023 (fiscal year 2024), with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

In November 2021, the FASB issued the ASU 2021-10, *Disclosure by Business Entities about Government Assistance*, which requires entities to make annual disclosure about certain government assistance they received. This ASU will be effective from the fiscal year ending June 30, 2023 (annual statements of fiscal year 2023), with early adoption permitted. IDA is currently evaluating the impact of the ASU on its financial statements.

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS, AND MEMBERSHIP

The movement in subscriptions and contributions paid-in is summarized below:

Table B1: Subscriptions and contributions paid-in

In millions of U.S. dollars

		June 30, 2022		June 30, 2021
Beginning of the fiscal year	$	250,452	$	241,343
Cash contributions received [a]		3,937		3,442
Demand obligations received		4,668		4,901
Translation adjustment		(1,280)		766
End of the fiscal year	$	257,777	$	250,452

a. Includes any restricted cash subscriptions.

During the fiscal year ended June 30, 2022, IDA encashed demand obligations totaling $4,652 million ($4,913 million—fiscal year ended June 30, 2021).

Membership

On November 3, 2021, Bulgaria became the 174th member of IDA.

NOTE C—INVESTMENTS

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

As of June 30, 2022, IDA's Investments were mainly comprised of government and agency obligations (60%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of June 30, 2022, the largest holding of investments with a single counterparty was Japanese government instruments (8%).

A summary of IDA's investments composition is as follows:

Table C1: Investments-composition

In millions of U.S. dollars

		June 30, 2022		June 30, 2021
Trading				
Government and agency obligations	$	23,902	$	25,277
Time deposits		15,411		11,460
Asset-backed securities		168		152
	$	39,481	$	36,889
Non-trading				
Debt securities		346		487
Total	$	39,827	$	37,376

IDA manages its investments on a net portfolio basis. The following table summarizes IDA's net portfolio position; the presentation of derivative instruments is on a net instrument basis:

Table C2: Net investment portfolio position

In millions of U.S. dollars

	June 30, 2022	June 30, 2021
Investments		
Trading	$ 39,481	$ 36,889
Non-trading	346	487
Total	39,827	37,376
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received [a]	(772)	-
Derivative Assets		
Currency swaps and currency forward contracts	306	167
Interest rate swaps	2	-
Total	308	167
Derivative Liabilities		
Currency swaps and currency forward contracts	(50)	(65)
Interest rate swaps	(1)	(17)
Total	(51)	(82)
Cash held in investment portfolio [b]	583	426
Receivable from investment securities traded and other assets [c]	9	107
Payable for investment securities purchased [d]	(343)	(73)
Net Investment Portfolio	$ 39,561	$ 37,921

a. As of June 30, 2022, this amount represents cash collateral of $772 million received from counterparties under derivative agreements (Nil - June 30, 2021).

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

c. This amount is included in Other receivables and in Other assets, respectively, on the Balance Sheet.

d. As of June 30, 2022, there were no short sales (Nil —June 30, 2021)

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

The maturity structure of IDA's non-trading investment portfolio (principal amount due) is provided in the table below:

Table C3: Maturity structure of non-trading investment portfolio

In millions of U.S. dollars

Period	*June 30, 2022*		*June 30, 2021*	
Less than 1 year	$	96	$	113
Between				
1 - 2 years		77		96
2 - 3 years		62		77
3 - 4 years		34		62
4 - 5 years		12		34
Thereafter		77		90
	$	358	$	472

Commercial Credit Risk

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

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

IDA has entered into master derivative agreements, which contain legally enforceable close-out netting provisions. These agreements may further reduce the gross credit risk exposure related to the swaps. Credit risk with financial assets subject to a master derivative 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 F—Derivative Instruments.

The following table is a summary of the collateral received by IDA related to swap transactions:

Table C4: Collateral received

In millions of U.S. dollars

	June 30, 2022		*June 30, 2021*	
Collateral received				
Cash	$	772	$	-
Securities		-		-
Total collateral received	$	772	$	-
Collateral permitted to be repledged	$	772	$	-
Amount of collateral repledged		-		-
Amount of cash collateral invested		659		-

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, if any, are conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions.

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.

NOTE D—LOANS AND OTHER EXPOSURES

IDA's loans and other exposures are generally made to, or guaranteed by, member countries of IDA. Loans are reported at amortized cost on the balance sheet. Based on IDA's internal credit quality indicators, the majority of the loans outstanding are in the Medium and High risk classes.

IDA excludes the interest and service charges receivable balance from the amortized cost basis and the related disclosures as permitted by U.S. GAAP. As of June 30, 2022, accrued interest income and service charges on loans of $521 million ($502 million — June 30, 2021) are presented in Other receivables – Accrued interest and commitment charges on the Balance Sheet.

As of June 30, 2022, 0.5% of IDA's loans were in nonaccrual status and related to three borrowers. The total accumulated provision for losses on loans in accrual status and nonaccrual status was 2% of total loans as of June 30, 2022.

Maturity Structure

The maturity structure of loans outstanding was as follows:

Table D1: Loans - Maturity structure

In millions of U.S. dollars

June 30, 2022			*June 30, 2021*		
July 1, 2022 through June 30, 2023	$	8,280	July 1, 2021 through June 30, 2022	$	7,415
July 1, 2023 through June 30, 2027		36,219	July 1, 2022 through June 30, 2026		36,318
July 1, 2027 through June 30, 2037		78,617	July 1, 2026 through June 30, 2036		80,892
Thereafter		54,975	Thereafter		56,879
Total	$	178,091	Total	$	181,504

Currency Composition

Loans outstanding had the following currency composition:

Table D2: Loans outstanding- Currency composition

In millions of U.S. dollars

	June 30, 2022	*June 30, 2021*
SDR	$ 156,527	$ 163,964
U.S. dollar	12,600	10,123
Euro	8,823	7,407
Pound sterling	77	-
Japanese yen	64	10
Total	$ 178,091	$ 181,504

Credit Quality of Sovereign Loans

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

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

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

An assessment was also performed to determine whether a qualitative adjustment of the loan loss provision was needed as of June 30, 2022, including consideration of the COVID-19 pandemic and other global events. Management concluded that a qualitative adjustment beyond the regular application of IDA's loan loss provision framework was not warranted.

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

The following tables provide an aging analysis of loans outstanding:

Table D3: Loans-Aging structure
In millions of U.S. dollars

	June 30, 2022							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 374	$ 374
Medium	-	-	-	-	-	-	20,491	20,491
High	7	*	6	11	-	24	156,335 [a]	156,359
Loans in accrual status	7	*	6	11	-	24	177,200	177,224
Loans in nonaccrual status	7	*	3	8	408	426	441	867
Total	$ 14	$ *	$ 9	$ 19	$ 408	$ 450	$ 177,641	$ 178,091

Table D3.1
In millions of U.S. dollars

	June 30, 2021							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 659	$ 659
Medium	-	-	-	-	-	-	23,092	23,092
High	7	-	-	-	-	7	156,814 [a]	156,821
Loans in accrual status	7	-	-	-	-	7	180,565	180,572
Loans in nonaccrual status	7	1	3	9	399	419	513	932
Total	$ 14	$ 1	$ 3	$ 9	$ 399	$ 426	$ 181,078	$ 181,504

a. Includes PSW-related loans of $50 million ($10 million-June 30, 2021)
** Indicates amount less than $0.5 million.*

The table below discloses the outstanding balances of IDA's loan portfolio classified by the year the loan agreement was signed. IDA considers the signature date of a loan as the best indicator of the decision point in the origination process, rather than the disbursement date.

Table D4: Loan portfolio vintage disclosure
In millions of U.S. dollars

	June 30, 2022								
	Fiscal Year of origination								
Risk Class	*2022*	*2021*	*2020*	*2019*	*2018*	*Prior Years*	*CAT DDOs disbursed and revolving*	*CAT DDOs Converted to Term Loans*	*Loans Outstanding as of June 30, 2022*
Low	$ -	$ -	$ -	$ -	$ -	$ 374	$ -	$ -	$ 374
Medium	111	394	542	243	77	19,124	-	-	20,491
High	3,678	7,509	7,233	9,365	10,042	118,173	182	177	156,359
Loans in accrual status	3,789	7,903	7,775	9,608	10,119	137,671	182	177	177,224
Loans in nonaccrual status	-	-	-	-	-	867	-	-	867
Total	$ 3,789	$ 7,903	$ 7,775	$ 9,608	$ 10,119	$ 138,538	$ 182	$ 177	$ 178,091

Table D4.1:

In millions of U.S. dollars

	June 30, 2021								
	Fiscal Year of origination								
Risk Class	*2021*	*2020*	*2019*	*2018*	*2017*	*Prior Years*	*CAT DDOs disbursed and revolving*	*CAT DDOs Converted to Term Loans*	*Loans Outstanding as of June 30, 2021*
Low	$ -	$ -	$ -	$ -	$ -	$ 659	$ -	$ -	$ 659
Medium	401	564	255	64	488	21,320	-	-	23,092
High	4,803	6,260	8,266	8,861	8,927	119,316	388	-	156,821
Loans in accrual status	5,204	6,824	8,521	8,925	9,415	141,295	388	-	180,572
Loans in nonaccrual status	-	-	-	-	-	932	-	-	932
Total	$ 5,204	$ 6,824	$ 8,521	$ 8,925	$ 9,415	$ 142,227	$ 388	$ -	$ 181,504

The amount of Catastrophe Deferred Drawdown Option (CAT DDO) outstanding and revolving converted to term loans during the fiscal year ended June 30, 2022 was $177 million (Nil— June 30, 2021).

Accumulated Provision for Losses on Loans and Other Exposures

Management determines the appropriate level of accumulated provisions for losses, which reflects the expected losses inherent in IDA's exposures.

The provision for HIPC Debt Initiative and MDRI is 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 loan losses. 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.

The balance of the accumulated provision as of July 1, 2020 was increased by an $802 million transition adjustment recorded upon the adoption of ASU No. 2016-13, *Financial Instruments—Credit Losses (ASC 326).* The transition adjustment corresponds to the difference between the accumulated provision calculated under the previous "incurred loss" model and the current expected credit loss model. Changes to the accumulated provision for losses on loans and other exposures are summarized below.

Table D5: Accumulated provisions

In millions of U.S. dollars

	June 30, 2022				
	Loans outstanding	*Loan commitments*	*Debt relief under HIPC/MDRI*	*Other* [a]	*Total*
Accumulated provision, beginning of the fiscal year	$ 2,946	$ 1,054	$ 772	$ 120	$ 4,892
Provision, net - charge (release)	135	109	(5)	39	278
Loans written off under:					
HIPC/MDRI	-	-	(30) [b]	-	(30)
Translation adjustment	(205)	(81)	(30)	(4)	(320)
Accumulated provision, end of the fiscal year	$ 2,876	$ 1,082	$ 707	$ 155	$ 4,820
Including accumulated provision for losses on:					
Loans in accrual status	$ 2,641		$ 433		$ 3,074
Loans in nonaccrual status	235		274		509
Total	$ 2,876		$ 707		$ 3,583
Loans:					
Loans in accrual status					$ 177,224
Loans in nonaccrual status					867
Loans outstanding					$ 178,091

Table D5.1:

In millions of U.S. dollars

	June 30, 2021				
	Loans outstanding	*Loan commitments*	*Debt relief under HIPC/MDRI*	*Other* [a]	*Total*
Accumulated provision, beginning of the fiscal year	$ 2,829	$ -	$ 1,591	$ 72	$ 4,492
CECL transition adjustment	(59)	859	-	2	802
Adjusted accumulated provision at the beginning of the fiscal year	2,770	859	1,591	74	5,294
Provision, net - charge (release)	77	166	(828)	46	(539)
Loans written off under:					
HIPC/MDRI	-	-	(9) [b]	-	(9)
Translation adjustment	99	29	18	-	146
Accumulated provision, end of the fiscal year	$ 2,946	$ 1,054	$ 772	$ 120	$ 4,892
Including accumulated provision for losses on:					
Loans in accrual status	$ 2,692		$ 485		$ 3,177
Loans in nonaccrual status	254		287		541
Total	$ 2,946		$ 772		$ 3,718
Loans:					
Loans in accrual status					$ 180,572
Loans in nonaccrual status					932
Loans outstanding					$ 181,504

a. These amounts primarily relate to outstanding guarantees

b. Represents debt service reduction under HIPC

Accumulated Provision for Losses on:	Reported as: Balance Sheet	Reported as: Statement of Income
Loans Outstanding	Accumulated provision for loan losses	Provision for losses on loans and other exposures, release (charge)
Debt Relief under HIPC/MDRI	Accumulated provision for loan losses	Provision for losses on loans and other exposures, release (charge)
Loan commitments and Other Exposures	Other liabilities	Provision for losses on loans and other exposures, release (charge)

Loans to be written off under MDRI

During the fiscal years ended June 30, 2022 and June 30, 2021, there were no loans written off under the MDRI.

Overdue Amounts

IDA considers loans to be past due when a borrower fails to make payment on any principal, service charges or interest due to IDA on the dates provided in the contractual loan agreement. As of June 30, 2022, principal of $11 million and charges of $4 million payable to IDA from one borrower in accrual status were overdue by more than three months. These overdue installments have been subsequently received.

During the fiscal year ended June 30, 2021, Sudan paid all of their overdue principal and charges due to IDA. The outstanding loans remaining to Sudan were restored to accrual status having met conditions in accordance with IDA's policy.

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

Table D6: Loans in nonaccrual status
In millions of U.S. dollars

Borrower	*Nonaccrual since*	*Recorded investment* [a]	*Average recorded investment*	*Principal Outstanding*	*Provision for debt relief*	*Provision for loan losses* [b]	*Overdue amounts: Principal*	*Overdue amounts: Charges*
Eritrea	March 2012	$ 415	$ 434	$ 415	$ 274	$ 15	$ 111	$ 34
Syrian Arab Republic	June 2012	14	14	14	-	1	13	1
Zimbabwe	October 2000	438	459	438	-	219	302	66
Total - June 30, 2022		$ 867	$ 907	$ 867	$ 274	$ 235	$ 426	$ 101
Total - June 30, 2021		$ 932	$ 932	$ 932	$ 287	$ 254	$ 419	$ 102

a. A loan loss provision has been recorded against each of the loans in nonaccrual status.
b. Loan loss provisions are determined after taking into account accumulated provision for debt relief.

During the fiscal years ended June 30, 2022 and June 30, 2021, no new loans were placed into nonaccrual status.

Table D7: Service charge revenue not recognized

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2022	*2021*	*2020*
Service charge revenue not recognized as a result of loans being in nonaccrual status	$ 7	$ 7	$ 15

During the fiscal year ended June 30, 2022, service charge revenue recognized on loans in nonaccrual status was less than $1 million (Nil—fiscal year ended June 30, 2021 and less than $1 million—fiscal year ended June 30, 2020).

Guarantees

Guarantees of $2,507 million were outstanding as of June 30, 2022 ($2,513 million – June 30, 2021). This amount includes $638 million relating to the PSW ($484 million—June 30, 2021). The outstanding amount of guarantees represent the maximum potential undiscounted future payments that IDA could be required to make under these guarantees that is not included on the Balance Sheet. The guarantees issued by IDA have original maturities ranging between 3 and 22 years, and expire in decreasing amounts through 2043.

As of June 30, 2022, liabilities related to IDA's obligations under guarantees included the obligation to stand ready of $145 million ($138 million— June 30, 2021), and the accumulated provision for guarantee losses of $126 million ($109 million— June 30, 2021). These have been included in Other liabilities on the Balance Sheet.

During the fiscal years ended June 30, 2022 and June 30, 2021, no guarantees provided by IDA to sovereign or sub-sovereign borrowers were called. During the year ended June 30, 2022, less than $0.5 million of IDA-PSW Blended Finance Facility guarantees under the Small Loan Guarantee Program pursuant to the risk-sharing agreement between IDA and IFC were called (less than $0.5 million—fiscal year ended June 30, 2021).

Concentration Risk

Loan revenue comprises service charges and interest charges on outstanding loan balances. For the fiscal year ended June 30, 2022, loan revenue of $239 million and $237 million from two countries were each in excess of ten percent of total loan revenue.

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

Table D8: Loan revenue and outstanding balance by geographic region

In millions of U.S. dollars — *As of and for the fiscal years ended June 30,*

	2022		*2021*	
Region	*Service and Interest Charges* [b]	*Loans Outstanding*	*Service and Interest Charges* [b]	*Loans Outstanding*
South Asia	$ 727	$ 61,062	$ 676	$ 64,141
Eastern and Southern Africa	444	48,863	639	48,508
Western and Central Africa	376	36,232	330	34,786
East Asia and Pacific	233	18,912	230	20,460
Europe and Central Asia	114	7,435	114	7,821
Latin America and the Caribbean	48	3,317	42	3,267
Middle East and North Africa	20	2,220	20	2,511
Others [a]	1	50	1	10
Total	$ 1,963	$ 178,091	$ 2,052	$ 181,504

a. Represents loans under the PSW.

b. Excludes $3 million of interest rate swap expenses related to loan hedges ($2 million-June 30, 2021).

NOTE E—BORROWINGS

IDA's borrowings comprise CPL made by IDA members (carried at amortized cost) and market borrowings (carried at amortized cost or fair value as described in Note A).

CPL 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 reported at amortized cost, and as of June 30, 2022, have original maturities of 25 and 40 years, with the final maturity in 2062. This does not include the proceeds received under the grant component of the CPL, included in equity for which voting rights have been attributed.

Market borrowings are unsecured and unsubordinated debt in a variety of currencies. Some of these instruments are callable. IDA has elected the fair value option for certain instruments. Overall market borrowings have original maturities that range from 24 days to 20 years, with the final maturity in 2042.

IDA uses derivative contracts to manage the currency risk as well as the interest rate risk in the market borrowing portfolio. For example, IDA may enter into derivative transactions to convert fixed rate bonds into floating rate instruments. For details regarding the derivatives used in the borrowing portfolio, see Note F—Derivative Instruments.

As of June 30, 2022, instruments in IDA's borrowing portfolio measured at fair value were classified as Level 2, within the fair value hierarchy. A summary of IDA's borrowings are as follows (for details on principal due upon maturity, see Note K—Fair Value Disclosures):

Table E1: Market borrowings outstanding, at fair value, after derivatives

In millions of U.S. dollars

	June 30, 2022	*June 30, 2021*
Market borrowings	$ 19,718	$ 20,555
Currency swaps, net	547	(97)
Interest rate swaps, net	1,586	118
Total at fair value	$ 21,851	$ 20,576

Table E2: Market borrowings outstanding, at amortized cost

In millions of U.S dollars

	Principal at face value	*Net unamortized premium (discount)*	*Total*
June 30, 2022	$ 6,240	$ (39)	$ 6,201
June 30, 2021	$ -	$ -	$ -

Table E3: Concessional partner loans outstanding, at amortized cost

In millions of U.S dollars

	Principal at face value	*Net unamortized discount*	*Total*
June 30, 2022	$ 8,508	$ (1,528)	$ 6,980
June 30, 2021	$ 9,495	$ (1,736)	$ 7,759

The following table provides a summary of the interest rate characteristics of IDA's borrowings:

Table E4: Borrowings-Interest rate composition before derivatives

In millions of U.S. dollars

	June 30, 2022	WAC [a] (%)	June 30, 2021	WAC [a] (%)
Fixed	$ 34,679	1.17 %	$ 28,404	0.99 %
Variable	-	-	-	-
Borrowings [b]	$ 34,679	1.17 %	$ 28,404	0.99 %
Fair Value Adjustment	(1,780)		(90)	
Total Borrowings	$ 32,899		$ 28,314	

a. WAC refers to weighted average borrowing cost as of the reporting date.

b. At amortized cost.

The currency composition of debt in IDA's borrowing portfolio before derivatives was as follows:

Table E5: Borrowings-Currency composition before derivatives

	June 30, 2022	June 30, 2021
Euro	30 %	18 %
Japanese yen	9	14
Pound sterling	18	17
U.S. dollar	40	49
Others	3	2
	100 %	100 %

The maturity structure of IDA's borrowings outstanding was as follows:

Table E6: Borrowings-Maturity structure

In millions of U.S. dollars

Period	June 30, 2022	June 30, 2021
Less than 1 year	$ 5,677	$ 4,724
1 - 2 years	135	1,713
2 - 3 years	2,331	146
3 - 4 years	3,847	2,837
4 - 5 years	2,667	4,154
Thereafter	19,809	16,476
Total [a]	$ 34,466	$ 30,050

a. For June 30, 2022, total includes net unamortized discount of $1,528 million ($1,736 million—June 30, 2021) for CPL and $39 million (Nil—June 30, 2021) for market borrowings at amortized cost.

The following table provides information on the unrealized mark-to-market gains or losses on market borrowings recorded at fair value included in the Statement of Income:

Table E7: Unrealized mark-to-market gains or losses relating to market borrowings recorded at fair value

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
Reported as	2022	2021	2020
Unrealized mark-to-market gains (losses) on non-trading portfolios, net	$ 1,713	$ 318	$ (106)

NOTE F—DERIVATIVE INSTRUMENTS

IDA uses derivative instruments in its investment, loan and borrowing portfolios, 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.

Table F1: Use of derivatives in various financial portfolios

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

The derivatives in the related tables of Note F are presented on a net basis by instrument. A reconciliation to the Balance Sheet presentation is shown in table F2.

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 a default by the counterparty.

The following tables summarize the gross and net derivative positions by instrument type. Instruments that are in a net asset position are included in the Derivative Assets columns and instruments that are in a net liability position are included in the Derivative Liabilities columns. The gross columns represent the fair value of the instrument leg that is in an asset or liability position that are then netted with the other leg of the instrument in the gross offset columns. The effects of the master netting agreements are applied on a aggregate basis to the total derivative asset and liability positions and are presented net of any cash collateral received on the Balance Sheet. The net derivative asset positions in the tables below have been further reduced by any securities received as collateral to disclose IDA's net exposure on its derivative asset positions.

Table F2: Derivatives assets and liabilities before and after netting adjustments

In millions of U.S. dollars

	June 30, 2022					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts	*Gross Amounts Offset*	*Net Amounts*	*Gross Amounts*	*Gross Amounts Offset*	*Net Amounts*
Interest rate swaps	$ 3,267	$ (1,678)	$ 1,589	$ 2,321	$ (727)	$ 1,594
Currency swaps [a]	16,624	(15,355)	1,269	6,569	(5,918)	651
Total	$ 19,891	$ (17,033)	$ 2,858	$ 8,890	$ (6,645)	$ 2,245
Less:						
Amounts subject to legally enforceable master netting agreements			$ 1,682 [b]			$ 1,666 [c]
Cash collateral received			772			
Net derivative positions on the Balance Sheet	`		$ 404			$ 579
Less:						
Securities collateral received			-			
Net derivative exposure after collateral			$ 404			

Table F2.1

In millions of U.S. dollars

	June 30, 2021					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts	*Gross Amounts Offset*	*Net Amounts*	*Gross Amounts*	*Gross Amounts Offset*	*Net Amounts*
Interest rate swaps	$ 1,105	$ (912)	$ 193	$ 1,886	$ (1,577)	$ 309
Currency swaps [a]	15,691	(15,231)	460	14,956	(14,449)	507
Total	$ 16,796	$ (16,143)	$ 653	$ 16,842	$ (16,026)	$ 816
Less:						
Amounts subject to legally enforceable master netting agreements			$ 404 [b]			$ 408 [c]
Cash collateral received			-			
Net derivative positions on the Balance Sheet			249			408
Less:						
Securities collateral received			-			
Net derivative exposure after collateral			$ 249			

a. Includes currency forward contracts.

b. Includes $35 million CVA adjustment ($2 million-June 30, 2021).

c. Includes $19 million DVA adjustment ($6 million-June 30, 2021).

The following table provides information about the credit risk exposures, at the instrument level, of IDA's derivative instruments.

Table F3: Credit risk exposure of the derivative instruments:

In millions of U.S. dollars

	June 30, 2022		
	Interest rate swaps	*Currency swaps (including currency forward contracts)*	*Total*
Investments - Trading	$ 2	$ 306	$ 308
Asset/liability management	1,513	963	2,476
Borrowings	2	-	2
Other [a]	72	-	72
Total Exposure	$ 1,589	$ 1,269	$ 2,858

Table F3.1

In millions of U.S. dollars

	June 30, 2021		
	Interest rate swaps	*Currency swaps (including currency forward contracts)*	*Total*
Investments - Trading	$ -	$ 167	$ 167
Asset/liability management	78	176	254
Borrowings	103	111	214
Other [a]	12	6	18
Total Exposure	$ 193	$ 460	$ 653

a. Includes derivatives related to loans and PSW.

The volume of derivative contracts is measured using the U.S. dollar equivalent notional balance. The notional balance represents the face value or reference value on which the calculations of payments on the derivative instrument are determined. As of June 30, 2022, the notional amounts of IDA's derivative contracts outstanding were as follows: interest rate swaps $33,267 million ($33,432 million as of June 30, 2021), currency swaps $23,120 million ($30,349 million as of June 30, 2021). There were no long or short positions of other derivatives as of June 30, 2022 (Nil— June 30, 2021).

Collateral: IDA is not required to post collateral under its derivative agreements as long as it maintains a triple-A credit rating. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position as of June 30, 2022 is $586 million ($414 million —June 30, 2021). As of June 30, 2022, IDA was not required to post any collateral in accordance with the relevant agreements.

If the credit-risk related contingent features underlying these agreements were triggered to the extent that IDA would be required to post collateral as of June 30, 2022, the amount of collateral that would need to be posted would be $41 million ($25 million—June 30, 2021). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of $586 million as of June 30, 2022 ($414 million—June 30, 2021).

The gains and losses on the non-trading derivatives, by instrument type and their location in the Statement of Income are as follows:

Table F4: Unrealized mark-to-market gains or losses on non-trading derivatives
In millions of U.S. dollars

		Fiscal Year Ended June 30,		
Type of instrument	*Reported as*	*2022*	*2021*	*2020*
Interest rate swaps	Unrealized mark-to-market (losses) gains on Non-Trading portfolios, net	80	898	(996)
Currency forward contracts and currency swaps		(293)	(101)	385
Total		$ (213)	$ 797	$ (611)

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 IDA's investment trading portfolio (derivative and non-derivative instruments), and their location in the Statement of Income:

Table F5: Unrealized mark-to-market gains or losses on Investments-Trading portfolio
In millions of U.S. dollars

		Fiscal Year Ended June 30,		
Type of instrument [a]	*Reported as*	*2022*	*2021*	*2020*
Fixed income (including related derivatives)	Unrealized mark-to-market (losses) gains on Investments-Trading portfolio, net	$ (104)	$ 144	$ 207

a. Amounts associated with each type of instrument includes gains and losses on both derivative instruments and non-derivative instruments.

NOTE G—TRANSACTIONS WITH AFFILIATED ORGANIZATIONS

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

On October 14, 2021, IBRD's Board of Governors approved a transfer of $274 million to IDA. This transfer was received on October 25, 2021.

Transfers and Grants

Cumulative transfers and grants made to IDA as of June 30, 2022 were $20,476 million ($20,202 million—June 30, 2021). Details by transferor are as follows:

Table G1: Transfers and grants
In millions of U.S. dollars

Transfers from	*Beginning of the fiscal year*	*Transfers during the fiscal year*	*End of the fiscal year*
Total	$ 20,202	$ 274	$ 20,476
Of which transfers from:			
IBRD	16,087	274	16,361
IFC	3,885	-	3,885

Receivables and Payables

The total amounts receivable from (payable to) affiliated organizations is comprised of the following:

Table G2: IDA's receivables and payables with affiliated organizations

In millions of U.S. dollars

	June 30, 2022			June 30, 2021		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services, net [a]	$ (174)	$ -	$ (174)	$ (268)	$ -	$ (268)
Derivative (liabilities)/assets, net	(8)	(9)	(17)	(8)	4	(4)
PSW-Blended Finance Facility [b]	-	54	54	-	41	41
Pension and Other Postretirement Benefits	602	-	602	572	-	572
Investments	-	346	346	-	487	487
	$ 420	$ 391	$ 811	$ 296	$ 532	$ 828

a. Includes receivable of $404 million for the fiscal year ended June 30, 2022 ($293 million-June 30, 2021) 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.

b. Refer to Table G4: Summary of PSW-related transactions.

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

Receivables / Payables related to:	Reported as:
Receivable for pension and other postretirement benefits	Receivable from affiliated organization
Net receivables (payables) for derivative transactions	Derivative assets/liabilities, net
Payable for administrative services [a]	Payable to affiliated organization
Receivable for PSW – Blended Finance Facility	Other Assets
Receivable for Investments	Investments

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 Balance Sheet.

Administrative Services

The payable to IBRD represents IDA's share of joint administrative expenses, including contributions to special programs and IDA's share of investments associated with PCRF, net of other revenue jointly earned. The allocation of expenses is based upon an agreed cost sharing formula, and amounts are settled quarterly.

During the fiscal year ended June 30, 2022, IDA's share of joint administrative expenses and contributions to special programs totaled $1,644 million ($1,873 million—fiscal year ended June 30, 2021 and $1,824 million—fiscal year ended June 30, 2020). This amount excludes IDA-executed trust fund expenses of $613 million ($553 million—fiscal year ended June 30, 2021 and $586 million—fiscal year ended June 30, 2020).

Other revenue

IDA's share of other revenue jointly earned with IBRD during the fiscal year ended June 30, 2022 totaled $252 million ($261 million—fiscal year ended June 30, 2021 and $316 million—fiscal year ended June 30, 2020). This amount excludes IDA-executed trust fund revenue of $613 million ($553 million—fiscal year ended June 30, 2021 and $586 million—fiscal year ended June 30, 2020).

The amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue in the Statement of Income, as follows:

Table G3: Fee revenue from affiliated organizations

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2022	2021	2020
Fees charged to IFC	$ 84	$ 77	$ 80
Fees charged to MIGA	5	5	5

Pension and Other Postretirement Benefits

The staff of IBRD perform functions for both IBRD and IDA, but all staff compensation is paid directly by IBRD. Accordingly, a portion of IBRD's staff and associated administrative costs is allocated to IDA based on an agreed cost sharing ratio using various indicators. The methodology for computing this share ratio is approved by the Executive Directors for both institutions.

IBRD, along with IFC and MIGA, sponsors a defined benefit Staff Retirement Plan and Trust (SRP), the Retired Staff Benefits Plan and Trust (RSBP) and the Post-Employment Benefits Plan (PEBP) that cover substantially all of their staff members.

The SRP provides regular defined pension benefits and also includes a cash balance component. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

June 30 is used as the measurement date for these pension and other postretirement benefit plans. All costs, assets and liabilities associated with these plans are allocated between IBRD, IFC, and MIGA based upon their employees' respective participation in the plans.

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. During the fiscal year ended June 30, 2022, IDA's share of IBRD's costs relating to all the three plans totaled $191 million ($494 million—fiscal year ended June 30, 2021 and $357 million—fiscal year ended June 30, 2020).

The receivable from IBRD represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and PEBP assets. These will be realized over the lives of the plan participants.

The cost of any potential future liability arising from these plans would be shared by IBRD and IDA using the applicable share ratio. As of June 30, 2022, the SRP and the RSBP were overfunded by $1,914 million and $395 million, respectively. The PEBP, after reflecting IBRD and IDA's share of assets which are included in IBRD's investment portfolio of $1,791 million, was underfunded by $316 million.

Derivative transactions

IDA enters into currency forward contracts with IBRD acting as the intermediary with the market, primarily to 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 – Non-trading

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 3 years. As of June 30, 2022, the principal amount due on the debt security was $358 million ($472 million—June 30, 2021), and it had a fair value of $346 million ($487 million—June 30, 2021). The investment is reported under Investments on the Balance Sheet. During the fiscal year ended June 30, 2022, IDA recognized interest income of $8 million from this investment ($10 million— fiscal year ended June 30, 2021 and $12 million— fiscal year ended June 30, 2020).

Private Sector Window

The PSW was created under the Eighteenth Replenishment of IDA's Resources (IDA18), which became effective beginning fiscal year ended June 30, 2018, to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected States. In IDA18, PSW allocation, net of cancellation, was $1.3 billion which was fully committed. The PSW continued under IDA's Nineteenth Replenishment of Resources (IDA19), which became effective beginning fiscal year ending June 30, 2021, with an initial allocation set at $2.5 billion which was revised to $1.7 billion. Under the fee arrangement for the PSW, IDA receives fee income for transactions executed under this window and reimburses IFC and MIGA for the related costs incurred in administering these transactions.

The following tables provide a summary of all PSW related transactions under which IDA had an exposure as of June 30, 2022:

Table G4: Summary of PSW related transactions

In millions of U.S. dollars

Facility	Notional	Net Asset/ (Liability) position	Description	Location on the Balance Sheet
Local Currency Facility	$ 132	$ (9)	Currency swaps with IFC to support local currency denominated loans	Derivative assets/ liabilities, net

In millions of U.S. dollars

Facility	Exposure	Accumulated Provision	Description	Location on the Balance Sheet: Exposure	Location on the Balance Sheet: Accumulated Provision
MIGA Guarantee Facility	$ 272	$ 37	Expanding the coverage of MIGA Political Risk Insurance (PRI) products through shared first-loss or risk participation similar to reinsurance	Off Balance Sheet item	Other liabilities
Blended Finance Facility	$ 366	$ 55	Sharing the coverage of IFC programs through shared first loss	Off Balance Sheet item	Other liabilities
	54	Not applicable	Funding for IFC's PSW equity investments	Other assets	
	50	7	Concessional senior & sub-ordinated loans to support medium term projects	Loans outstanding	Accumulated Provision for Loan Losses

NOTE H—TRUST FUNDS ADMINISTRATION

IDA, alone or jointly with one or more of its affiliated organizations, administers on behalf of the donors, including members, their agencies and other entities, funds restricted for specific uses in accordance with administration agreements with the donors. Specified uses of the funds include, among others, co-financing of IDA lending projects, debt reduction operations for IDA members, technical assistance for borrowers including feasibility studies and project preparation, global and regional programs, and research and training programs. These funds are held in trust by IDA and/or IBRD, and are held in a separate investment portfolio which is not commingled with IDA and/or IBRD funds.

Trust fund execution may be carried out in one of two ways: Recipient-executed or IDA-executed.

Recipient-executed trust funds involve activities carried out by a recipient third-party executing agency. IDA enters into agreements with and disburses funds to such recipients, who then exercise spending authority to meet the objectives and comply with terms stipulated in the agreements.

IDA-executed trust funds involve execution of activities by IDA as described in relevant administration agreements with donors, which define the terms and conditions for use of the funds. Spending authority is exercised by IDA, under the terms of the administration agreements. The executing agency services provided by IDA include, among others, activity preparation, analytical and advisory activities and project-related activities, including procurement of goods and services.

The following table summarizes the expenses pertaining to IDA-executed trust funds:

Table H1: Expenses pertaining to IDA-executed trust funds

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2022	*2021*	*2020*
IDA-executed trust funds expenses	$ 613	$ 553	$ 586

These amounts are included in Administrative expenses and the corresponding revenue is included in Revenue from externally funded activities in the Statement of Income. Administrative expenses primarily relate to staff cost, travel and consultant fees.

The following table summarizes undisbursed contributions made by third party donors to IDA-executed trust funds, recognized on the Balance Sheet:

Table H2: Undisbursed contributions made by third party donors to IDA-executed trust funds

In millions of U.S. dollars

	June 30, 2022	*June 30, 2021*
IDA-executed trust funds	$ 707	$ 749

These amounts are included in Other Assets and the corresponding liabilities are included in Accounts payable and miscellaneous liabilities on the Balance Sheet.

Revenues

IDA's revenues for the administration of trust fund operations were as follows:

Table H3: IDA's revenues for the administration of trust fund operations

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2022	*2021*	*2020*
Revenues	$ 43	$ 38	$ 41

These amounts are included in Other non-interest revenue in the Statement of Income.

Amounts collected from donor contributions for administration activities, but not yet earned, totaling $67 million at June 30, 2022 ($70 million—June 30, 2021) are included in Other Assets and in Accounts payable and miscellaneous liabilities, respectively, on the Balance Sheet.

Transfers Received

Under the agreements governing the administration of certain trust funds, IDA may receive any surplus assets as transfers upon the termination of these trust funds. In addition, as loans are repaid to trust funds, in certain cases the repayments are transferred to IDA. During the fiscal year ended June 30, 2022, no funds were recorded as Transfers from affiliated organizations and others, under these arrangements (Nil—fiscal year ended June 30, 2021 and Nil—fiscal year ended June 30, 2020).

NOTE I—DEVELOPMENT GRANTS

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

Table I1: Grants payable

In millions of U.S. dollars

	June 30, 2022		June 30, 2021	
Balance, beginning of the fiscal year	$	6,820	$	9,141
Disbursement (including PPA grant activity)[a]		(1,659)		(2,417)
Cancellations		(149)		(235)
Translation adjustment		(397)		331
Balance, end of the fiscal year	$	4,615	$	6,820

a. Project Preparation Advances (PPA).

A summary of the development grant expenses is presented below:

Table I2: Grant activity

In millions of U.S dollars

	Fiscal Year Ended June 30,			
	2022		2021	
Conditional development grants disbursed [a]	$	3,736	$	3,829
Cancellation of unconditional grants		(149)		(235)
Disbursement of grant advances not yet expensed [b]		(1,949)		(1,033)
Grant advances meeting expense condition [c]		734		269
Grant Expenses	$	2,372	$	2,830
Grants Approved	$	13,083	$	12,192

a. Disbursements of conditional grants approved on or after July 1, 2019

b. Disbursements made over the period for which the expense recognition criteria has not yet been met.

c. Prior disbursement of grant advances meeting the criteria to be expensed over the period.

As of June 30, 2022, the cumulative amount of conditional grants approved but not yet expensed was $24,384 million. Out of which, the outstanding amount of conditional grant advances disbursed but not yet expensed, totaling $2,189 million at June 30, 2022 ($974 million – June 30, 2021), are included in Other assets on the Balance Sheet.

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). Other comprehensive income (loss) is comprised of currency translation adjustments on functional currencies and DVA on fair value option elected liabilities. These items are presented in the Statement of Comprehensive Income.

The following table presents the changes in Accumulated Other Comprehensive (Loss) Income (AOCI) balances:

Table J1: Changes in accumulated other comprehensive income (loss)

In millions of U.S. dollars

	Fiscal Year Ended June 30,					
	2022		2021		2020	
Balance, beginning of the fiscal year	$	1,656	$	(3,927)	$	(2,408)
Currency translation adjustments on functional currencies		(10,851)		5,647		(1,526)
DVA on fair value option elected liabilities		43		(64)		7
Balance, end of the fiscal year	$	(9,152)	$	1,656	$	(3,927)

NOTE K—FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of June 30, 2022, and June 30, 2021, IDA had no financial assets or liabilities measured at fair value on a non–recurring basis.

Due from Banks

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

Loans and loan commitments

There were no loans carried at fair value as of June 30, 2022 and June 30, 2021. IDA's loans and loan commitments would be classified as Level 3 within the fair value hierarchy.

Summarized below are the techniques applied in determining the fair values of IDA's financial instruments.

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 observable market inputs such as yield curves, credit spreads, and constant prepayment spreads. Where applicable, unobservable inputs such as conditional 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.

Borrowings

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

As of June 30, 2022, and June 30, 2021, borrowings measured at amortized cost would be classified as Level 2 within the fair value hierarchy.

Derivative instruments

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

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

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

Valuation adjustments on fair value option elected liabilities

The DVA on fair value option elected liabilities (market borrowings carried at fair value) is measured by revaluing each liability to determine the changes in fair value of that liability arising from changes in IDA's cost of funding applicable to the relevant reference rates.

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

Table K1: Fair value and carrying amounts of financial assets and liabilities

In millions of U.S dollars

	June 30, 2022		*June 30, 2021*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from banks	$ 686	$ 686	$ 496	$ 496
Investments (including securities transferred under repurchase or securities lending agreements)	39,827	39,827	37,376	37,376
Net loans outstanding	174,490	141,193	177,779	164,606
Derivative assets, net	404	404	249	249
Liabilities				
Borrowings				
Market borrowings, at fair value	19,718	19,718	20,555	20,555
Market borrowings, at amortized cost	6,201	5,073	-	-
Concessional partner loans	6,980	7,123	7,759	9,516
Derivative liabilities, net	579	579	408	408

As of June 30, 2022, IDA's signed loan commitments were $61.8 billion ($60.8 billion – June 30, 2021) and had a fair value of $(8.2) billion ($(5.4) billion - June 30, 2021).

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

Table K2: Fair value hierarchy of IDA's assets and liabilities

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 7,699	$ 16,203	$ -	$ 23,902
Time deposits	569	14,842	-	15,411
ABS	-	168	-	168
Total Investments—Trading	8,268	31,213	-	39,481
Investments—Non-trading (at fair value)	-	346	-	346
Total Investments	$ 8,268	$ 31,559	$ -	$ 39,827
Derivative assets:				
Currency swaps and currency forward contracts	$ -	$ 1,269	$ -	$ 1,269
Interest rate swaps	-	1,589	-	1,589
	$ -	$ 2,858	$ -	$ 2,858
Less:				
Amounts subject to legally enforceable master netting agreements [a]				1,682
Cash collateral received				772
Derivative assets, net				$ 404
Liabilities:				
Market Borrowings, at fair value	$ -	$ 19,718	$ -	$ 19,718
Derivative liabilities:				
Currency swaps and currency forward contracts	$ -	$ 651	$ -	$ 651
Interest rate swaps	-	1,594	-	1,594
	$ -	$ 2,245	$ -	$ 2,245
Less:				
Amounts subject to legally enforceable master netting agreements [b]				1,666
Derivative liabilities, net				$ 579

a. Includes $35 million CVA.

b. Includes $19 million DVA.

Table K2.1

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments—Trading				
Government and agency obligations	$ 7,852	$ 17,425	$ -	$ 25,277
Time deposits	728	10,732	-	11,460
ABS	-	152	-	152
Total Investments—Trading	8,580	28,309	-	36,889
Investments—Non-trading (at fair value)	-	487	-	487
Total Investments	$ 8,580	$ 28,796	$ -	$ 37,376
Derivative assets:				
Currency swaps and currency forward contracts	$ -	$ 460	$ -	$ 460
Interest rate swaps	-	193	-	193
	$ -	$ 653	$ -	$ 653
Less:				
Amounts subject to legally enforceable master netting agreements [a]				404
Cash collateral received				-
Derivative assets, net				$ 249
Liabilities:				
Market Borrowings	$ -	$ 20,555	$ -	$ 20,555
Derivative liabilities:				
Currency swaps and currency forward contracts	$ -	$ 507	$ -	$ 507
Interest rate swaps	-	309	-	309
	$ -	$ 816	$ -	$ 816
Less:				
Amounts subject to legally enforceable master netting agreements [b]				408
Derivative liabilities, net				$ 408

a. Includes $2 million CVA.

b. Includes $6 million DVA.

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

Table K3: Investment portfolio-Non-trading securities

In millions of U.S dollars

	Fair value	*Principal amount due*	*Difference*
June 30, 2022	$ 346	$ 358	$ (12)
June 30, 2021	$ 487	$ 472	$ 15

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

Table K4: Market Borrowings-Fair value and contractual principal balance

In millions of U.S. dollars

	Fair Value	*Principal Due Upon Maturity*	*Difference*
June 30, 2022	$ 19,718	$ 21,506	$ (1,788)
June 30, 2021	$ 20,555	$ 20,659	$ (104)

Valuation adjustments on fair value option elected liabilities

During the fiscal year ended June 30, 2022, IDA recorded unrealized mark-to-market gain of $43 million ($64 million unrealized mark-to-market loss – fiscal year ended June 30, 2021) in Other Comprehensive Income, in relation to the changes in its own credit (DVA) on fair value option elected liabilities (market borrowings carried at fair value).

As of June 30, 2022, IDA's Balance Sheet included a DVA of $13 million cumulative loss ($56 million cumulative loss—June 30, 2021) in Accumulated other comprehensive income, associated with the changes in IDA's own credit for its market borrowings reported at fair value.

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

Table K5: Unrealized mark-to-market gains (losses) on trading and non-trading portfolios, net
In millions of U.S. dollars

	Fiscal Year Ended June 30, 2022		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments- Trading—Note F	$ 407	$ (511)	$ (104)
Non-trading portfolios, net			
Asset-liability management—Note F	-	1,441	1,441
Other Non-trading portfolios			
Investment portfolio—Note C	-	(26)	(26)
Borrowing portfolio—Note E	-	(2)	(2)
Other [b]	-	61	61
Total	$ -	$ 1,474	$ 1,474

Table K5.1:
In millions of U.S. dollars

	Fiscal Year Ended June 30, 2021		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments- Trading—Note F	$ 185	$ (41)	$ 144
Non-trading portfolios, net			
Asset-liability management—Note F	-	1,080	1,080
Other Non-trading portfolios			
Investment portfolio—Note C	-	(12)	(12)
Borrowing portfolio—Note E	-	15	15
Other [b]	-	19	19
Total	$ -	$ 1,102	$ 1,102

Table K5.2:
In millions of U.S. dollars

	Fiscal Year Ended June 30, 2020		
	Realized gains (losses)	*Unrealized gains (losses) excluding realized amounts* [a]	*Unrealized gains (losses)*
Investments- Trading—Note F	$ 207	$ -	$ 207
Non-trading portfolios, net			
Asset-liability management—Note F	-	(699)	(699)
Other Non-trading portfolios			
Investment portfolio—Note C	-	29	29
Borrowing portfolio—Note E	-	(13)	(13)
Other [b]	-	(5)	(5)
Total	$ -	$ (688)	$ (688)

a. Adjusted to exclude amounts reclassified to realized gains/losses.
b. Other comprises mark to market gains or losses on the loan portfolio and on PSW.

NOTE L—CONTINGENCIES

Due to the ongoing COVID-19 pandemic, IDA faces additional credit, market, and operational risks. The length and severity of the pandemic and the related developments, as well as the impact on the financial results and position of IDA in future periods cannot be reasonably estimated at this point in time and continue to evolve. IDA continues to monitor the developments and to manage the risks associated with its various portfolios within existing financial policies and limits.

From time to time, IDA may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. The outcome of any existing legal action, in which IDA has been named as a defendant or co-defendant, as of and for the fiscal year ended June 30, 2022, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.