

Annual Report 2023



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

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

Management's Discussion & Analysis and Financial Statements (Fiscal 2023)

June 30, 2023

International Bank for Reconstruction and Development



Management's Discussion & Analysis and Financial Statements June 30, 2023

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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, 2023 (FY23). 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, 2022 as compared to the year ended June 30, 2021, see Section III – Financial Results in IBRD's MD&A and Financial Statements for the fiscal year ended June 30, 2022.

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		
	2023	2022	2021
Lending Highlights (Section IV)			
Net commitments ^a	\$ 38,572	\$ 33,072	\$ 30,523
Gross disbursements	25,504	28,168	23,691
Net disbursements	12,736	14,876	13,590
Income Statement (Section III)			
Board of Governors-approved and other transfers	\$ (221)	\$ (354)	\$ (411)
Net income	1,144	3,990	2,039
Balance Sheet (Section III)			
Total assets	\$ 332,641	\$ 317,542	\$ 317,301
Net investment portfolio ^b	79,195	82,057	85,831
Net loans outstanding	241,041	227,092	218,799
Borrowing portfolio ^c	266,828	256,909	253,656
Total equity	60,382	55,320	48,078
Non-GAAP Measures:			
Allocable Income (Section III)			
Allocable income	\$ 1,312	\$ 806	\$ 1,248
Allocated as follows:			
General Reserve ^d	921	589	874
International Development Association	291	117	274
Surplus	100	100	100
Usable Equity ^{e f} (Section VIII)	\$ 53,105	\$ 50,481	\$ 49,997
Equity-to-Loans ratio ^g (See Section IX)	22.0 %	22.0 %	22.6 %

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. For the composition of the net investment portfolio, see Notes to the Financial Statements, Note C - Investments - Table C3.

c. Includes associated derivatives.

d. The June 30, 2023 amount represents the transfer to the General Reserve from FY23 net income, which was approved by the Board on August 3, 2023.

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

f. Usable Equity includes the transfer to the General Reserve from FY23 net income, which was approved by the Board on August 3, 2023. See Table 27: Usable Equity.

g. As defined in Table 28: Equity-to-Loans Ratio.

Section I: Executive Summary

With its many years of experience and its depth of knowledge in international development, IBRD plays a key role in achieving the World Bank Group's (WBG¹) goal of helping countries achieve better development outcomes, by providing countries with loans, guarantees, advisory services, analytical support and other products.

IBRD and its affiliated organizations seek to help countries in reducing poverty and inequality, achieve improvements in growth, job creation, governance, the environment, climate adaptation, mitigation and resilience, human capital, infrastructure and debt transparency, among others. To meet its development goals, the WBG supports client countries' efforts to implement programs to improve growth and development outcomes. Further, new and ongoing challenges continue to influence the global outlook. These include high inflation, the rise in food insecurity, growing inequality, global fragility, pandemic risk, Russia's invasion of Ukraine and other geopolitical events, rising debt, climate change, 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. To further support these efforts, the Board and Management have been working on an Evolution Roadmap for the WBG to better address the scale of development challenges by adapting the WBG's vision and mission, strengthening its operating model, and enhancing its financial capacity and model. Management is in the process of advancing agreed actions and developing further proposals, including efforts to expand crisis preparedness, response and recovery and increase private finance mobilization, with particular efforts to scale investment in emerging markets. In addition, as a part of increasing IBRD's financing capacity, in April 2023, the Board approved a reduction in the policy minimum Equity-to-Loans ratio from 20% to 19% and a pilot program for issuing up to \$1 billion of Hybrid Capital to capital market investors.

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.

Summary Financial Results

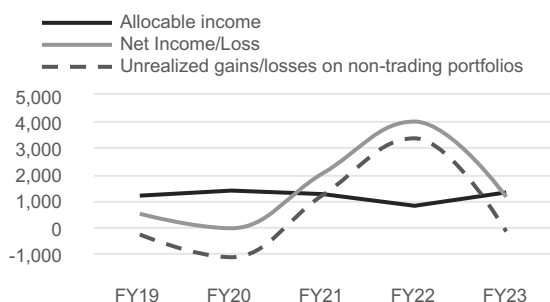
Net Income

IBRD recorded net income of \$1,144 million for the fiscal year ended June 30, 2023, a decrease of \$2,846 million, compared with net income of \$3,990 million for the fiscal year ended June 30, 2022. The decrease in FY23 was primarily due to unrealized mark-to-market losses on IBRD’s non-trading portfolios in FY23, compared to unrealized mark-to-market gains in FY22, partially offset by higher net loan interest revenue. 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, 2023, allocable income was \$1,312 million, compared with \$806 million for the fiscal year ended June 30, 2022. The increase in allocable income was mainly due to higher net revenue on interest earning assets, primarily reflecting the increase in the average balance of loans outstanding and the impact from the increase in interest rates during the year.

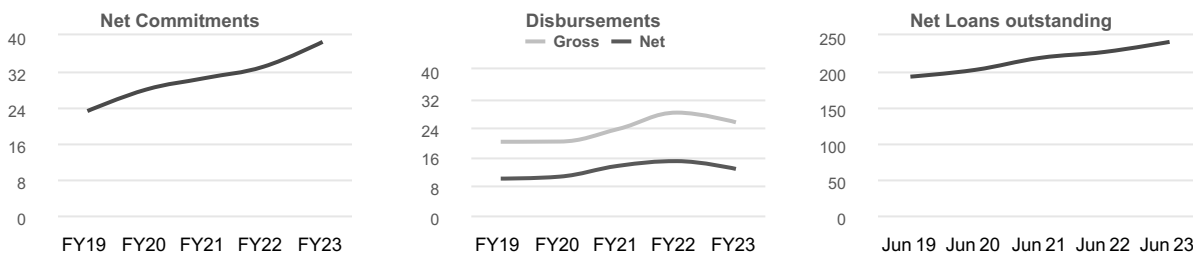
In millions of U.S. dollars



Lending Operations

IBRD’s lending operations during the fiscal year ended June 30, 2023 provided \$38.6 billion of net commitments, and \$25.5 billion of gross loan disbursements. Net disbursements of \$12.7 billion were the key driver for the increase in net loans outstanding, from \$227.1 billion as of June 30, 2022, to \$241.0 billion as of June 30, 2023.

In billions of U.S. dollars

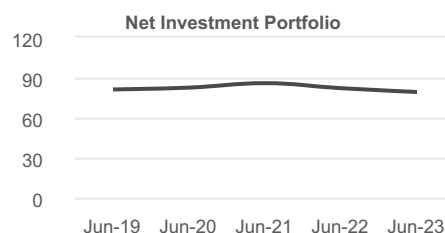


Net commitments were \$5.5 billion higher compared with FY22 (Table 8). The regions with the largest share of commitments during FY23 were Europe and Central Asia and Latin America and the Caribbean with 26% each.

Net Investment Portfolio

IBRD’s net investment portfolio decreased by \$2.9 billion, from \$82.1 billion as of June 30, 2022, to \$79.2 billion as of June 30, 2023. The decrease was primarily due to net loan disbursements that were higher than net debt issuances during the year and is consistent with the lower target liquidity level in FY23, compared to FY22. The investments remain concentrated in the upper end of the credit spectrum, with 79% rated AA or above (Table 29), reflecting IBRD’s objective of principal protection and its preference for high-quality investments.

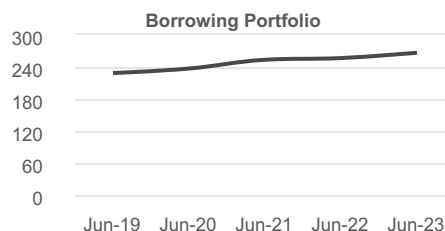
In billions of U.S. dollars



Borrowing Portfolio

As of June 30, 2023, the borrowings portfolio was \$266.8 billion, \$9.9 billion higher than June 30, 2022. The increase was mainly due to net new debt issuances that financed development and lending operations and satisfied liquidity requirements.

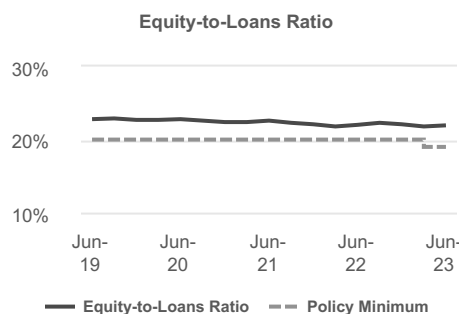
In billions of U.S. dollars



Equity-to-Loans Ratio

The Equity-to-Loans ratio was 22.0% as of June 30, 2023, unchanged from June 30, 2022, and above the policy minimum of 19%. 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.

Ratio in percentages



In FY23, 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 \$5.4 billion, representing 72% of the total amount expected over the subscription period. In May 2023, the Board approved the extension of the subscription period for the GCI and SCI from October 1, 2023 to October 1, 2025.

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 is derived 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 on 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, flagship events and fora to address the most pressing global development challenges.

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 through 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 middle income and creditworthy low-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, in multiple currencies on variable spread terms. Previously, loans on fixed spread terms were also available to borrowers. 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, catastrophe derivatives, 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.

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.

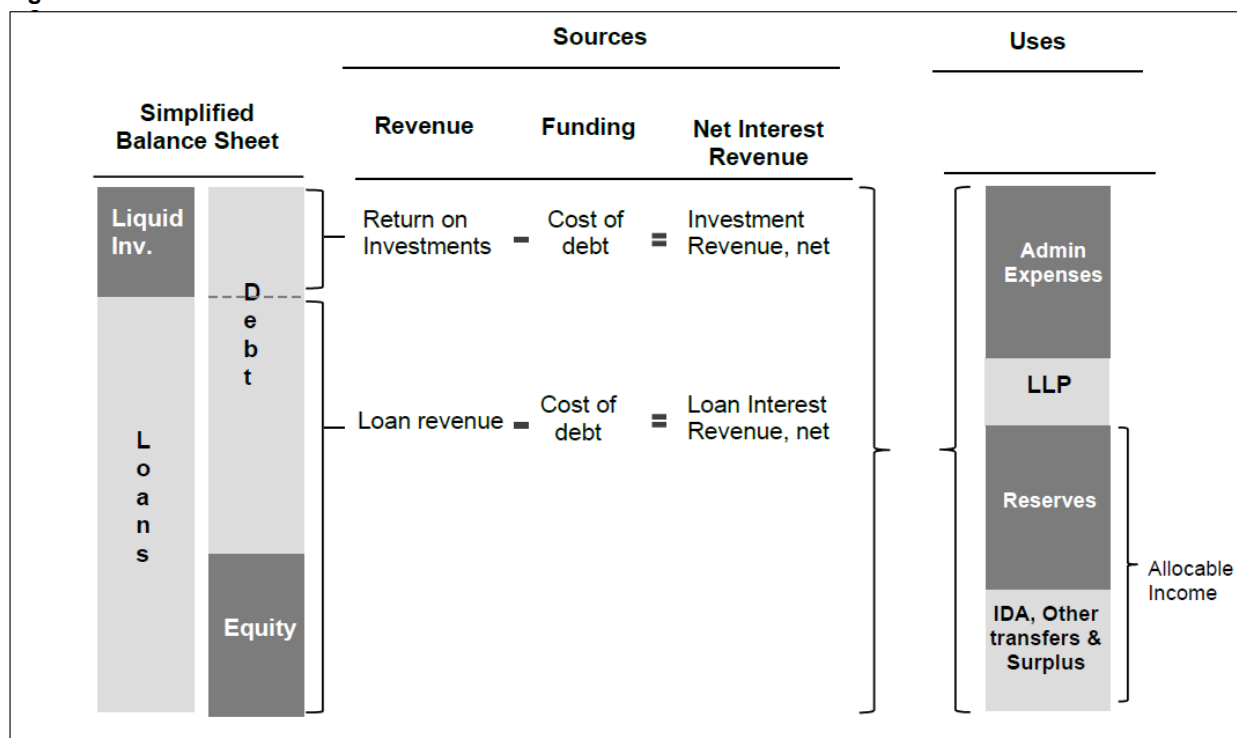
Management believes that these risk management strategies, taken together, effectively manage market risk in IBRD’s operations from an economic perspective. However, these strategies entail the use of derivatives, which introduce volatility in net income through unrealized mark-to-market gains and losses (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 1). These revenues cover administrative expenses, provisions for losses on loans and other exposures² (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. Non-interest revenue from externally funded activities provides additional capacity to support the development needs of client countries.

Figure 1: 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 Statements 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.

² Other exposures include deferred drawdown options (DDO), irrevocable commitments, exposures to member countries’ derivatives and guarantees.

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 the 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) and Table 1, 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 Sheets, with changes in fair values accounted for through the Statements of Income.

In line with its financial risk management policies, for the non-trading portfolios, unrealized mark-to-market gains and losses from instruments carried at fair value (borrowing portfolio, 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 underlying 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: Statements of Income

In millions of U.S. dollars

For the fiscal year ended June 30,

	2023	2022	Impact on income	
			Decrease	Increase
Revenue on interest earning assets, net of funding costs				
Loan interest revenue, net	\$ 3,874	\$ 1,892		1,982
Other ALM derivatives, net	(850)	583	(1,433)	
Investment revenue, net ^a	188	(3)		191
Total revenue on interest earning assets, net	\$ 3,212	\$ 2,472		740
Provision for losses on loans and other exposures ^b	(683)	(562)	(121)	
Net non-interest expenses (Table 4)	(1,459)	(1,455)	(4)	
Net pension cost, other than service cost (Table 4)	205	280	(75)	
Net other revenue (Table 3)	218	103		115
Board of Governors-approved and other transfers	(221)	(354)		133
Non-functional currency translation adjustments gains, net	39	150	(111)	
Unrealized mark-to-market (losses) gains on non-trading portfolios, net ^c	(167)	3,356	(3,523)	
Net Income	\$ 1,144	\$ 3,990	(2,846)	
Adjustments to reconcile net income to allocable income:				
Pension ^d and other adjustments	(181)	(32)	(149)	
Board of Governors-approved and other transfers	221	354	(133)	
Non-functional currency translation adjustment gains, net	(39)	(150)		111
Unrealized mark-to-market losses (gains) on non-trading portfolios, net ^c	167	(3,356)		3,523
Allocable Income	\$ 1,312	\$ 806		506

a. Includes unrealized mark-to-market gains on the Investments-Trading portfolio of \$28 million in FY23 (unrealized mark-to-market losses of \$21 million for FY22) and excludes Post Employment Benefit Plan (PEBP) and Post Retirement Contribution Reserve Fund (PCRF) gains of \$74 million in FY23 (\$33 million losses for FY22) reported in Net other revenue (Table 3).

b. Includes changes on recoverable asset relating to Guarantee received under the Exposure Exchange Agreements (EEAs).

c. Adjusted to exclude amounts reclassified to realized gains (losses).

d. Adjustment to pension accounting expense to arrive at pension plan contributions. Pension plan and PCRF contributions were \$264 million in FY23 and \$250 million in FY22.

Table 2: Balance Sheets

In millions of U.S. dollars

As of June 30,

	2023	2022	Decrease	Increase
Investments and due from banks	\$ 79,824	\$ 82,299	(2,475)	
Net loans outstanding ^a	241,041	227,092		13,949
Derivative assets, net	271	804	(533)	
Other assets	11,505	7,347		4,158
Total Assets	\$ 332,641	\$ 317,542		15,099
Borrowings	237,265	235,173		2,092
Derivative liabilities, net	26,893	20,041		6,852
Other liabilities	8,101	7,008		1,093
Equity	60,382	55,320		5,062
Total Liabilities and Equity	\$ 332,641	\$ 317,542		15,099

a. The fair value of IBRD's loans was \$236,521 million as of June 30, 2023 (\$225,046 million – June 30, 2022).

The main drivers of the change in the Balance Sheet items are below:

- Increase in net loans outstanding primarily from net loan disbursements;
- Increase in other assets mainly from the increase in the overfunded status of the Staff Retirement Plan (SRP) and Retired Staff Benefits Plan (RSBP) and higher accrued interest receivable on loans consistent with the increase in interest rates; partially offset by:
- Decrease in investments and due from banks primarily due to net loan disbursements, and in line with the decrease in the target liquidity level;
- Increase in derivative liabilities primarily due to mark-to-market losses on borrowing-related derivatives as a result of the increase in interest rates; and
- Increase in equity, mostly from the increase in accumulated other comprehensive income due to the increase in the unrecognized net actuarial gains on benefit plans and increase in paid-in capital during the year.

Net Income

IBRD's net income was \$1,144 million in FY23, compared with net income of \$3,990 million in FY22. The decrease was primarily due to unrealized mark-to-market losses on IBRD's non-trading portfolios in FY23, compared to unrealized mark-to-market gains in FY22. This was partially offset by higher net loan interest revenue during the year (see Table 1).

Results from Lending activities

Loan Interest Revenue, net

Under IBRD's pricing policy, the lending rates for all loans are based on the underlying cost of the borrowings funding these loans. After the effect of related derivatives (see Figure 21 and Figure 22), the loan and borrowing portfolios are based on variable interest rates. The portion of the loan portfolio funded by equity is sensitive to changes in interest rates.

Figure 2: Loan interest revenue and funding cost (including derivatives)

In millions of U.S. dollars

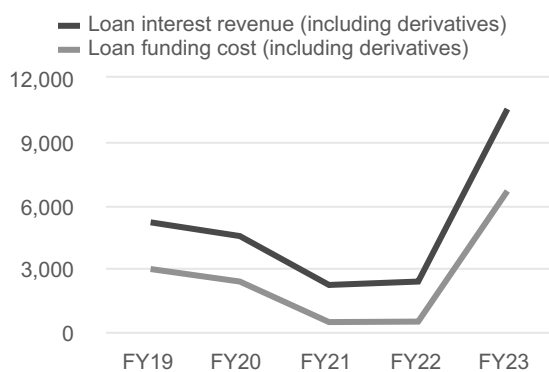
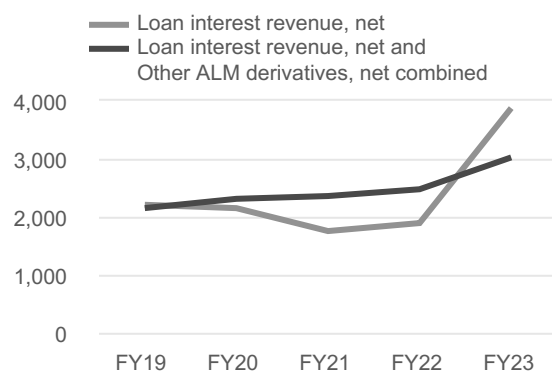


Figure 3: Loan Interest Revenue, net

In millions of U.S. dollars



IBRD's FY23 loan interest revenue, net of funding costs was \$3,874 million, an increase of \$1,982 million compared with \$1,892 million in FY22 (Figure 3). 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 partially stabilizing the net interest revenue earned from these loans (see Figure 3). 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 increase in loan interest revenue, net of \$1,982 million and the decrease in interest revenue from Other ALM derivatives, net of \$1,433 million from FY22 to FY23, resulted in a total increase in net loan interest revenue of

\$549 million. The increase was primarily due to the higher average loan balance and partially due to the interest rate reset lag between the Secured Overnight Financing Rate SOFR-based loans and the mixed 6-month LIBOR and SOFR based borrowing portfolio, in a rising interest rate environment.

Provision for losses on loans and other exposures

During FY23, IBRD recorded a provision for losses on loans and other exposures expense of \$683 million, \$121 million higher expense compared to FY22. This increase was primarily driven by the increase in the loss given default (severity) due to the increase in the implied forward interest rates in FY23 compared to FY22. The severity reflects the expected losses from delays in receiving interest payments since IBRD does not charge interest for overdue interest. As the majority of IBRD's loans carry a variable interest rate, changes in forward interest rates impact the expected losses that are recorded through the provision for losses on loans and other exposures in the Statements of Income.

Figure 4: Change in Net Loans Outstanding

In billions of U.S. dollars

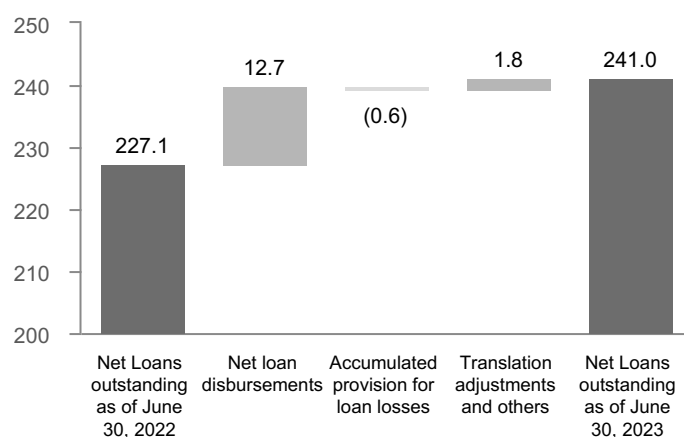
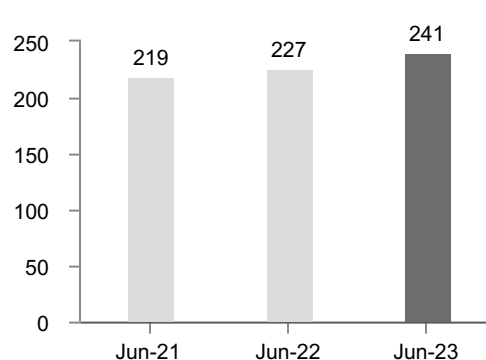


Figure 5: Net Loans Outstanding

In billions of U.S. dollars



As of June 30, 2023, IBRD's net loans outstanding totaled \$241.0 billion, \$13.9 billion or 6% higher than June 30, 2022 (see Figure 5). The increase was mainly attributable to \$12.7 billion of net loan disbursements in FY23 and currency translation gains of \$1.8 billion, primarily due to the 4.4% appreciation of the euro against the U.S. dollar during the year.

Gross disbursements were \$25.5 billion, 9.5% lower compared to FY22, primarily due to lower COVID-19 related gross disbursements in FY23.

Results from Investing activities

Net Investment Portfolio

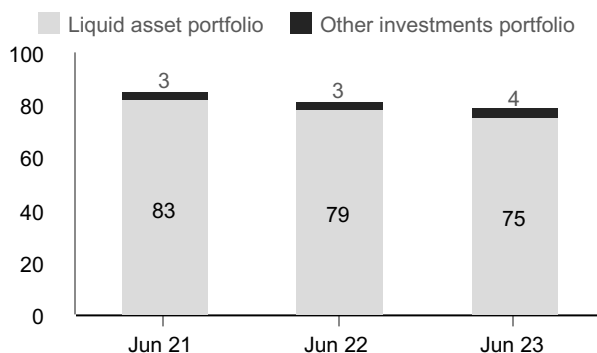
IBRD's net investment portfolio was \$79.2 billion as of June 30, 2023 (\$82.1 billion as of June 30, 2022). Of this amount, \$75.4 billion related to the liquid asset portfolio (\$78.8 billion as of June 30, 2022). See Note C: Investments in the Notes to the Financial Statements. The decrease in the liquid asset portfolio is primarily due to the net loan disbursements during the year and in line with the lower target liquidity level in FY23 (see Section VI).

Net Investment Revenue

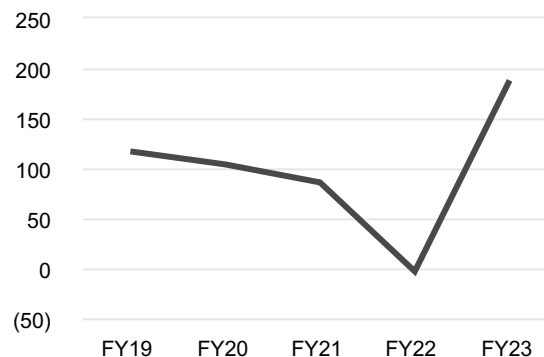
During FY23, IBRD's net investment revenue increased by \$191 million, compared to FY22. This was primarily driven by higher interest income due to the increase in average interest rates in FY23.

Figure 6: Net Investment Portfolio

In billions of U.S. dollars

**Figure 7: Investment Revenue, net**

In billions of U.S. dollars

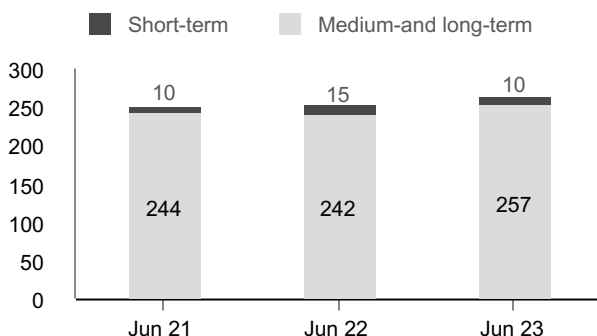


Results from Borrowing activities

As of June 30, 2023, the borrowing portfolio was \$266.8 billion, \$9.9 billion higher than June 30, 2022 (see Note E: Borrowings in the Notes to the Financial Statements). The increase was primarily due to net new debt issuances during the year. New issuances of medium-and long-term debt of \$42.2 billion during the year (Table 23) were highly diversified by investor profile and location, with an average maturity of 6.3 years. The funds raised financed development lending operations and satisfied the liquidity 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 higher by \$115 million during FY23. The increase was mainly due to the higher investment earnings from the PEBP and PCRf holdings, consistent with prevailing market conditions.

Table 3: Net Other Revenue

In millions of U.S. dollars

For the fiscal year ended June 30,

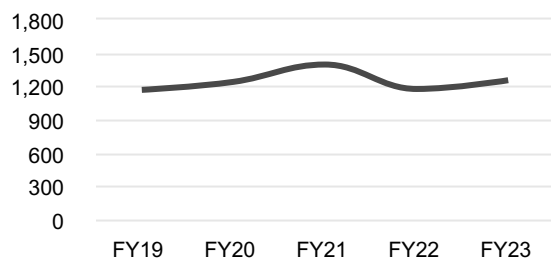
	2023	2022	Variance
Loan commitment fees	\$ 124	\$ 126	\$ (2)
Guarantee fees	15	14	1
Net Earnings from PEBP and PCRf	74	(33)	107
Others	5	(4)	9
Net other revenue (Table 1)	\$ 218	\$ 103	\$ 115

Net Non-Interest Expenses

As shown in Table 4, IBRD'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 both entities. 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 entities. The administrative expenses shown in Table 4 include costs related to IBRD-executed trust funds and other externally funded activities.

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

In millions of U.S. dollars



The increase in net non-interest expenses on both a GAAP basis and allocable income basis from FY22 to FY23 was primarily driven by higher staff costs and higher travel expenses (Table 4). Travel expenses have been gradually increasing since the easing of the COVID-19-related travel restrictions and office closures and are now approximately 83% of the pre-COVID level for the World Bank.

IBRD's goal is to have its net administrative expenses covered by its loan spread revenue (Box 2) and certain fee revenue, using an efficiency measure referred to as the Budget Anchor. In FY23, IBRD's Budget Anchor was 60.3%, an improvement of 5.1 percentage points compared with 65.4% in FY22. The improvement was due to an increase in loan spread revenue, partially offset by an increase in net non-interest expenses during the year (see Table 5 for details of the Budget Anchor components).

Table 4: Net Non-Interest Expenses

In millions of U.S. dollars

<i>For the fiscal year ended June 30,</i>	<i>2023</i>	<i>2022</i>	<i>Variance</i>
Administrative expenses			
Staff costs	\$ 1,082	\$ 1,003	\$ 79
Travel	142	60	82
Consultant fees and contractual services	505	490	15
Pension and other postretirement benefits ^a	351	451	(100)
Communications and technology	91	73	18
Premises and equipment	128	128	—
Other expenses	21	20	1
Total administrative expenses	\$ 2,320	\$ 2,225	\$ 95
Contributions to special programs (See Section V)	17	17	—
Revenue from externally funded activities: (See Section V)			
Reimbursable revenue – IBRD executed trust funds	(570)	(494)	(76)
Reimbursable advisory services	(52)	(47)	(5)
Revenue - Trust fund administration	(62)	(50)	(12)
Restricted revenue (primarily externally financed outputs)	(3)	(4)	1
Revenue - Asset management services	(16)	(18)	2
Other revenue	(175)	(174)	(1)
Total Revenue from externally funded activities	\$ (878)	\$ (787)	\$ (91)
Net non-interest expenses (Table 1)	1,459	1,455	4
Net pension cost, other than service cost ^b (Table 1)	(205)	(280)	75
Net Non-Interest Expenses - GAAP Basis	\$ 1,254	\$ 1,175	\$ 79
Adjustments to arrive at net non-interest expenses - allocable income basis			
Pension, Externally Financed Outputs (EFO) and Reserve Advisory and Management Partnership (RAMP) adjustments ^c	107	70	37
Net non-interest expenses - Allocable income basis	\$ 1,361	\$ 1,245	\$ 116

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 Statements of Income (see Table 1).

c. Adjustments are included in the Pension and other adjustments line in Table 1.

Table 5: Budget Anchor Ratio

In millions of U.S. dollars

<i>For the fiscal year ended June 30,</i>	<i>2023</i>	<i>2022</i>	<i>Variance</i>
Total Net non-interest expenses (From Table 4)	\$ 1,254	\$ 1,175	\$ 79
Pension adjustment (From Table 7) ^a	119	79	40
RAMP adjustment ^a	(1)	7	(8)
EFO adjustment ^a	(11)	(16)	5
Net administrative expenses – for Budget Anchor	\$ 1,361	\$ 1,245	\$ 116
Loan spread revenue, net	2,118	1,765	353
Loan commitment fees (From Table 3)	124	126	(2)
Guarantee fees (From Table 3)	15	14	1
Budget anchor revenue	\$ 2,257	\$ 1,905	\$ 352
Budget Anchor	60.3 %	65.4 %	

a. These adjustments are made to arrive at net administrative expenses used for allocable income purposes. For more information see Table 7 in Net Income Allocation section.

Unrealized mark-to-market gains/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 FY23, \$167 million of net unrealized mark-to-market losses (\$3,356 million net unrealized mark-to-market gains in FY22) were excluded from reported net income to arrive at allocable income (see Table 1).

Table 6: Unrealized Mark-to-Market gains/(losses) on non-trading portfolios ^a

In millions of U.S. dollars

For the fiscal year ended June 30,

	2023	2022	Variance
Loan related derivatives	\$ 1,673	\$ 5,988	\$ (4,315)
Other asset/liability management derivatives, net	(1,642)	(3,392)	1,750
Borrowings, including related derivatives	(198)	747	(945)
Client operations derivatives	1	8	(7)
Others, net	(1)	5	(6)
Total	\$ (167)	\$ 3,356	\$ (3,523)

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

Loan Portfolio

Loans are reported at amortized cost on the Balance Sheets and therefore the mark-to-market effect on loans is not reflected in reported net income. However, the derivatives used to convert the loans from fixed-rate to variable-rate instruments, for asset / liability management purposes, are reported at fair value. From an economic perspective, IBRD's loans after the effect of derivatives carry variable interest rates and have a low sensitivity to interest rates. The unrealized mark-to-market gains on loan related derivatives were \$1,673 million in FY23, primarily due to the increase in interest rates during the year. The lower unrealized mark-to-market gains in FY23 were primarily due to the less prominent increase in interest rates compared to FY22. See Section IX: Risk Management for additional details on how IBRD uses derivatives in the loan portfolio.

Other ALM Portfolio

IBRD uses derivatives to stabilize its interest revenue from the portion of loans that is sensitive to changes in short-term interest rates. The Other ALM portfolio consists of derivatives which convert variable rate loan cash flows to fixed rate loan cash flows. In FY23, IBRD recorded unrealized mark-to-market losses of \$1,642 million on this portfolio primarily due to the increase in interest rates during the year. The lower unrealized mark-to-market losses in FY23 were primarily due to the less prominent increase in interest rates compared to FY22. As of June 30, 2023, the duration of this portfolio was 3.9 years, within the Board established limit of 5 years.

Borrowing Portfolio

IBRD's bonds and the related derivatives are reported at fair value. IBRD recorded \$198 million of net unrealized mark-to-market losses on IBRD's bonds and associated derivatives, due to the increase in interest rates for the year ended June 30, 2023. The losses on the bond-related derivatives exceeded the gains on the bonds. 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) on Fair Value Option elected liabilities, which is instead recorded in Accumulated Other Comprehensive Income (AOCI). In FY23, the DVA was \$13 million of unrealized mark-to-market losses, resulting mainly from the tightening of IBRD's credit spreads relative to the applicable reference rate during the year. As of June 30, 2023, IBRD's Balance Sheets included a cumulative DVA of \$351 million of mark-to-market gains reflected in AOCI (See Notes to the Financial Statements, Note L –Fair Value Disclosures).

Net Income Allocation

Management recommends allocations of income to the Board, at the end of each fiscal year, to augment reserves and support developmental activities. These allocations are based on allocable income. As illustrated in Table 7, 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 7: Allocable Income

In millions of U.S. dollars

For the fiscal years ended June 30,

	2023	2022
Net Income	\$ 1,144	\$ 3,990
Adjustments to Reconcile Net Income to Allocable Income:		
Board of Governors-approved and other transfers	221	354
Non-functional currency translation adjustments gains, net ^a	(39)	(150)
Unrealized mark-to-market losses (gains) on non-trading portfolios, net ^b	167	(3,356)
Pension ^c	(119)	(79)
PEBP and PCRF adjustment	(74)	33
Other adjustments	12	14
Allocable Income	\$ 1,312	\$ 806
Recommended Allocations		
General Reserve	921	589
Surplus	100	100
Transfer to IDA	291	117
Total Allocations	\$ 1,312	\$ 806

a. Translation adjustments relating to assets and liabilities denominated 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 FY22 allocable income, Surplus, or restricted retained earnings, they are excluded from FY23 reported net income in calculating FY23 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 previously discussed.

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 Statements 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, 2023, 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, in FY23, the income of \$11 million was transferred out of restricted retained earnings (Table 7). Consequently, the net balance of these restricted funds decreased by the same amount.
- 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. Allocable income for FY23 was adjusted for the excess of RAMP expenses over the fee revenue from RAMP of \$1 million (Table 7).

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.

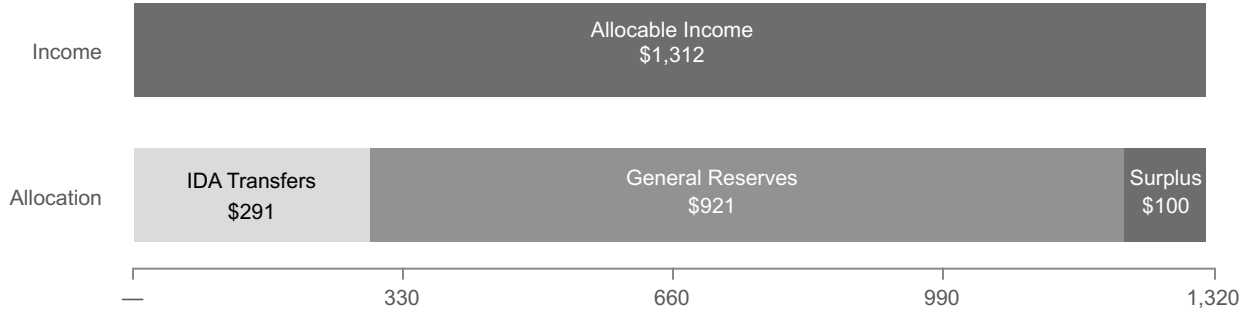
IBRD's strong support of IDA is reflected in the \$16.5 billion of cumulative income transfers it has made since IDA's first replenishment.

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 FY23 was \$1,312 million, and out of this, the Board approved the allocation of \$921 million to the General Reserve on August 3, 2023, and the Board recommended to IBRD's Governors a transfer of \$291 million to IDA and \$100 million to Surplus.

Figure 10: FY23 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, 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.

Engagement with borrowing members is increasingly 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. From July 1, 2023, new financing and guarantees provided by IBRD are being tracked against the objectives of the Paris Agreement and a country's pathway towards low greenhouse gas emissions and climate-resilient development.

Financing cycles involve identifying and appraising a project and approving and disbursing the funds. In response to emergency situations, such as natural disasters and crises, IBRD is able to accelerate the preparation and approval cycle.

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 FY24, eligible countries with 2022 per capita Gross National Income (GNI) of more than \$1,315 are eligible for new lending from IBRD.

Net Lending Commitments and Gross Disbursements

IBRD provided \$38.6 billion of new net loan commitments in FY23, through 136 operations (including blend operations), an increase of \$5.5 billion (17%) compared to FY22, mainly driven by the increase in Investment Project Financing commitments (Figure 11).

Table 8: Net Commitments by Region

In millions of U.S. dollars

<i>For the fiscal year ended June 30,</i>	<i>2023</i>	<i>% of total</i>	<i>2022</i>	<i>% of total</i>	<i>Variance</i>
Eastern and Southern Africa	\$ 2,364	6 %	\$ 2,907	9 %	\$ (543)
Western and Central Africa	564	2	386	1	178
East Asia and Pacific	6,636	17	5,482	17	1,154
Europe and Central Asia	10,162	26	5,974	18	4,188
Latin America and the Caribbean	9,828	26	9,407	28	421
Middle East and North Africa	4,697	12	4,135	13	562
South Asia	4,321	11	4,781	14	(460)
Total	\$ 38,572	100 %	\$ 33,072	100 %	\$ 5,500

Table 9: Gross Disbursements by Region*In millions of U.S. dollars*

<i>For the fiscal year ended June 30,</i>	2023		2022		Variance
		<i>% of total</i>		<i>% of total</i>	
Eastern and Southern Africa	\$ 1,690	7 %	\$ 2,441	9 %	\$ (751)
Western and Central Africa	161	1	261	1	(100)
East Asia and Pacific	4,350	17	5,439	19	(1,089)
Europe and Central Asia	4,833	19	4,580	16	253
Latin America and the Caribbean	8,216	32	8,911	32	(695)
Middle East and North Africa	2,964	11	3,407	12	(443)
South Asia	3,290	13	3,129	11	161
Total	\$ 25,504	100 %	\$ 28,168	100 %	\$ (2,664)

Lending Categories

IBRD's lending is classified in three categories: investment project financing, development policy financing, and program-for-results (Figure 11).

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). FY23 net commitments under this lending category were \$17.4 billion, compared with \$14.1 billion in FY22.

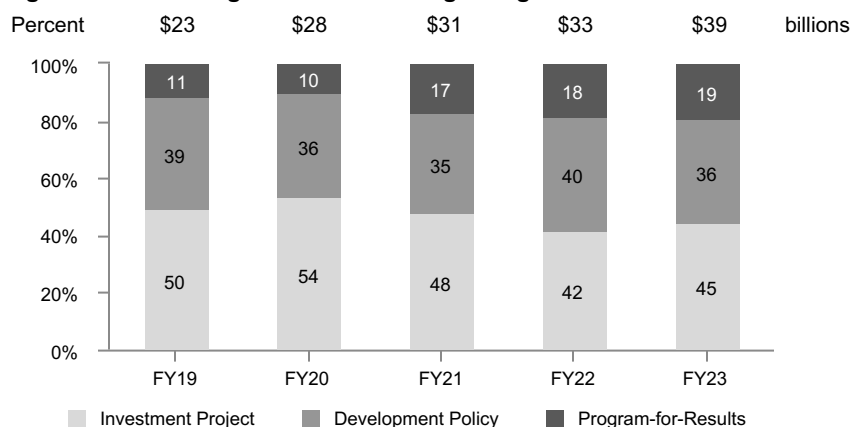
Development Policy Financing (DPF)

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. FY23 net commitments under this lending category were \$14.0 billion, compared with \$13.2 billion in FY22.

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.

FY23 net commitments under this lending category were \$7.2 billion compared with \$5.8 billion in FY22.

Figure 11: Percentage Share of Lending Categories for Annual Net Commitments

Currently Available Lending Products

As of July 1, 2023, 84 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, 2023, 73% of IBRD's loans outstanding carried variable-spread terms and 27% had fixed-spread terms. See Table 12 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 \$41.7 billion as of June 30, 2023 and \$41.6 billion as of June 30, 2022. 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 \$3.4 billion as of June 30, 2023 and \$3.7 billion as of June 30, 2022, respectively. 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 ^a	Set by Management
Funding Cost Margin	

a. This is only applicable to fixed spread loans which are not currently offered.

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 FY23, due to the ongoing multiple crises, some countries requested more fast-disbursing loans with shorter maturities (See Table 10).

Table 10: Net Commitments by Maturity

In millions of U.S. dollars

Maturity	For the fiscal year ended June 30, 2023	For the fiscal year ended June 30, 2022
< 8 years	\$ 5,838	\$ 2,992
8-10 years	4,251	5,885
10-12 years	14,898	15,716
12-15 years	4,388	1,922
15-18 years	2,559	3,330
>18 years	6,597	3,227
Guarantee Commitments	41	—
Total Net Commitments	\$ 38,572	\$ 33,072

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 12). As of June 30, 2023, the amount of DDOs disbursed and outstanding was \$9.3 billion (compared to \$8.8 billion on June 30, 2022), and the undisbursed amount of effective DDOs was \$0.1 billion, compared to \$0.6 billion 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. There was no amount outstanding as of June 30, 2023 and June 30, 2022. IBRD made no new SDPL commitments in either FY23 or FY22.
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, 2023 and June 30, 2022.
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, 2023 and June 30, 2022.

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 11 below).

Table 11: 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 12: Loan Terms Available During Fiscal Year Ended June 30, 2023

Basis points, unless otherwise noted

	<i>IBRD Flexible Loan (IFL) ^{a b}</i> <i>Variable-spread Terms</i>	<i>Special Development Policy Loans (SDPL)</i>
<i>Final maturity</i>	35 years	10 years
<i>Maximum weighted average maturity</i>	20 years	7.5 years
<i>Reference market rate</i>	Market-based variable rate index	Market-based variable rate index
<i>Spread</i>		
Contractual lending spread	50	min. 200
Maturity premium	0-115 ^c	—
Market risk premium	—	—
Funding cost margin	Actual average funding cost incurred during the preceding six-month period	—
<i>Charges</i>		
Front-end fee	25	100
Late service charge on principal payments received after 30 days of due date ^d	50	—
Commitment Fee ^{e g}	25	25
	<i>Development Policy Loan Deferred Drawdown Option</i>	<i>Catastrophe Risk Deferred Drawdown Option</i>
<i>Reference market rate</i>	Market-based variable rate index	Market-based variable rate index
Contractual lending spread	IFL variable in effect at the time of withdrawal	
Front-end fee	25	50 ^f
Renewal fee	—	25
Stand-by fee	50 ^e	—

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. See Box 7 in Section IX for a discussion of overdue payments.

e. 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.

f. For CAT-DDOs approved under the Fast Track COVID-19 Facility, the Front-End Fee is reduced to 25bps.

g. 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, 2023, loans outstanding of \$457 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 were approved on an annual basis by the Board through fiscal year 2023. In view of the small residual balance in these loans, the Board has now in addition approved the same waiver rates on all future payments for all eligible loans. The foregone income in FY23 due to such approved waivers was \$16 million (FY22: \$20 million).

Figure 12 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 13: Loans outstanding by interest rate structure, excluding derivatives

In millions of U.S. dollars, except for ratios

Product terms	June 30, 2023				June 30, 2022						
	Total	% of Total	Of which reference rate is	Total	% of Total	Product terms	Total	% of Total	Of which reference rate is	Total	% of Total
Fixed Spread Loans	\$ 65,340	27 %	Fixed	\$ 32,678	14 %	Fixed Spread Loans	\$ 66,075	29 %	Fixed	\$ 33,097	14 %
			Variable	32,662	13				Variable	32,978	15
Variable Spread Loans	178,556	73	Fixed	7,770	3	Variable Spread Loans	163,269	71	Fixed	7,150	3
			Variable	170,786	70				Variable	156,119	68
Total	\$ 243,896	100 %		\$ 243,896	100 %		\$ 229,344	100 %		\$ 229,344	100 %

Figure 12: Loan Portfolio

Figure 12a: Undisbursed Balances by Loan Terms

In millions of U.S. dollars, except for ratios

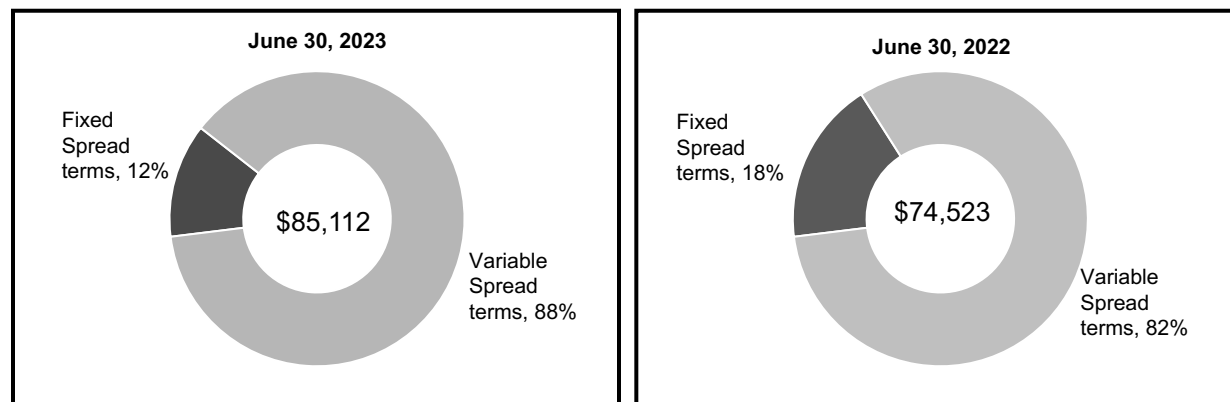
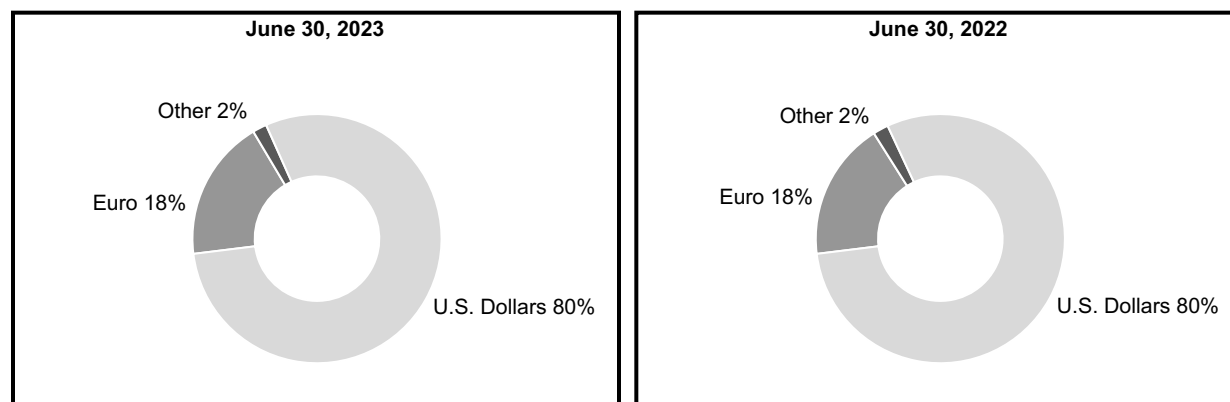


Figure 12b: Loans Outstanding by Currency



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, and advisory services and analytics.

Guarantees

IBRD's exposure on its guarantees was \$6.5 billion as of June 30, 2023 compared to \$6.3 billion as of June 30, 2022 (see Table 14). 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: <ol style="list-style-type: none"> 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 14: Guarantees Exposure

In million U.S. dollars

As of June 30,

	2023	2022
Guarantees (project, policy and enclave)	\$ 2,840	\$ 2,703
Exposure Exchange Agreements	3,619	3,630
Total	\$ 6,459	\$ 6,333

Table 15: Pricing for IBRD Project-Based and Policy-Based Guarantees

Charges for the fiscal year ended June 30,	Basis Points	
	2023	2022
Front-end fee	25	25
Processing fee ^{a b}	Up to 50	Up to 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:

- *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 a Multilateral Development Bank (MDB) EEA with the African Development Bank (AfDB) and the Inter-American Development Bank (IADB). 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, 2023, IBRD had received guarantees totaling \$3,325 million (\$2,116 million as of June 30, 2022). These guarantees serve as a credit enhancement which increase IBRD's lending capacity in certain countries (see Notes to the Financial Statements, Note D: Loans and Other Exposures).

Table 16: Exposure Exchange Agreements

In millions of U.S. dollars

As of June 30,

	2023		2022	
	Guarantee Received	Guarantee Provided	Guarantee Received	Guarantee Provided
Exposure Exchange Agreement				
MIGA	\$ 10	\$ 10	\$ 21	\$ 21
IADB	2,021	2,021	2,021	2,021
AfDB	1,588	1,588	1,588	1,588
Total notional	\$ 3,619	\$ 3,619	\$ 3,630	\$ 3,630

Grant Making Facilities

Grant Making Facilities (GMFs) are contributions to specific trust funds and are complementary to IBRD's work. IBRD deployed \$17 million under this program in FY23 (\$17 million in FY22). These amounts are reflected in contributions to special programs in IBRD's Statements 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 \$570 million in FY23 (\$494 million in FY22) of trust fund program funds, which was included in Non-interest expenses, Administrative in IBRD's Statements of Income.
- *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 FY23, IBRD's share of revenue and fees from trust fund administration was \$62 million (\$50 million in FY22) (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 FY23, IBRD earned revenue of \$52 million (\$47 million in FY22) 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 FY23, IBRD had \$3 million of restricted revenue, compared with \$4 million in FY22, which are included in Net non-interest expenses – GAAP basis in Table 4.

Restrictions are released once the funds are used for the purposes specified by donors. In FY23, there was a release of \$14 million (\$20 million in FY22).

Other Financial Products and Services

Managing Financial Risks for Clients

IBRD helps member countries build resilience 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

<i>Hedging Transactions</i>	<i>Disaster Risk Financing</i>
Interest Rate Currency Commodity Price	Catastrophe Derivatives and Bonds Insurance & Reinsurance Regional Pooling Facilities

IBRD also intermediates the following risk management transactions for clients:

- *Affiliated Organization:* To assist IDA with its asset/liability management IBRD executed currency forward contracts on its behalf. There were no open trades as of June 30, 2023.
- *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 FY23, IBRD did not execute any swaps 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 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 17). 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 17: RAMP – Assets and Revenues

In millions of U.S. dollars

<i>As of June 30,</i>	<i>2023</i>		<i>2022</i>	
Assets managed under RAMP	\$	24,010	\$	23,884
Revenue from RAMP	\$	14	\$	15

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. This 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 Sheets, except for \$588 million of undisbursed third-party contributions made to IBRD-executed trust funds, which are recognized on the Balance Sheets. The funds held in trust by IBRD as administrator and trustee totaled \$42.0 billion in FY23, of which \$94 million (\$108 million in FY22) relates to IBRD's own contributions to these trust funds (Table 18).

Table 18: Funds Held in Trust by IBRD

In millions of U.S dollars

As of June 30,

	2023	2022
IBRD-executed	\$ 257	\$ 249
Jointly executed with affiliated organizations	1,027	1,004
Recipient-executed	3,142	2,965
Financial intermediary funds	28,060	22,399
Execution not yet assigned ^a	9,554	7,114
Total fiduciary assets	\$ 42,040	\$ 33,731

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

Section VI: Investment Activities

IBRD's investment portfolio consists mainly of the liquid asset portfolio. As of June 30, 2023, the net investment portfolio totaled \$79.2 billion with \$75.4 billion representing the liquid asset portfolio. This compares with \$82.1 billion a year earlier, of which \$78.8 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

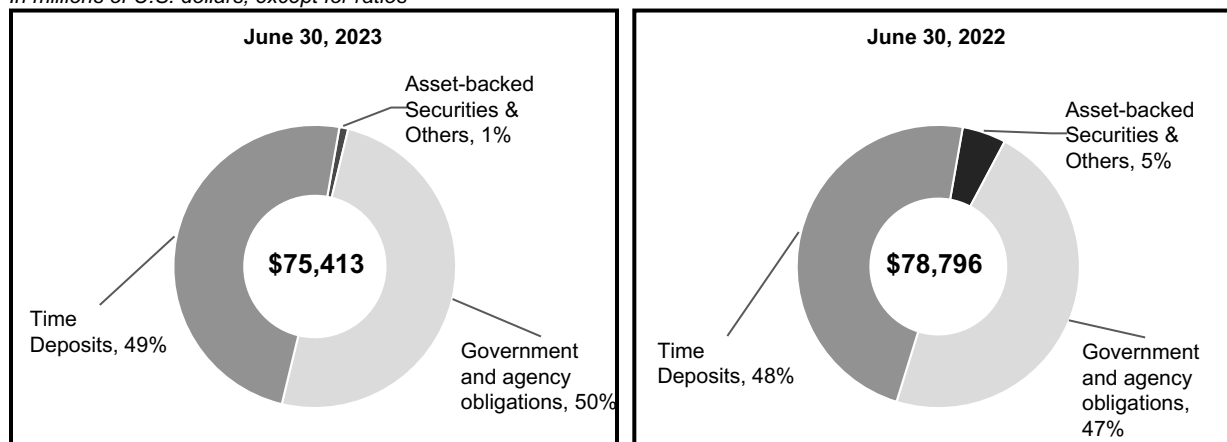
Funds raised through IBRD's borrowing activities that have not yet been deployed for lending are held in the liquid asset portfolio to provide liquidity for IBRD's operations. The portfolio is managed with the goal of ensuring sufficient cash flows to meet all IBRD's financial commitments. While it seeks 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 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 13: 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 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, 2023, \$68.5 billion (approximately 91% of total volume) was due to mature within six months, of which \$22.4 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 19).

- *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 19: Liquid Asset Portfolio Composition

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

<i>As of June 30,</i>	2023	%	2022	%
Liquid asset portfolio				
Stable	\$ 48,205	64 %	\$ 49,296	63 %
Operational	14,404	19	13,345	17
Discretionary	12,804	17	16,155	20
Total	\$ 75,413	100 %	\$ 78,796	100 %

Table 20: Liquid Asset Portfolio - Average Balances and Returns

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

	<i>Average Balances</i>		<i>Financial Returns %</i>	
	2023	2022	2023	2022
Liquid asset portfolio				
Stable	\$ 47,734	\$ 55,925	4.11 %	0.31 %
Operational	13,049	13,736	4.04	0.24
Discretionary	15,668	9,398	4.36	0.61
Total	\$ 76,451	\$ 79,059	4.16 %	0.32 %

During FY23, IBRD's total return on the liquid asset portfolio was 4.16%, an increase compared to last year and consistent with the rising interest rate environment. 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 FY23, IBRD had \$188 million of revenue, 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 the PEBP, PCRF, and the Local Currency Market Development program (LCMD). Table 21 below summarizes the net carrying value of other investments:

Table 21: Net Carrying Value of Other Investments

In millions of U.S. dollars

<i>As of June 30,</i>	2023	2022
PEBP	\$ 2,684	\$ 2,456
PCRF	1,098	766
LCMD	—	39
Total	\$ 3,782	\$ 3,261

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.

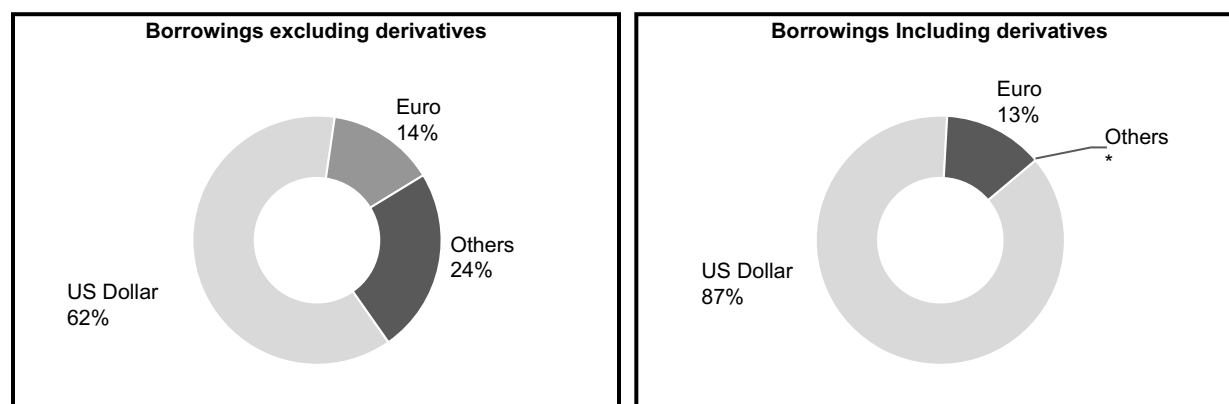
IBRD uses the proceeds to finance development activities in creditworthy middle-income and low-income countries eligible to borrow from IBRD at market-based rates. Funding raised in any given year is used for IBRD's operations, including loan disbursements, replacement of maturing debt, and prefunding 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, as needed. 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.

In FY23, IBRD raised a total of \$42.2 billion of medium- and long-term debt (Table 23). 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 23).

As of June 30, 2023, the borrowing portfolio totaled \$266.8 billion, \$9.9 billion higher than June 30, 2022 (see Note E: Borrowings in the Notes to the Financial Statements). The increase was primarily due to net medium-and long-term debt issuances during the year (Table 23).

Figure 14: Effect of Derivatives on Currency Composition of the Borrowing Portfolio – June 30, 2023



* Denotes percentage less than 0.5%.

As of June 30, 2023, IBRD's total borrowing portfolio, after the effects of derivatives, carried variable rates, with a weighted average cost of 5.1% (1.0% as of June 30, 2022). The increase in the weighted average cost from the prior year reflects the increase in the short-term market interest rates during the year. This 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 2).

Short-Term Borrowings

Table 22 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 135 days.

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 are mostly money market instruments that have maturities of one year or less.

Table 22: Short-Term Borrowings

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

<i>As of June 30,</i>	<i>2023</i>		<i>2022</i>	
Discount notes ^a				
Average daily balance during the fiscal year	\$	13,389	\$	10,276
Weighted-average rate during the fiscal year		3.58 %		0.29 %
Securities lent or sold under repurchase agreements ^b				
Average monthly balance during the fiscal year	\$	578	\$	145
Weighted-average rate during the fiscal year		2.37 %		0.02 %
Other short-term borrowings ^a				
Average daily balance during the fiscal year	\$	120	\$	199
Weighted-average rate during the fiscal year		3.03 %		0.28 %

a. At amortized cost which approximates fair value.

b. Excludes securities related to PEBP.

Medium- and Long-Term Borrowings

In FY23, medium- and long-term debt raised directly by IBRD in the capital markets amounted to \$42.2 billion with an average maturity to first call of 6.3 years (Table 23). The increase in medium-and long-term debt issuances in FY23 is primarily due to higher debt servicing and refinancing requirements.

Table 23: Funding Operations Indicators

In millions of U.S. dollars, except maturities which are in years

For the fiscal year ended June 30,

		2023		2022
Issuances ^a				
Medium- and long-term funding raised	\$	42,186	\$	40,820
Average maturity to first call date		6.3		7.6
Average maturity to contractual final maturity		6.9		8.8
Maturities				
Medium- and long-term funding matured	\$	28,506	\$	35,057
Average maturity of debt matured		5.4		5.7
Called/Repurchased				
Medium- and long-term funding called/repurchased	\$	3,428	\$	2,797

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

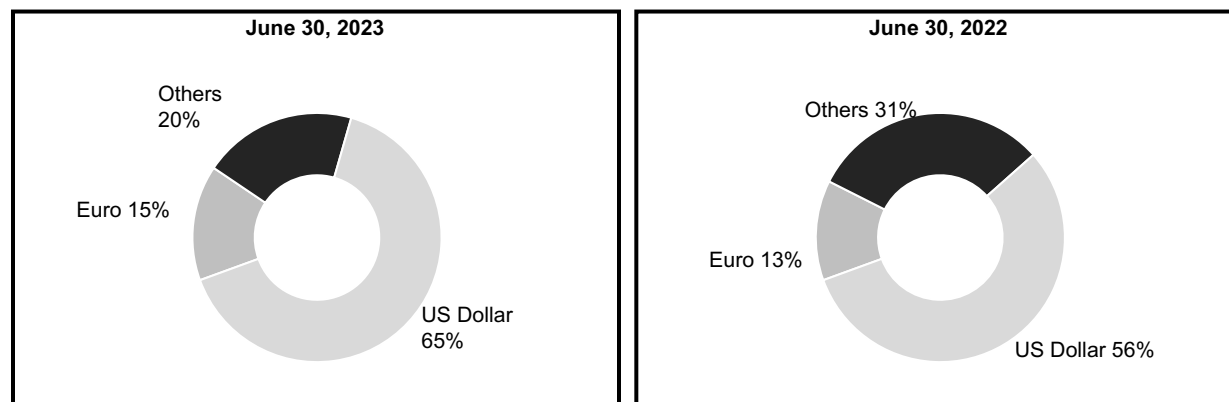
Table 24: Maturity Profile of Medium and Long-Term Debt

In millions of U.S. dollars

	<i>As of June 30, 2023</i>						<i>Total</i>
	<i>Less than 1 year</i>	<i>1 to 2 years</i>	<i>2 to 3 years</i>	<i>3 to 4 years</i>	<i>4 to 5 years</i>	<i>Due After 5 years</i>	
Medium and Long-Term Debt	\$ 28,959	\$ 31,917	\$ 29,004	\$ 27,040	\$ 25,850	\$ 84,458	\$ 227,228

As shown below, 65% of IBRD's medium-and long-term borrowings issued during the year are in U.S. dollars:

Figure 15: 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, 2023, IBRD had 189 member countries, with the top six accounting for 41% of the total voting power (Figure 16). The percentage of votes held by members rated AA and above by at least two major rating agencies was 37% (Figure 17).

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, \$49,206 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 16: Voting Power of Top Six Members as of June 30, 2023

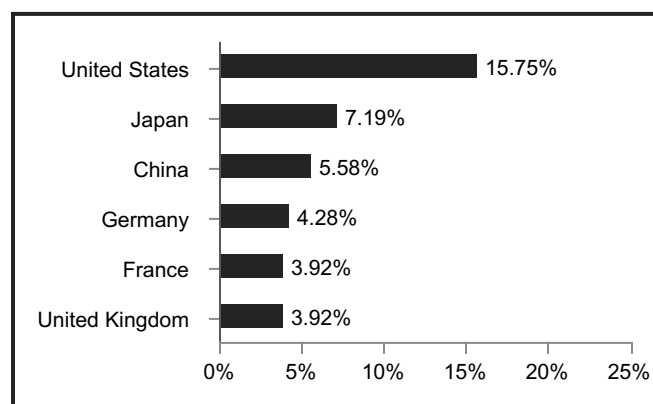


Figure 17: Percentage of Votes held by Member Countries, as of June 30, 2023

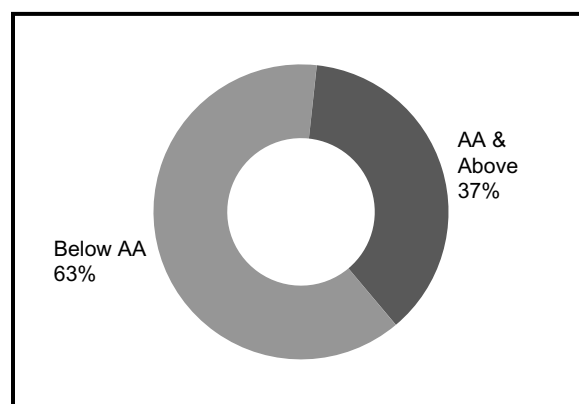


Table 25: Breakdown of IBRD Subscribed Capital

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

As of June 30,	%	2023	2022	Variance
Subscribed capital				
Uncalled Subscribed capital	93%	\$ 296,021	\$ 286,636	\$ 9,385
Paid-in capital	7%	21,819	20,499	1,320
Total subscribed capital	100%	\$ 317,840	\$ 307,135	\$ 10,705

Uncalled Subscribed Capital

As of June 30, 2023, the total uncalled portion of subscriptions was \$296,021 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, \$41,749 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, \$41,543 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 that 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 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. In May 2023, the Board approved the extension of the subscription period for GCI and SCI from October 1, 2023 to October 1, 2025.

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 26.

The \$1,317 million increase in usable paid-in capital between FY22 and FY23 was primarily due to the receipt of \$968 million for GCI and \$352 million for SCI during FY23.

Table 26: Usable Paid-In Capital

In millions of U.S. dollars

<i>As of June 30,</i>	<i>2023</i>	<i>2022</i>	<i>Variance</i>
Paid-in Capital	\$ 21,819	\$ 20,499	\$ 1,320
Adjustment on released NCPIC for net deferred MOV (receivable) payable ^a	(436)	(424)	(12)
Adjustments for unreleased NCPIC:			
Restricted cash	(51)	(55)	4
Demand notes	(320)	(316)	(4)
MOV receivable	(345)	(354)	9
MOV payable	2	2	—
Total Adjustments for unreleased NCPIC	(714)	(723)	9
Usable paid-in capital	\$ 20,669	\$ 19,352	\$ 1,317

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 27). 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 3, 2023, the Board approved the transfer of \$921 million to the General Reserve from FY23 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 27. 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 underfunded 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 FY23, primarily reflects the increase in usable paid-in capital and the increase in reserve retention out of the FY23 allocable income.

Table 27: Usable Equity

In millions of U.S. dollars

As of June 30,			Variance		
	2023	2022	Total	Due to Activities	Due to Translation Adjustment
Usable paid-in capital	\$ 20,669	\$ 19,352	\$ 1,317	\$ 1,325	\$ (8)
Special reserve	293	293	—	—	—
General reserve ^a	32,974	32,053	921	921	—
Cumulative translation adjustment	(1,004)	(1,342)	338	—	338
Other adjustments ^b	173	125	48	—	48
Equity (usable equity)	\$ 53,105	\$ 50,481	\$ 2,624	\$ 2,246	\$ 378

a. Includes transfer to the General Reserve, which for FY23 (FY22) was approved by the Board on August 3, 2023 (August 4, 2022).

b. Includes cumulative translation gains on non-functional currencies of \$221 million for FY23 (\$173 million gains for FY22).

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 the Audit Committee (AC), periodically reviews 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" 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.

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.

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 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.

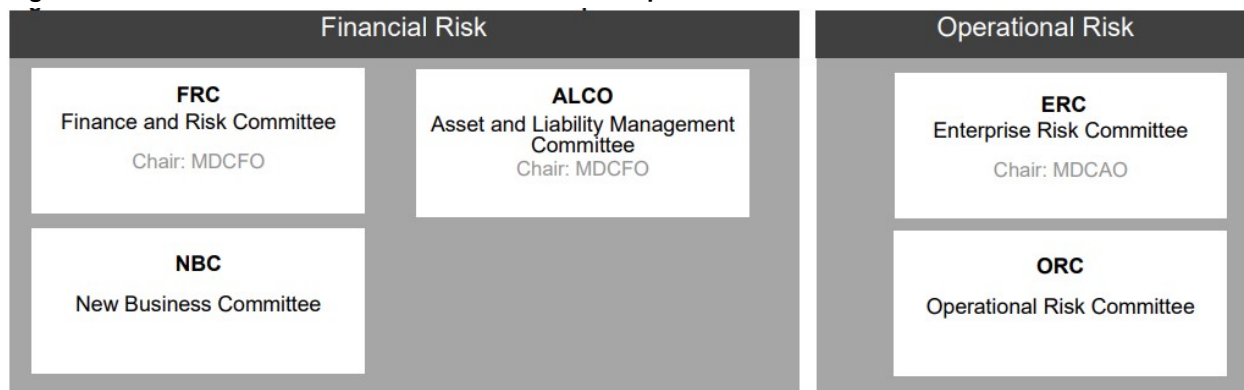
Operational Risk Department

- 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 the oversight of the enterprise risk, operational risk, business continuity, corporate insurance, and data privacy functions.

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 18 depicts IBRD’s management risk committee structure for financial and operational risks.

Figure 18: 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 and 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 the financial performance, new products and services, and 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 a 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 Vice President-level committee chaired by the Managing Director and Chief Administrative Officer (MDCAO) that oversees IBRD's non-financial risks through reviewing, discussing and/or formulating proposed policies, procedures, directives, guidance, and other matters requested by its members. 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 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 CROVP and escalates significant risks and 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 Counterparty Credit Risk	IBRD's credit-risk-bearing capacity and individual country exposure limits Counterparty credit limits and collateral
Market Risk Interest Rate Risk Exchange Rate Risk Liquidity Risk	Interest rate derivatives to match the sensitivity of assets and liabilities Currency derivatives to align the currency composition of assets and liabilities 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 credit, 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 Global Outlook

Russia's invasion of Ukraine that began in February 2022 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, 2023, IBRD committed \$4.2 billion to Ukraine. Over the same period, IBRD disbursed \$2.8 billion (including commitments made prior to the start of the invasion) to help the government of Ukraine provide critical services.

As of June 30, 2023, IBRD's loans outstanding to Ukraine were \$8.7 billion with \$2.3 billion guaranteed by third parties. In addition, IBRD provided \$0.7 billion of guarantees to Ukraine that were outstanding as of June 30, 2023. As of June 30, 2023, there were no loans outstanding to the Russian Federation.

As of June 30, 2023, IBRD had sufficient resources to meet its liquidity requirements and continues to have access to capital market resources. The liquid asset portfolio was above the Target Liquidity Level (Table 31).

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 (Figure 19 and Table 28) remains 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 and other exposures over a medium-term capital-planning horizon.

In April 2023, as part of the Evolution Roadmap, the Board approved a reduction in the policy minimum Equity-to-Loans ratio from 20% to 19% based on IBRD's review of the capital adequacy framework. The minimum Equity-to-Loans ratio policy continues to support IBRD's triple-A rating and long-term financial sustainability.

As shown in Table 28, IBRD's Equity-to-Loans ratio was unchanged at 22.0% as of June 30, 2023, compared to June 30, 2022, and remained above the 19% minimum ratio under the strategic capital adequacy framework. The increase in total exposure of approximately \$10.8 billion was offset by the receipt of capital subscription payments of \$1.3 billion and the retention of \$0.9 billion in the General Reserve out of FY23 allocable income.

In FY23, 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 \$5.4 billion, representing 72% of the total amount expected over the subscription period. 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. 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 19: Equity-to-Loans Ratio

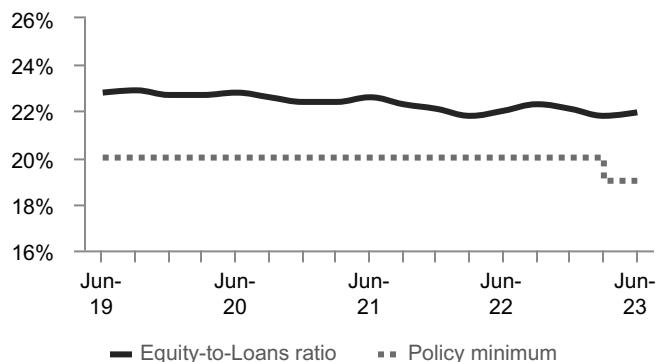


Table 28: Equity-to-Loans Ratio

In millions of U.S. dollars

As of June 30,			Variance		
	2023	2022	Total	Due to Activities	Due to Translation Adjustment
Usable paid-in capital	\$ 20,669	\$ 19,352	\$ 1,317	\$ 1,325	\$ (8)
Special reserve	293	293	—	—	—
General reserve ^a	32,974	32,053	921	921	—
Cumulative translation adjustment ^b	(1,004)	(1,342)	338	—	338
Other adjustments	173	125	48	—	48
Equity (usable equity)	\$ 53,105	\$ 50,481	\$ 2,624	\$ 2,246	\$ 378
Loans exposure	\$ 243,896	\$ 229,344	\$ 14,552	\$ 12,736	\$ 1,816
Present value of guarantees	2,840	2,703	137	71	66
Effective but undisbursed DDOs	100	598	(498)	(498)	—
Relevant accumulated provisions ^c	(2,853)	(2,142)	(711)	(683)	(28)
Deferred loan income	(520)	(510)	(10)	(6)	(4)
Other exposures and adjustments ^d , net	(1,557)	(743)	(814)	(808)	(6)
Loans (total exposure)	\$ 241,906	\$ 229,250	\$ 12,656	\$ 10,812	\$ 1,844
Equity-to-Loans Ratio	22.0 %	22.0 %			

a. Includes transfer to the General Reserve, which for FY23 (FY22) was approved by the Board on August 3, 2023 (August 4, 2022).

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 \$221 million for FY23 (\$173 million gains for FY22).

d. Includes \$1,877 million (\$876 million as of June 30, 2022) related to guarantees received from third parties that reduced IBRD's Loan exposures.

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 takes into account factors such as population size and the economic situation of the country. 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 borrowing countries account 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. As of June 30, 2023, the SLL totaled \$350.3 billion, of which the outstanding loans and callable guarantees totaled \$250.4 billion, or 71% of the SLL. The EAL was \$35.0 billion, as of June 30, 2023. The SLL was originally intended 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. IBRD has subsequently adopted an internal risk-based capital adequacy framework based on risk management practices that have evolved significantly since the time the SLL was established. The SLL is not a risk-based metric, and could constrain IBRD's lending capacity below levels that are consistent with its risk-based framework. Accordingly, IBRD is in the process of amending the Articles to remove the SLL. The Board of Governors approved a Resolution to remove the SLL on July 10, 2023. IBRD is now going through the final stage of the amendment process, which requires acceptance by three-fifths of the members having eighty-five percent of the voting power.

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 \$7,445 as of July 1, 2022. Under the dual-SBL system, the SBL for FY23 was \$28.0 billion for highly creditworthy countries below the GDI and \$21.2 billion for highly creditworthy countries above the GDI. On June 29, 2023, the Board approved the FY24 SBL limits of \$28.9 billion and \$21.2 billion, respectively. 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 FY23, 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 FY23 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, 2023, the ten countries with the highest exposures accounted for about 60% of IBRD's total exposure (Figure 20: Country Exposures as of June 30, 2023). IBRD's largest exposure to a single borrowing country was \$20.1 billion on June 30, 2023. Monitoring these exposures relative to the limit, however, requires consideration of the repayment profiles of existing loans, as well as disbursement profiles and projected new loans and guarantees.

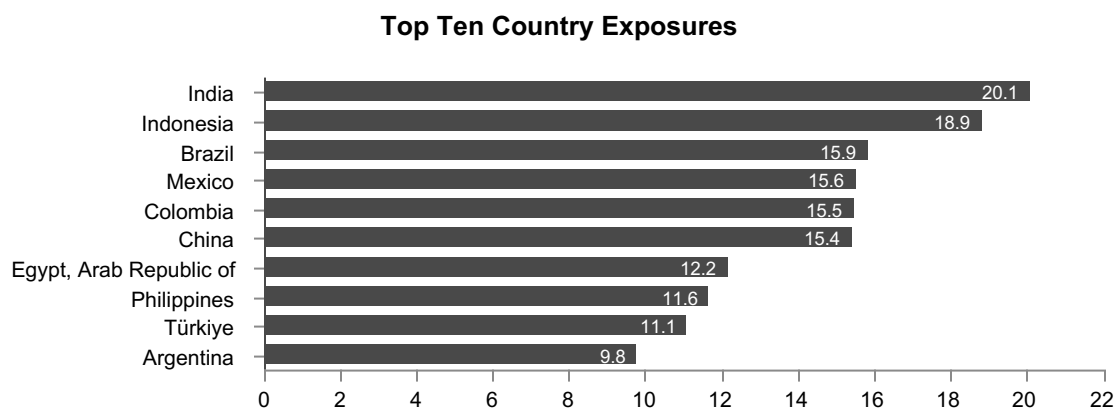
Sustainable Annual Lending Limit (SALL)

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, 2023, the Board had approved a crisis buffer of \$5.0 billion and a SALL-Adj of \$27.0 billion. On June 27, 2023, the Board approved a crisis buffer of \$10.0 billion for FY24. The corresponding SALL-Adj, which will be the lending ceiling for FY24, is \$36.0 billion.

Figure 20: Country Exposures as of June 30, 2023

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, 2023, there were no principal or interest amounts on loans in accrual status, that were overdue by more than three months.

Effective October 17, 2022, all loans made to or guaranteed by Belarus were placed into nonaccrual status.

As of June 30, 2023, 0.6% of IBRD's loans were in nonaccrual status, all related to Zimbabwe and Belarus. During the year, IBRD received \$3 million (\$3 million in FY22) from borrowers in non-accrual status as payments towards amounts overdue, of which \$2 million (less than \$1 million in FY22) relates to the interest income recognized in the Statements of Income.

The exposure to Zimbabwe was \$427 million as of June 30, 2023, compared with \$428 million as of June 30, 2022. The exposure to Belarus was \$998 million as of June 30, 2023, compared with \$985 million as of June 30, 2022.

No loans to any borrowing country were restored to accrual status during the year.

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 (Reference rate + 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's management determines that the overdue amount will be collected in the immediate future. Unpaid interest and other charges accrued but not yet paid on loans outstanding are deducted from the revenue for 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.

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 29).

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, 2023, IBRD had received collateral of cash and securities totaling \$0.3 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, asset-backed securities) (Table 29).

Table 29: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

In millions of U.S. dollars

As of June 30, 2023

Counterparty Rating ^a	Investments		Net Swap Exposure	Total Exposure	% of Total
	Sovereigns	Non-Sovereigns			
AAA	\$ 21,337	\$ 8,157	\$ —	\$ 29,494	38 %
AA	156	31,763	19	31,938	41
A	7,096	8,711	135	15,942	21
BBB	3	35	—	38	*
BB or lower/unrated	—	3	2	5	*
Total	\$ 28,592	\$ 48,669	\$ 156	\$ 77,417	100 %

As of June 30, 2022

Counterparty Rating ^a	Investments		Net Swap Exposure	Total Exposure	% of Total
	Sovereigns	Non-Sovereigns			
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 %

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 percentage less than 0.5%.

IBRD's overall commercial counterparty credit exposure, net of collateral held, was \$77.4 billion as of June 30, 2023. As shown on Table 29, the credit quality of IBRD's portfolio remains concentrated in the upper end of the credit spectrum, with 79% 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 30):

Table 30: Non-Commercial Counterparty Credit Risk

In millions of U.S. dollars

Exposures as of June 30, 2023

<i>Non-Commercial Counterparty</i>	<i>Instrument used</i>	<i>Purpose of derivative transaction</i>	<i>Notional</i>	<i>Net Exposure</i>
Borrowing Member Countries	Derivatives	Assist borrowing member countries with managing risks	\$ 7,921	\$ —
Non-Affiliated Organization	Derivatives	Assist IFFIm with managing risks	3,120	—
			\$ 11,041	\$ —

- *Borrowing Member Countries:* Currency and interest rate swap transactions are executed between IBRD and its borrowers under master derivative agreements. As of June 30, 2023, the notional amounts were \$7.9 billion with no net exposure to IBRD under these agreements. Expected losses inherent in these exposures due to country credit risk are incorporated in the fair value of these instruments.
- *Affiliated Organizations:* Derivative contracts were executed between IBRD and IDA, under an agreement allowing IBRD to intermediate derivative contracts on behalf of IDA. As of June 30, 2023, IBRD did not have any exposure to IDA under these agreements.
- *Non-Affiliated Organizations:* IBRD has a master derivatives agreement with IFFIm, under which several transactions have been executed. As of June 30, 2023, the notional amounts were \$3.1 billion with no net fair value exposures to IBRD under this agreement. IBRD has the right to call for collateral above an agreed specified threshold. As of June 30, 2023, 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 future projected exposures 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, 2023, IBRD recorded a CVA on its Balance Sheet of \$27 million, and a DVA of \$471 million.

Changes in Credit Spreads

The sensitivity of IBRD's portfolios to credit represents the change in fair value corresponds to changes 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.
- *Borrowings*: IBRD's own credit risk reflects the cost of funding relative to applicable reference rates. Changes in IBRD's credit spreads result in unrealized mark-to-market gains/losses, recorded as Net Change in DVA on Fair Value Option elected liabilities in the Statements of Comprehensive Income.
- *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. IBRD does not hedge its sovereign credit exposure but Management assesses its credit risk through a loan-loss provisioning framework. The loan loss provision represents the expected losses inherent in its accrual and nonaccrual portfolios. 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.

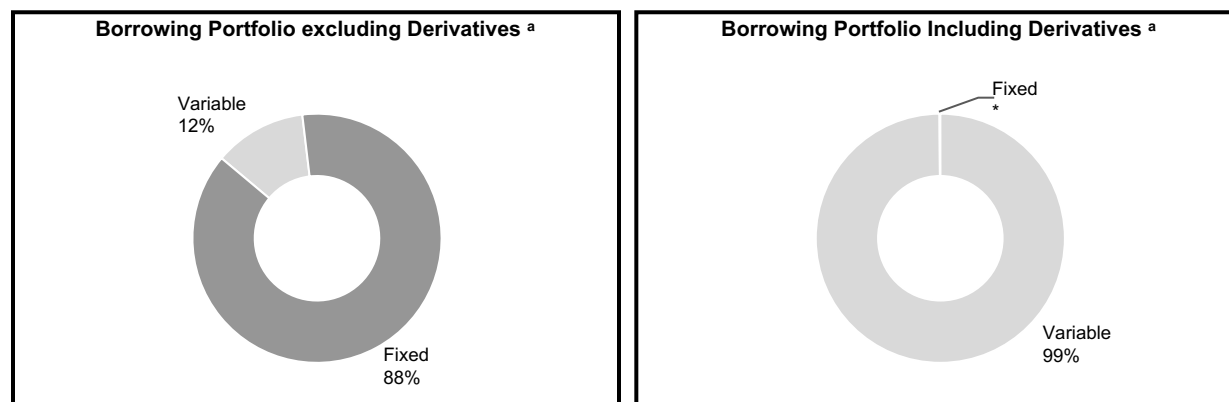
Market Risk

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 21 and Figure 22).

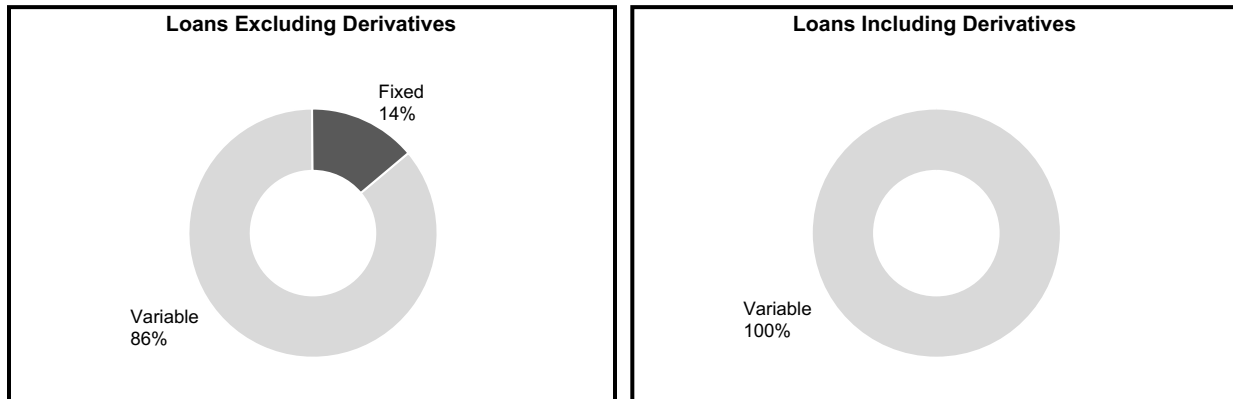
Figure 21: Effect of Derivatives on Interest Rate Structure of the Borrowing Portfolio - June 30, 2023



a. Excludes discount notes.

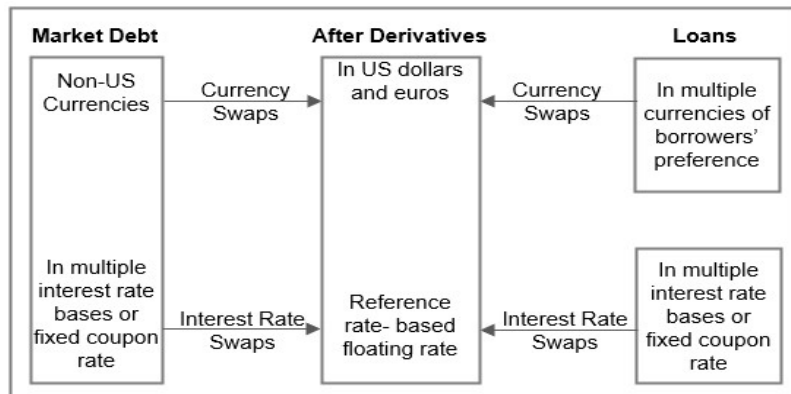
* Denotes percentage less than 0.5%.

Figure 22: Effect of Derivatives on Interest Rate Structure of the Loan Portfolio - June 30, 2023



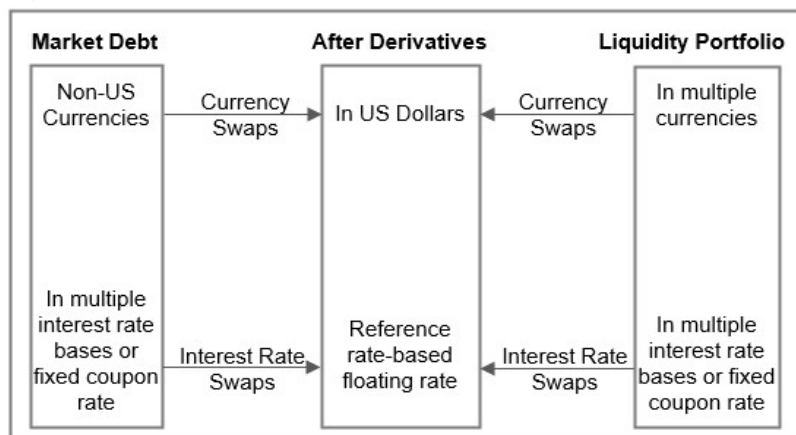
Alignment of Assets and Liabilities – IBRD borrows in multiple currency and interest rate bases worldwide and lends the proceeds of those borrowings to eligible member countries. IBRD offers its borrowers the option of converting the currency and interest rate bases on their loans where there is a liquid 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 23 below illustrates the use of derivatives in the loan and borrowing portfolios:

Figure 23: Use of Derivatives for Loans and Borrowings



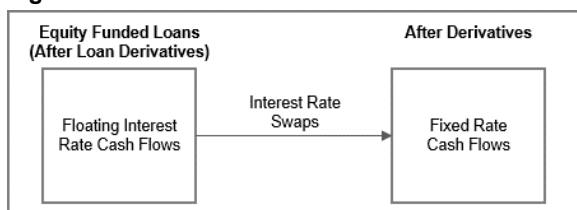
Derivatives are also used to manage market risk in the liquidity portfolio. In line with its development mandate, IBRD maintains a large liquidity balance to ensure that it can make payments on its borrowing obligations and loan disbursements, even in the event of severe market disruptions. Pending disbursement, 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 24 below illustrates the use of derivatives in the liquidity portfolio:

Figure 24: 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 25 below.

Figure 25: 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). In FY23, IBRD’s liquid asset portfolio incurred unrealized mark-to-market losses due to the sharp increase in interest rates.

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 when the loan was initially disbursed. 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 by charging a risk premium.

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

The Financial Conduct Authority (FCA), the regulator of LIBOR, confirmed that effective December 31, 2021, all the LIBOR settings, except for certain USD LIBOR, which were available until June 30, 2023, ceased to be provided by any administrator or were no longer representative.

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 to alternative reference rates. This transition started on January 1, 2022.

Out of the total loans outstanding as of June 30, 2023, approximately 58% have transitioned and 10% are still subject to transition to alternative reference rates. The remaining 32% 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, and was completed as of June 30, 2022. The USD fixed spread loans started transitioning in July 2023, as the loans reset, and will be completed by the end of December 2023.

Out of the total derivative portfolio notional as of June 30, 2023, less than 1% have transitioned and 68% are still subject to transition to alternative reference rates, which started in July 2023, as derivatives reset. The remaining 32% of the total derivative portfolio notional is not subject to transition to alternative reference rates. For the vast majority of the derivative portfolio subject to transition, 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, 2023, almost all of IBRD's borrowings either carry fixed interest rates or are not subject to transition to alternative reference rates.

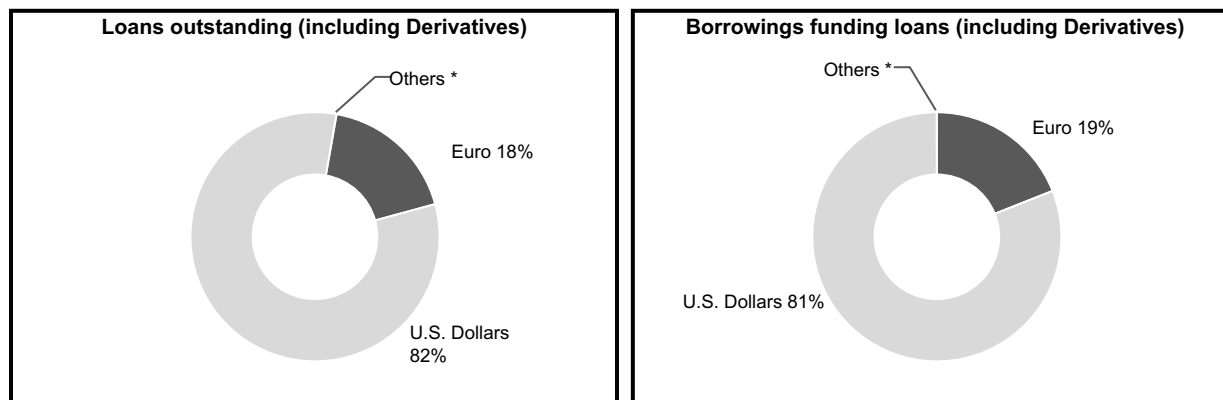
IBRD will continue to work with key stakeholders, including internal subject matter experts, senior management, borrowers, industry groups and other market participants, to mitigate potential financial and operational risks to which IBRD is exposed, and to ensure an orderly transition to the alternative 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 Statements 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 risk, IBRD matches its borrowing obligations in any one currency (after derivatives) with assets in the same currency (Figure 26). 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 rate movements. As a result, exchange rate movements during the year generally do not have an impact on the overall Equity-to-Loans ratio.

Figure 26: Currency Composition of Loan and Borrowing Portfolios as of June 30, 2023



* 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 31).

Table 31: Liquidity Levels

Effective for FY23	In billions of U.S. dollars	% of Target Liquidity Level
Target Liquidity Level	\$ 54.0	
Guideline Maximum Liquidity Level	81.0	150 %
Prudential Minimum Liquidity Level	43.2	80 %
Liquid Asset Portfolio as of June 30, 2023	\$ 75.4	140 %

The FY24 Target Liquidity Level is set at \$59.0 billion, \$5.0 billion higher than FY23 Target Liquidity Level due to higher projected debt service in FY24.

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, identifying emerging risks that may affect business units, and developing risk responses 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 a 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 desktop 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 32 shows IBRD's contractual obligations for the next five years and thereafter; it excludes the following obligations reflected on IBRD's Balance Sheets: 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 represents 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 Sheets. 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 for Transactions with Affiliated Organizations).

Table 32: Contractual Obligations

In millions of U.S. dollars

	As of June 30, 2023				
	Due in 1 year or Less	Due after 1 Year up to 3 Years	Due after 3 Years up to 5 Years	Due After 5 years	Total
Borrowings (at fair value)	\$ 38,996	\$ 60,921	\$ 52,890	\$ 84,458	\$ 237,265
Operating leases	66	90	40	1,150	1,346
Contractual purchases	68	7	—	—	75
Other long-term liabilities	721	146	97	182	1,146
Total	\$ 39,851	\$ 61,164	\$ 53,027	\$ 85,790	\$ 239,832

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, 2023, IBRD and IDA's share of the assets amounted to \$30.8 billion (see Table 33). 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 FY23, the WBG's rate for contributions to the Plans was 14.61% of 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 last 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 realism and 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 in and 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 enhance the 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 33: Funded Status of the Plans

In millions U.S. dollars

	<i>As of June 30, 2023</i>			
	<i>SRP</i>	<i>RSBP</i>	<i>PEBP</i>	<i>Total</i>
PBO	\$ (21,208)	\$ (3,341)	\$ (2,057)	\$ (26,606)
Plan assets	\$ 24,565	\$ 4,281	\$ 1,953	\$ 30,799
Net position	\$ 3,357	\$ 940	\$ (104)	\$ 4,193
IBRD's funded status				1,980
	<i>As of June 30, 2022</i>			
	<i>SRP</i>	<i>RSBP</i>	<i>PEBP</i>	<i>Total</i>
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

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 overfunded status of the pension plans for IBRD and IDA of \$4,193 million as of June 30, 2023, 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 34 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, 2023. All of IBRD's loans were carried at amortized cost as of June 30, 2023.

Table 34: Fair Value Level 3 Summary

In millions U.S. dollars

For the fiscal year ended June 30,

	2023		2022	
	Level 3	Total Balance	Level 3	Total Balance
Total Assets at fair value	\$ 221	\$ 92,093	\$ 120	\$ 93,312
As a percentage of total assets	0.24 %		0.13 %	
Total Liabilities at fair value	\$ 3,949	\$ 277,016	\$ 4,596	\$ 266,344
As a percentage of total liabilities	1.43 %		1.73 %	

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 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 changes between the accrual and nonaccrual portfolios.

The accumulated provision for loan losses is reported separately in the Balance Sheets 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 Statements 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

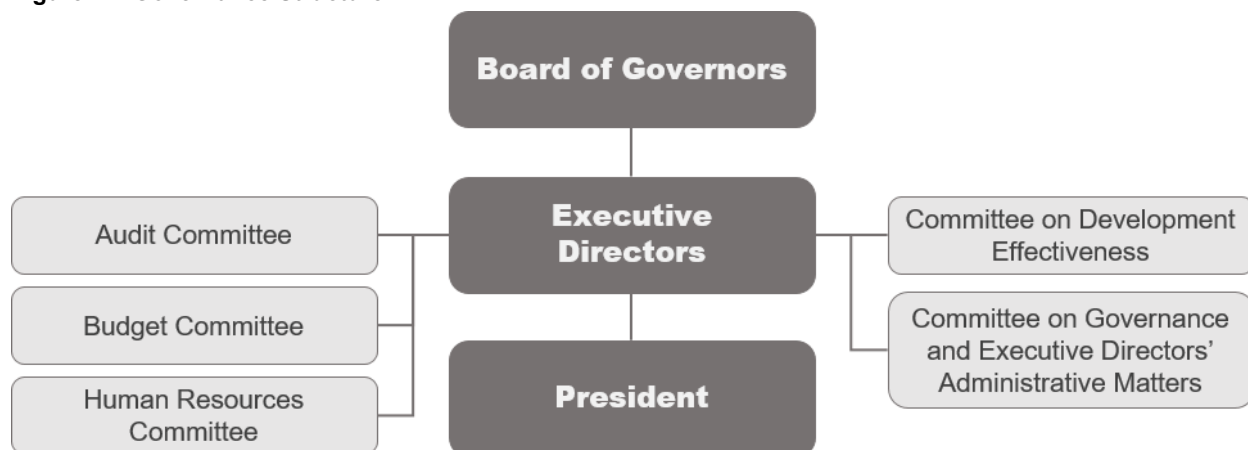
Business Conduct

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 in place a Code of Conduct. 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 procedures in place 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.

Figure 27: Governance Structure



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.

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 sessions 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.
- 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 in 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 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 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.

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

Effective June 1, 2023, David Malpass resigned as World Bank Group President. Ajay Banga was appointed as President of the World Bank Group effective June 2, 2023.

On March 1, 2023, Mari Pangestu retired as Managing Director for Development Policy and Partnerships.

Effective April 3, 2023, Axel van Trotsenburg became the Senior Managing Director for the World Bank's Development Policy and Partnerships, and Anna Bjerde was appointed Managing Director for Operations, succeeding Axel van Trotsenburg 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, 2023, management maintained effective internal control over financial reporting. See "Management's report regarding effectiveness of Internal Control over Financial Reporting" on page 70.

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, 2023. See Independent Auditor's Report on page 72.

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, 2023.

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 28.

Hybrid Capital: Instrument that has characteristics of both debt and equity.

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 FY23, income groups are classified according to the 2021 gross national income (GNI) per capita. For lower-middle-income countries, the GNI range was \$1,086 to \$4,255.

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-month 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	IFLs: IBRD Flexible Loans
AOCI: Accumulated Other Comprehensive Income	IPF: Investment Project Financing
BETF: IBRD-Executed Trust Funds	LIBID: London Interbank Bid Rate
BOG: Board of Governors	LIBOR: London Interbank Offered Rate
COSO: Committee of Sponsoring Organizations of the Treadway Commission	LLP: Loan Loss Provision
CDS: Credit Default Swaps	LTRRO: Long-Term Real Return Objective
CVA: Credit Valuation Adjustment	MDB: Multilateral Development Bank
CRO: Vice President and WBG Chief Risk Officer	MDCAO: Managing Director and World Bank Group Chief Administrative Officer
DDO: Deferred Drawdown Option	MDCFO: Managing Director and World Bank Group Chief Financial Officer
DPF: Development Project Financing	MIGA: Multilateral Investment Guarantee Agency
DVA: Debit Valuation Adjustment	MOV: Maintenance-Of-Value
EAL: Equitable Access Limit	NBC: New Business Committee
EDF: Expected default frequency	NCPIC: National Currency Paid-in Capital
EEA: Exposure Exchange Agreement	ORC: Operational Risk Committee
EFOs: Externally Financed Outputs	PBAC: Pension Benefits Administration Committee
ESG: Environmental, Social and Governance	PBO: Pension Benefit Obligation
FASB: Financial Accounting Standards Board	PCRF: Post Retirement Contribution Reserve Fund
FIFs: Financial Intermediary Funds	PEBP: Post-Employment Benefit Plan
FRC: Finance and Risk Committee	PFC: Pension Finance Committee
GAVI: Global Alliance for Vaccines and Immunization	PforR: Program-for-Results
GCI: General Capital Increase	RAS: Reimbursable Advisory Services
GDI: Graduation Discussion Income	RAMP: Reserves Advisory Management Partnership
GNI: Gross National Income	RETF: Recipient-Executed Trust Funds
GMFs: Grant-Making Facilities	RSBP: Retired Staff Benefits Plan
GPs: Global Practices	SALL: Sustainable Annual Lending Limit
IADB: Inter-American Development Bank	SCI: Selective Capital Increase
IBRD: International Bank for Reconstruction and Development	SDPL: Special Development Policy Loans
ICSID: International Centre for Settlement of Investment Disputes	SBL: Single Borrower Limit
IFC: International Finance Corporation	SLL: Statutory Lending Limit
IDA: International Development Association	SRP: Staff Retirement Plan
IFFIm: International Finance Facility for Immunization	

Eligible Borrowing Member Countries by Region as of July 1, 2023

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*

* Blend countries eligible for IDA and IBRD loans.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FINANCIAL STATEMENTS AND INTERNAL CONTROL REPORTS

JUNE 30, 2023

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Management's Report on Effectiveness of Internal Control Over Financial Reporting

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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

August 4, 2023

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, 2023. 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, 2023. 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.

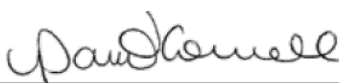
The Executive Directors of IBRD have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IBRD. The Audit Committee is comprised entirely of Executive Directors who are independent of IBRD's management. The Audit Committee is responsible for recommending 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.



Ajay Banga
President



Anshula Kant
Managing Director and World Bank Group Chief Financial Officer



Pamela O'Connell
Vice President and World Bank Group Controller

Independent Auditor's Report on Effectiveness of Internal Control Over Financial Reporting



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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, 2023, 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, 2023, 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, 2023, of IBRD, and our report dated August 4, 2023, 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 4, 2023



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the International Bank for Reconstruction and Development ("IBRD"), which comprise the balance sheets as of June 30, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023, 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, 2023, 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 4, 2023, 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.

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.

Independent Auditor's Report

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 of 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.

Independent Auditor's Report

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 4, 2023

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FINANCIAL STATEMENTS

JUNE 30, 2023

BALANCE SHEETS

June 30, 2023 and June 30, 2022

Expressed in millions of U.S. dollars

	<u>2023</u>	<u>2022</u>
Assets		
Due from banks—Notes C and L		
Unrestricted cash	\$ 479	\$ 392
Restricted cash	68	87
	<u>547</u>	<u>479</u>
Investments-Trading (including securities transferred under repurchase or securities lending agreements of \$9 million—June 30, 2023; \$36 million—June 30, 2022)—Notes C and L	79,199	81,783
Securities purchased under resale agreements—Notes C and L	78	37
Derivative assets, net—Notes C, F and L	271	804
Other receivables		
Receivable from investment securities traded—Note C	102	103
Accrued income on loans and guarantee fees receivable—Note D	3,416	1,328
	<u>3,518</u>	<u>1,431</u>
Loans outstanding (Summary Statement of Loans, Notes D, H and L)		
Total loans	329,008	303,867
Less undisbursed balance (including signed loan commitments of \$59,350 million — June 30, 2023, and \$56,951 million — June 30, 2022)	(85,112)	(74,523)
Loans outstanding	<u>243,896</u>	<u>229,344</u>
Less:		
Accumulated provision for loan losses	(2,336)	(1,742)
Deferred loan income	(519)	(510)
Net loans outstanding	<u>241,041</u>	<u>227,092</u>
Other assets		
Assets under retirement benefits plans—Notes J and K	4,297	2,309
Premises and equipment, net	1,815	1,821
Miscellaneous—Notes E, H and I	1,875	1,786
	<u>7,987</u>	<u>5,916</u>
Total assets	<u>\$ 332,641</u>	<u>\$ 317,542</u>

	2023	2022
Liabilities		
Borrowings—Notes E and L	\$ 237,265	\$ 235,173
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and L	9	37
Derivative liabilities, net—Notes C, F and L	26,893	20,041
Other liabilities		
Payable for investment securities purchased—Note C	640	51
Liabilities under retirement benefits plans—Notes J and K	2,057	2,107
Accounts payable and miscellaneous liabilities—Notes D, H and I	5,395	4,813
	<u>8,092</u>	<u>6,971</u>
Total liabilities	<u>272,259</u>	<u>262,222</u>
Equity		
Capital stock (Statement of Subscriptions to Capital Stock and Voting Power, Note B)		
Authorized capital (2,783,873 shares—June 30, 2023, and June 30, 2022)		
Subscribed capital (2,634,728 shares—June 30, 2023, and 2,545,984 shares—June 30, 2022)	317,840	307,135
Less uncalled portion of subscriptions	(296,021)	(286,636)
Paid-in capital	<u>21,819</u>	<u>20,499</u>
Nonnegotiable, noninterest-bearing demand obligations on account of subscribed capital	(320)	(316)
Receivable amounts to maintain value of currency holdings—Note B	(345)	(354)
Deferred amounts to maintain value of currency holdings—Note B	(436)	(424)
Retained earnings (Statements of Changes in Retained Earnings and Note G)	36,141	34,997
Accumulated other comprehensive income —Note K	3,523	918
Total equity	<u>60,382</u>	<u>55,320</u>
Total liabilities and equity	<u>\$ 332,641</u>	<u>\$ 317,542</u>

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

STATEMENTS OF INCOME

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2023	2022	2021
Interest revenue			
Loans, net— <i>Note D</i>	\$ 10,522	\$ 2,368	\$ 2,213
Other asset/liability management derivatives, net— <i>Notes F and L</i>	(850)	583	604
Investments-Trading, net— <i>Note C</i>	3,079	296	211
Other, net	2	(2)	(2)
Borrowing expenses, net—<i>Note E</i>	(9,562)	(750)	(662)
Interest revenue, net of borrowing expenses	3,191	2,495	2,364
Provision for losses on loans and other exposures—<i>Note D</i>	(685)	(570)	(146)
Non-interest revenue			
Revenue from externally funded activities— <i>Notes H and I</i>	878	787	776
Commitment charges— <i>Note D</i>	124	126	115
Other, net— <i>Note I</i>	43	43	36
Total	1,045	956	927
Non-interest expenses			
Administrative— <i>Notes H, I and J</i>	(2,320)	(2,225)	(2,142)
Contributions to special programs	(17)	(17)	(18)
Other— <i>Note J</i>	183	258	(33)
Total	(2,154)	(1,984)	(2,193)
Board of Governors-approved and other transfers—<i>Note G</i>	(221)	(354)	(411)
Non-functional currency translation adjustment gains, net	39	150	35
Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net—<i>Notes F and L</i>	84	(77)	231
Unrealized mark-to-market (losses) gains on non-trading portfolios, net			
Loan-related derivatives— <i>Notes D, F and L</i>	1,677	5,994	2,415
Other asset/liability management derivatives, net— <i>Notes F and L</i>	(1,642)	(3,392)	(1,351)
Borrowings, including derivatives— <i>Notes E, F and L</i>	(190)	759	154
Others, net — <i>Note L</i>	—	13	14
Total	(155)	3,374	1,232
Net income	\$ 1,144	\$ 3,990	\$ 2,039

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

STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2023	2022	2021
Net income	\$ 1,144	\$ 3,990	\$ 2,039
Other comprehensive income—Note K			
Net actuarial gains on benefit plans	2,103	3,027	5,105
Prior service credit on benefit plans, net	20	23	23
Net Change in Debit Valuation Adjustment (DVA) on fair value option elected liabilities—Note L	(13)	582	(1,432)
Currency translation adjustments on functional currency	495	(1,149)	465
Total other comprehensive income	2,605	2,483	4,161
Total comprehensive income	<u>\$ 3,749</u>	<u>\$ 6,473</u>	<u>\$ 6,200</u>

STATEMENTS OF CHANGES IN RETAINED EARNINGS

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2023	2022	2021
Retained earnings at the beginning of the fiscal year	\$ 34,997	\$ 31,007	\$ 28,765
Cumulative effect of a change in accounting principle—Note G	—	—	203
Adjusted retained earnings at the beginning of the fiscal year	34,997	31,007	28,968
Net income for the fiscal year	1,144	3,990	2,039
Retained earnings at the end of the fiscal year	<u>\$ 36,141</u>	<u>\$ 34,997</u>	<u>\$ 31,007</u>

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

STATEMENTS OF CASH FLOWS

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2023	2022	2021
Cash flows from investing activities			
Loans			
Disbursements	\$ (25,465)	\$ (28,115)	\$ (23,651)
Principal repayments	12,296	12,797	10,020
Principal prepayments	472	495	81
Loan origination fees received	27	28	24
Net derivatives-loans	66	147	64
Other investing activities, net	(141)	(163)	(175)
Net cash used in investing activities	<u>(12,745)</u>	<u>(14,811)</u>	<u>(13,637)</u>
Cash flows from financing activities			
Medium and long-term borrowings			
New issues	42,056	40,715	67,365
Retirements	(30,275)	(36,255)	(51,692)
Short-term borrowings (original maturities greater than 90 days)			
New issues	25,358	21,631	21,937
Retirements	(25,846)	(20,692)	(20,469)
Net short-term borrowings (original maturities less than 90 days)	(4,716)	3,996	(2,270)
Net derivatives-borrowings	(787)	(13)	(758)
Capital subscriptions	1,320	1,255	1,210
Other financing activities, net	(5)	2	6
Net cash provided by financing activities	<u>7,105</u>	<u>10,639</u>	<u>15,329</u>
Cash flows from operating activities			
Net income	1,144	3,990	2,039
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Unrealized mark-to-market losses (gains) on non-trading portfolios, net	155	(3,374)	(1,232)
Non-functional currency translation adjustment gains, net	(39)	(150)	(35)
Depreciation and amortization	535	106	94
Provision for losses on loans and other exposures	685	570	146
Changes in:			
Investments-Trading	3,173	1,792	(2,359)
Net investment securities purchased/traded	608	(371)	137
Net derivatives-investments	(826)	2,921	(1,406)
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(94)	(2,781)	1,171
Accrued income on loans and guarantee fees receivable	(2,230)	(299)	449
Miscellaneous assets	(4)	87	(239)
Accrued interest on borrowings	2,051	(419)	(811)
Accounts payable and miscellaneous liabilities	463	200	123
Pension and other post-retirement benefits	86	99	638
Net cash provided by (used in) operating activities	<u>5,707</u>	<u>2,371</u>	<u>(1,285)</u>
Effect of exchange rate changes on unrestricted and restricted cash	<u>1</u>	<u>(67)</u>	<u>70</u>
Net increase (decrease) in unrestricted and restricted cash	68	(1,868)	477
Unrestricted and restricted cash at the beginning of the fiscal year	479	2,347	1,870
Unrestricted and restricted cash at the end of the fiscal year	<u>\$ 547</u>	<u>\$ 479</u>	<u>\$ 2,347</u>

Expressed in millions of U.S. dollars

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Supplemental disclosure			
Increase (decrease) in ending balances resulting from exchange rate fluctuations			
Loans outstanding	\$ 1,817	\$ (6,094)	\$ 2,742
Investment portfolio	4	(210)	277
Borrowing portfolio	1,397	(4,527)	(1,971)
Capitalized loan origination fees included in total loans	39	53	39
Interest paid on borrowing portfolio	6,948	1,157	1,488

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

SUMMARY STATEMENT OF LOANS

June 30, 2023

Expressed in millions of U.S. dollars

Borrower or guarantor	Total loans ^{a,b}	Undisbursed balance		Loans Outstanding	Percentage of total loans outstanding ^d
		Loans approved but not yet signed	Signed loan commitment ^c		
Albania ^b	\$ 1,403	\$ 246	\$ 287	\$ 870	0.36 %
Angola ^a	5,866	700	2,207	2,959	1.21
Antigua and Barbuda	4	—	—	4	*
Argentina	13,823	1,050	3,385	9,388	3.85
Armenia ^b	1,101	—	236	865	0.36
Azerbaijan	1,358	—	114	1,244	0.51
Bahamas, The	100	—	—	100	0.04
Barbados	221	—	—	221	0.09
Belarus	998	—	—	998	0.41
Belize	65	—	28	37	0.02
Bolivia, Plurinational State of ^a	1,315	—	550	765	0.31
Bosnia and Herzegovina ^b	1,158	150	338	670	0.27
Botswana ^a	760	150	91	519	0.21
Brazil ^b	18,141	1,000	1,260	15,881	6.51
Bulgaria	437	—	—	437	0.18
Cabo Verde, Republic of	41	—	3	38	0.02
Cameroon	898	208	268	422	0.17
Chile ^a	300	150	—	150	0.06
China ^b	21,298	2,715	3,015	15,568	6.38
Colombia ^a	16,493	750	641	15,102	6.19
Congo, Republic of	375	—	216	159	0.07
Costa Rica ^a	2,450	660	218	1,572	0.65
Cote d'Ivoire	174	—	41	133	0.06
Croatia	1,981	—	564	1,417	0.58
Dominican Republic ^a	2,953	950	448	1,555	0.64
Ecuador ^a	5,538	450	652	4,436	1.82
Egypt, Arab Republic of ^b	15,111	—	2,795	12,316	5.05
El Salvador	1,642	100	663	879	0.36
Eswatini	281	—	99	182	0.07
Fiji	195	—	13	182	0.07
Gabon ^a	769	61	49	659	0.27
Georgia ^b	2,278	—	903	1,375	0.56
Grenada	15	—	2	13	0.01
Guatemala	2,558	400	73	2,085	0.85
India ^b	34,277	4,050	9,687	20,540	8.42
Indonesia ^b	26,279	2,065	4,330	19,884	8.15
Iran, Islamic Republic of	132	—	—	132	0.05
Iraq ^b	3,984	—	837	3,147	1.29
Jamaica	1,065	—	52	1,013	0.42
Jordan ^b	5,960	200	1,647	4,113	1.69
Kazakhstan	3,947	—	478	3,469	1.42
Kenya	1,218	—	135	1,083	0.44
Kosovo	104	—	—	104	0.04
Lebanon	1,670	500	298	872	0.36
Mauritius	122	—	—	122	0.05
Mexico	16,453	700	193	15,560	6.38
Moldova	463	—	317	146	0.06
Mongolia	234	100	98	36	0.01
Montenegro ^b	270	—	75	195	0.08
Morocco	12,787	1,137	2,737	8,913	3.65

SUMMARY STATEMENT OF LOANS (continued)

June 30, 2023

Expressed in millions of U.S. dollars

Borrower or guarantor	Total loans ^{a,b}	Undisbursed balance		Loans Outstanding	Percentage of total loans outstanding ^d
		Loans approved but not yet signed	Signed loan commitment ^c		
Nigeria ^a	\$ 1,446	\$ 449	\$ 510	\$ 487	0.20 %
North Macedonia ^b	857	—	231	626	0.26
Pakistan ^b	5,042	—	2,657	2,385	0.98
Panama ^a	1,955	—	424	1,531	0.63
Papua New Guinea	80	50	30	—	—
Paraguay	1,522	125	281	1,116	0.46
Peru	6,065	—	633	5,432	2.23
Philippines	15,179	600	2,941	11,638	4.77
Poland	6,352	271	34	6,047	2.48
Romania ^b	6,891	751	1,590	4,550	1.87
Serbia ^b	3,174	—	773	2,401	0.98
Seychelles	158	—	18	140	0.06
South Africa ^a	3,078	—	508	2,570	1.05
Sri Lanka	1,299	—	362	937	0.38
St. Lucia	3	—	—	3	*
Suriname	58	—	45	13	0.01
Thailand	625	—	—	625	0.26
Timor-Leste	14	—	—	14	0.01
Trinidad and Tobago ^a	20	—	8	12	*
Tunisia	5,456	—	1,216	4,240	1.74
Türkiye ^b	19,511	3,524	4,671	11,316	4.64
Turkmenistan	20	—	—	20	0.01
Ukraine ^b	11,456	1,500	1,296	8,660	3.55
Uruguay	1,430	—	64	1,366	0.56
Uzbekistan	3,242	—	624	2,618	1.07
Vietnam	2,583	—	391	2,192	0.90
Zimbabwe	427	—	—	427	0.18
Total-June 30, 2023	\$ 329,008	\$ 25,762	\$ 59,350	\$ 243,896	100 %
Total-June 30, 2022	\$ 303,867	\$ 17,572	\$ 56,951	\$ 229,344	

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 \$8,427 million (\$5,401 million—June 30, 2022) 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, 2023

Expressed in millions of U.S. dollars

Member	Subscriptions					Voting Power	
	Number of 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	1,325	0.05 %
Albania	1,187	0.05	143.2	5.4	137.8	2,006	0.07
Algeria	13,689	0.52	1,651.4	118.4	1,533.0	14,508	0.52
Angola	4,068	0.15	490.7	28.8	461.9	4,887	0.18
Antigua and Barbuda	659	0.03	79.5	2.3	77.2	1,478	0.05
Argentina	28,060	1.07	3,385.0	220.9	3,164.1	28,879	1.04
Armenia	2,006	0.08	242.0	13.8	228.2	2,825	0.10
Australia ^c	37,561	1.43	4,531.2	320.4	4,210.8	38,380	1.38
Austria ^c	18,143	0.69	2,188.7	157.4	2,031.3	18,962	0.68
Azerbaijan	2,749	0.10	331.6	19.1	312.5	3,568	0.13
Bahamas, The	1,452	0.06	175.2	9.0	166.1	2,271	0.08
Bahrain	1,648	0.06	198.8	11.9	186.9	2,467	0.09
Bangladesh	7,884	0.30	951.1	65.1	886.0	8,703	0.31
Barbados	948	0.04	114.4	4.5	109.9	1,767	0.06
Belarus	4,547	0.17	548.5	34.6	513.9	5,366	0.19
Belgium ^c	39,759	1.51	4,796.3	318.1	4,478.3	40,578	1.45
Belize	586	0.02	70.7	1.8	68.9	1,405	0.05
Benin	1,522	0.06	183.6	9.7	173.9	2,341	0.08
Bhutan	760	0.03	91.7	2.6	89.1	1,579	0.06
Bolivia, Plurinational State of	2,846	0.11	343.3	18.9	324.4	3,665	0.13
Bosnia and Herzegovina	948	0.04	114.4	9.8	104.6	1,767	0.06
Botswana	916	0.03	110.5	5.4	105.1	1,735	0.06
Brazil	53,509	2.03	6,455.1	386.8	6,068.3	54,328	1.95
Brunei Darussalam	2,373	0.09	286.3	15.2	271.1	3,192	0.11
Bulgaria	7,609	0.29	918.0	64.5	853.4	8,428	0.30
Burkina Faso	1,519	0.06	183.2	9.7	173.5	2,338	0.08
Burundi	1,043	0.04	125.8	4.6	121.3	1,862	0.07
Cabo Verde, Republic of	729	0.03	87.9	2.3	85.7	1,548	0.06
Cambodia	619	0.02	74.7	6.4	68.3	1,438	0.05
Cameroon	2,202	0.08	265.6	12.4	253.3	3,021	0.11
Canada ^c	70,455	2.67	8,499.3	619.5	7,879.8	71,274	2.56
Central African Republic	975	0.04	117.6	3.9	113.8	1,794	0.06
Chad	975	0.04	117.6	3.9	113.8	1,794	0.06
Chile	11,787	0.45	1,421.9	101.3	1,320.7	12,606	0.45
China	154,899	5.88	18,686.2	1,312.1	17,374.1	155,718	5.58
Colombia	11,806	0.45	1,424.2	101.2	1,323.0	12,625	0.45
Comoros	369	0.01	44.5	1.0	43.5	1,188	0.04
Congo, Democratic Republic of	3,416	0.13	412.1	31.0	381.1	4,235	0.15
Congo, Republic of	1,051	0.04	126.8	4.3	122.4	1,870	0.07
Costa Rica	1,392	0.05	167.9	12.3	155.6	2,211	0.08
Cote d'Ivoire	4,270	0.16	515.1	33.3	481.9	5,089	0.18
Croatia	3,281	0.12	395.8	28.2	367.6	4,100	0.15
Cyprus	2,111	0.08	254.7	16.0	238.6	2,930	0.11
Czechia ^c	9,451	0.36	1,140.1	82.0	1,058.2	10,270	0.37
Denmark ^c	20,260	0.77	2,444.1	169.3	2,274.7	21,079	0.76
Djibouti	801	0.03	96.6	2.8	93.8	1,620	0.06
Dominica	685	0.03	82.6	3.2	79.4	1,504	0.05
Dominican Republic	2,651	0.10	319.8	17.2	302.6	3,470	0.12
Ecuador	3,828	0.15	461.8	24.1	437.7	4,647	0.17
Egypt, Arab Republic of	10,682	0.41	1,288.6	76.8	1,211.8	11,501	0.41

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(continued)*

June 30, 2023

Expressed in millions of U.S. dollars

Member	Subscriptions					Voting Power	
	Number of 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	1,222	0.04 %
Equatorial Guinea	715	0.03	86.3	2.7	83.5	1,534	0.05
Eritrea	593	0.02	71.5	1.8	69.7	1,412	0.05
Estonia ^c	1,322	0.05	159.5	8.6	150.9	2,141	0.08
Eswatini	590	0.02	71.2	3.2	68.0	1,409	0.05
Ethiopia	1,470	0.06	177.3	8.3	169.1	2,289	0.08
Fiji	1,354	0.05	163.3	8.8	154.6	2,173	0.08
Finland ^c	13,153	0.50	1,586.7	109.6	1,477.2	13,972	0.50
France ^c	108,611	4.12	13,102.3	956.6	12,145.7	109,430	3.92
Gabon	987	0.04	119.1	5.1	113.9	1,806	0.06
Gambia, The	777	0.03	93.7	2.7	91.0	1,596	0.06
Georgia	2,590	0.10	312.4	18.6	293.8	3,409	0.12
Germany ^c	118,578	4.50	14,304.7	1,043.5	13,261.1	119,397	4.28
Ghana	2,202	0.08	265.6	16.1	249.5	3,021	0.11
Greece ^c	4,342	0.16	523.8	38.7	485.1	5,161	0.19
Grenada	673	0.03	81.2	2.4	78.8	1,492	0.05
Guatemala	2,001	0.08	241.4	12.4	229.0	2,820	0.10
Guinea	1,864	0.07	224.9	9.9	214.9	2,683	0.10
Guinea-Bissau	613	0.02	73.9	1.4	72.5	1,432	0.05
Guyana	1,724	0.07	208.0	11.5	196.5	2,543	0.09
Haiti	1,550	0.06	187.0	7.8	179.2	2,369	0.08
Honduras	641	0.02	77.3	2.3	75.0	1,460	0.05
Hungary ^c	12,456	0.47	1,502.6	107.4	1,395.2	13,275	0.48
Iceland ^c	1,916	0.07	231.1	13.7	217.5	2,735	0.10
India	85,175	3.23	10,275.1	738.0	9,537.1	85,994	3.08
Indonesia	26,530	1.01	3,200.4	216.8	2,983.6	27,349	0.98
Iran, Islamic Republic of	34,963	1.33	4,217.8	254.3	3,963.4	35,782	1.28
Iraq	3,875	0.15	467.5	33.0	434.5	4,694	0.17
Ireland ^c	9,088	0.34	1,096.3	75.2	1,021.1	9,907	0.36
Israel	6,702	0.25	808.5	52.5	756.0	7,521	0.27
Italy ^c	68,786	2.61	8,298.0	599.8	7,698.2	69,605	2.50
Jamaica	3,645	0.14	439.7	28.7	411.0	4,464	0.16
Japan ^c	199,885	7.59	24,113.1	1,751.9	22,361.2	200,704	7.19
Jordan	2,337	0.09	281.9	16.5	265.4	3,156	0.11
Kazakhstan	4,573	0.17	551.7	31.3	520.4	5,392	0.19
Kenya	3,435	0.13	414.4	21.1	393.2	4,254	0.15
Kiribati	680	0.03	82.0	1.9	80.1	1,499	0.05
Korea, Republic of ^c	43,732	1.66	5,275.6	365.9	4,909.7	44,551	1.60
Kosovo, Republic of	1,538	0.06	185.5	11.5	174.1	2,357	0.08
Kuwait	19,432	0.74	2,344.2	141.0	2,203.2	20,251	0.73
Kyrgyz Republic	1,107	0.04	133.5	5.7	127.9	1,926	0.07
Lao People's Democratic Republic	355	0.01	42.8	3.3	39.5	1,174	0.04
Latvia	1,954	0.07	235.7	14.0	221.8	2,773	0.10
Lebanon	1,062	0.04	128.1	6.3	121.8	1,881	0.07
Lesotho	1,057	0.04	127.5	4.6	122.9	1,876	0.07
Liberia	606	0.02	73.1	3.6	69.5	1,425	0.05
Libya	9,935	0.38	1,198.5	72.1	1,126.4	10,754	0.39
Lithuania ^c	2,258	0.09	272.4	17.3	255.1	3,077	0.11
Luxembourg ^c	2,806	0.11	338.5	22.1	316.4	3,625	0.13
Madagascar	2,393	0.09	288.7	16.3	272.4	3,212	0.12

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(continued)*

June 30, 2023

Expressed in millions of U.S. dollars

Member	Subscriptions					Voting Power	
	Number of 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	2,541	0.09 %
Malaysia	10,447	0.40	1,260.3	75.4	1,184.8	11,266	0.40
Maldives	497	0.02	60.0	1.5	58.5	1,316	0.05
Mali	2,035	0.08	245.5	14.1	231.4	2,854	0.10
Malta	1,533	0.06	184.9	10.9	174.0	2,352	0.08
Marshall Islands	469	0.02	56.6	0.9	55.7	1,288	0.05
Mauritania	1,308	0.05	157.8	6.1	151.7	2,127	0.08
Mauritius	1,738	0.07	209.7	12.3	197.4	2,557	0.09
Mexico	40,119	1.52	4,839.8	291.1	4,548.6	40,938	1.47
Micronesia, Federated States of	479	0.02	57.8	1.0	56.8	1,298	0.05
Moldova	1,984	0.08	239.3	10.7	228.7	2,803	0.10
Mongolia	829	0.03	100.0	5.6	94.4	1,648	0.06
Montenegro	971	0.04	117.1	6.6	110.5	1,790	0.06
Morocco	8,069	0.31	973.4	66.8	906.6	8,888	0.32
Mozambique	1,332	0.05	160.7	6.8	153.9	2,151	0.08
Myanmar	3,465	0.13	418.0	21.4	396.6	4,284	0.15
Namibia	1,930	0.07	232.8	11.7	221.1	2,749	0.10
Nauru	586	0.02	70.7	2.4	68.3	1,405	0.05
Nepal	1,466	0.06	176.9	7.7	169.1	2,285	0.08
Netherlands ^c	52,228	1.98	6,300.5	444.5	5,856.0	53,047	1.90
New Zealand ^c	10,886	0.41	1,313.2	90.2	1,223.1	11,705	0.42
Nicaragua	999	0.04	120.5	5.3	115.2	1,818	0.07
Niger	1,233	0.05	148.7	5.6	143.1	2,052	0.07
Nigeria	19,417	0.74	2,342.4	168.0	2,174.3	20,236	0.73
North Macedonia	641	0.02	77.3	5.7	71.7	1,460	0.05
Norway ^c	16,744	0.64	2,019.9	145.0	1,874.9	17,563	0.63
Oman	1,978	0.08	238.6	12.1	226.5	2,797	0.10
Pakistan	13,313	0.51	1,606.0	109.1	1,496.9	14,132	0.51
Palau	16	0.00	1.9	0.2	1.8	835	0.03
Panama	1,138	0.04	137.3	10.3	127.0	1,957	0.07
Papua New Guinea	2,136	0.08	257.7	14.0	243.6	2,955	0.11
Paraguay	1,766	0.07	213.0	9.3	203.7	2,585	0.09
Peru	9,092	0.35	1,096.8	77.5	1,019.3	9,911	0.36
Philippines	11,887	0.45	1,434.0	102.1	1,331.9	12,706	0.46
Poland ^c	20,474	0.78	2,469.9	177.1	2,292.8	21,293	0.76
Portugal ^c	7,511	0.29	906.1	53.3	852.7	8,330	0.30
Qatar	1,389	0.05	167.6	11.1	156.5	2,208	0.08
Romania	7,873	0.30	949.8	67.1	882.7	8,692	0.31
Russian Federation	79,121	3.00	9,544.8	685.8	8,859.0	79,940	2.87
Rwanda	1,502	0.06	181.2	7.5	173.7	2,321	0.08
St. Kitts and Nevis	275	0.01	33.2	0.3	32.9	1,094	0.04
St. Lucia	699	0.03	84.3	2.6	81.7	1,518	0.05
St. Vincent and the Grenadines	387	0.01	46.7	1.6	45.1	1,206	0.04
Samoa	947	0.04	114.2	5.1	109.2	1,766	0.06
San Marino	595	0.02	71.8	2.5	69.3	1,414	0.05
Sao Tome and Principe	705	0.03	85.0	2.2	82.9	1,524	0.05
Saudi Arabia	69,991	2.66	8,443.4	545.8	7,897.6	70,810	2.54
Senegal	2,942	0.11	354.9	17.5	337.4	3,761	0.13
Serbia	3,974	0.15	479.4	33.7	445.7	4,793	0.17
Seychelles	263	0.01	31.7	0.2	31.6	1,082	0.04

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER *(continued)*

June 30, 2023

Expressed in millions of U.S. dollars

Member	Subscriptions					Voting Power	
	Number of 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	\$ 4.60	\$ 121.2	1,862	0.07 %
Singapore	7,109	0.27	857.6	63.00	794.6	7,928	0.28
Slovak Republic ^c	4,785	0.18	577.2	41.00	536.2	5,604	0.20
Slovenia ^c	2,037	0.08	245.7	18.00	227.8	2,856	0.10
Solomon Islands	729	0.03	87.9	2.30	85.6	1,548	0.06
Somalia	632	0.02	76.2	3.30	72.9	1,451	0.05
South Africa	20,679	0.78	2,494.6	177.30	2,317.4	21,498	0.77
South Sudan	1,437	0.05	173.4	8.60	164.8	2,256	0.08
Spain ^c	52,895	2.01	6,381.0	461.20	5,919.8	53,714	1.93
Sri Lanka	5,999	0.23	723.7	46.70	677.0	6,818	0.24
Sudan	1,989	0.08	239.9	15.50	224.5	2,808	0.10
Suriname	412	0.02	49.7	2.00	47.7	1,231	0.04
Sweden ^c	24,089	0.91	2,906.0	204.40	2,701.6	24,908	0.89
Switzerland ^c	40,889	1.55	4,932.6	357.90	4,574.7	41,708	1.50
Syrian Arab Republic	2,452	0.09	295.8	14.00	281.8	3,271	0.12
Tajikistan	1,204	0.05	145.2	5.30	139.9	2,023	0.07
Tanzania	1,295	0.05	156.2	10.00	146.2	2,114	0.08
Thailand	12,960	0.49	1,563.4	106.60	1,456.9	13,779	0.49
Timor-Leste	753	0.03	90.8	3.10	87.8	1,572	0.06
Togo	1,598	0.06	192.8	8.10	184.7	2,417	0.09
Tonga	796	0.03	96.0	3.50	92.5	1,615	0.06
Trinidad and Tobago	3,376	0.13	407.3	22.80	384.5	4,195	0.15
Tunisia	1,993	0.08	240.4	17.20	223.2	2,812	0.10
Türkiye	29,839	1.13	3,599.6	244.50	3,355.1	30,658	1.10
Turkmenistan	627	0.02	75.6	3.60	72.0	1,446	0.05
Tuvalu	461	0.02	55.6	1.50	54.1	1,280	0.05
Uganda	1,086	0.04	131.0	9.00	122.0	1,905	0.07
Ukraine	14,361	0.55	1,732.4	108.50	1,623.9	15,180	0.54
United Arab Emirates	6,702	0.25	808.5	61.80	746.7	7,521	0.27
United Kingdom ^c	108,611	4.12	13,102.3	975.70	12,126.6	109,430	3.92
United States ^c	438,475	16.64	52,895.4	3,689.50	49,205.9	439,294	15.75
Uruguay	3,563	0.14	429.8	24.00	405.8	4,382	0.16
Uzbekistan	4,238	0.16	511.3	32.90	478.4	5,057	0.18
Vanuatu	765	0.03	92.3	3.10	89.2	1,584	0.06
Venezuela, Republica Bolivariana de	20,361	0.77	2,456.2	150.80	2,305.5	21,180	0.76
Vietnam	4,931	0.19	594.9	41.70	553.1	5,750	0.21
Yemen, Republic of	2,212	0.08	266.8	14.00	252.8	3,031	0.11
Zambia	4,443	0.17	536.0	34.40	501.5	5,262	0.19
Zimbabwe	3,575	0.14	431.3	22.40	408.9	4,394	0.16
Total - June 30, 2023	2,634,728	100 %	317,840	21,819	296,021	2,789,519	100 %
Total - June 30, 2022	2,545,984		307,135	20,499	286,636	2,695,672	

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.

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 Statements of Income, while translation adjustments for assets and liabilities denominated in euro are reflected in the Statements 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 Sheets. 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 Statements 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 unrealized mark-to-market gains or losses on non-trading portfolios and certain positions in the trading portfolio.

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, non-functional currency translation adjustment gains/losses from prior fiscal years, and revenue from prior years which is set aside for a dedicated purpose. Allocations from Surplus are retained by IBRD until the conditions specified for the use by their 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), and guarantees.

Loans are reported on the balance sheets 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 Sheets, and the amortization of loan origination fees are included in Interest revenue from Loans, net in the Statements of Income. Accrued interest is presented in the Balance Sheets line item Other receivables - Accrued income on loans and guarantee fees receivable.

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 a 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 country are placed in nonaccrual status, all loans and other exposures made to, or guaranteed by, that member country 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 provided: 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 provided 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 and guarantee fees receivable line on IBRD's Balance Sheets. 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 rating 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 Statements 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 expected probability of default and estimated loss given default. The provision is included in Other liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheets.

Guarantees provided

IBRD records a contingent liability for the expected losses related to guarantees provided 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 Sheets.

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 Sheets 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 Sheets 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.

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

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, 2023, 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 Statements 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 Statements of Income. Realized gains and losses on trading securities are recognized in the Statements 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 Sheets 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 Sheets, and securities received under resale agreements are not recorded on the Balance Sheets. 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 Statements 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 Statements 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 Sheets 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 Statements 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 Statements 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 Statements 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 Statements 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 Statements 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 Sheets, with changes in fair values accounted for through the Statements of Income.

The presentation of derivative instruments on IBRD's Balance Sheets 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 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 Statements 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 Statements of Income. Changes in fair values of these derivatives are recorded in the Statements of Income as Unrealized mark-to-market gains and losses in non-trading portfolios, net.

For the purpose of the Statements 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, to-be-announced (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 future projected exposures 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 Sheets 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 Sheets. 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 Sheets.

Accounting and Reporting Developments

Evaluated Accounting Standards:

In December 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2022-06 - *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. The ASU extended the timeline for temporary relief to certain contract modification guidance provided by ASU 2020-04 - *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* from December

31, 2022 to December 31, 2024. ASU 2022-06 was effective upon issuance, and the adoption did not have a material impact on IBRD's financial statements.

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), and the adoption of this ASU is not expected to have a material impact on IBRD's 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 will be effective from the quarter ending September 30, 2023 (fiscal year 2024 for IBRD), and the adoption of this ASU is not expected to have a material impact on IBRD's financial statements.

In November 2021, the FASB issued ASU 2021-10, *Disclosure by Business Entities about Government Assistance*, which requires entities to make certain annual disclosures about government assistance transactions. This ASU is effective for the annual period ending June 30, 2023 (annual statements of fiscal year 2023). IBRD has evaluated the ASU and determined that no additional disclosures are required 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

	<i>Authorized shares</i>	<i>Subscribed shares</i>
As of June 30, 2021	2,783,873	2,469,065
General Capital Increase/Selective Capital Increase (GCI/SCI)	—	76,919
As of June 30, 2022	2,783,873	2,545,984
GCI/SCI	—	88,744
As of June 30, 2023	2,783,873	2,634,728

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

	<i>Subscribed capital</i>	<i>Uncalled portion of subscriptions</i>	<i>Paid-in capital</i>
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
GCI/SCI	10,705	(9,385)	1,320
As of June 30, 2023	\$ 317,840	\$ (296,021)	\$ 21,819

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. On May 23, 2023, the Board approved the extension of the subscription period for GCI and SCI from October 1, 2023 to October 1, 2025. As of June 30, 2023, the cumulative subscription payments received under the 2018 capital increases was \$5.4 billion.

Amounts to Maintain the Value of Currency Holdings

The following table summarizes the amounts to Maintain the Value of Currency (MOV), classified as components of equity:

Table B3: MOV balances

In millions of U.S. dollars

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
MOV receivable	\$ (345)	\$ (354)
Net Deferred MOV (receivable)/payable	(306)	(294)
Deferred demand obligations	(130)	(130)
Deferred MOV (receivable)/payable	<u>\$ (436)</u>	<u>\$ (424)</u>

NOTE C—INVESTMENTS

IBRD's investments include the liquid asset portfolio, and holdings relating the Post Employment Benefit Plan (PEBP), the Post Retirement Contribution Reserve Fund (PCRF), and 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, 2023, Investments were primarily comprised of government and agency obligations, and time deposits (49% and 47%, respectively), with all the instruments classified as Level 1 or Level 2 within the fair value hierarchy. As of June 30, 2023, the largest holdings of investments from a single counterparty was the Monetary Authority of Singapore (8%).

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

Table C1: Investments – Trading composition

In millions of U.S. dollars

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Government and agency obligations	\$ 39,046	\$ 38,727
Time deposits	36,809	39,454
Asset-backed Securities (ABS)	1,087	1,603
Other fund investments ^a	1,982	1,704
Equity securities ^a	275	295
Total	<u>\$ 79,199</u>	<u>\$ 81,783</u>

a. Related to PEBP holdings. Other fund investments are comprised of investments in hedge funds, private equity funds, commingled funds, credit strategy 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

	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Investments-Trading	\$ 79,199	\$ 81,783
Securities purchased under resale agreements	78	37
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received ^a	(149)	(201)
Derivative assets		
Currency swaps and forward contracts	926	941
Interest rate swaps	18	19
Other	—	2
Total	944	962
Derivative liabilities		
Currency swaps and forward contracts	(33)	(55)
Interest rate swaps	(300)	(523)
Other	(6)	—
Total	(339)	(578)
Cash held in investment portfolio ^b	385	262
Receivable from investment securities traded	102	103
Payable for investment securities purchased ^c	(1,025)	(311)
Net investment portfolio	\$ 79,195	\$ 82,057

a. Includes \$140 million of cash collateral received from counterparties under derivative agreements (\$164 million—June 30, 2022).

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

c. This amount includes \$385 million of liabilities related to IFC PCRf payable, which is included in Other liabilities – Accounts payable and miscellaneous liabilities on the Balance Sheets (\$260 million—June 30, 2022), and \$59 million of liabilities related to short sales (Nil—June 30, 2022).

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

Table C3: Net investment portfolio composition

In millions of U.S. dollars

	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Net investment portfolio		
Liquid asset portfolio	\$ 75,413	\$ 78,796
PEBP holdings	2,684	2,456
PCRf holdings	1,098	766
LCMD investments	—	39
Total	\$ 79,195	\$ 82,057

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Collateral received		
Cash	\$ 140	\$ 164
Securities	161	427
Total collateral received	<u>\$ 301</u>	<u>\$ 591</u>
Collateral permitted to be repledged	\$ 301	\$ 591
Amount of collateral repledged	—	—
Amount of cash collateral invested	134	143

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, 2023, and June 30, 2022, 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, using daily market values. 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, 2023, liabilities relating to securities transferred under repurchase or securities lending agreements amounted to \$9 million (\$37 million — June 30, 2022) 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, 2022). As of June 30, 2023 and June 30, 2022, the remaining contractual maturity 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 Sheets as the accounting criteria for treatment as a sale have not been met. As of June 30, 2023 and June 30, 2022, there were no unsettled trades pertaining to securities purchased under resale agreements. For resale agreements, IBRD received securities with a fair value of \$78 million (\$38 million — June 30, 2022). As of June 30, 2023, and June 30, 2022, none of these securities had been transferred under repurchase or security lending agreements.

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 International Finance Corporation (IFC), an affiliated organization, without any guarantee. As of June 30, 2023, 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. As of June 30, 2023, 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, 2023, 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 5.63% as of June 30, 2023 (1.92%—June 30, 2022). 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 of June 30, 2023, accrued interest receivable on loans of \$3,138 million is included in Other Receivables – Accrued income on loans and guarantee fees receivable in the Balance Sheets (\$1,029 million—June 30, 2022).

As of June 30, 2023, 0.6% of IBRD's loans were in nonaccrual status and related to two borrowers (see Table D6: Loans in nonaccrual status). The total accumulated provision for losses on loans in accrual and nonaccrual loans accounted for 1.0% 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, 2023										
	Euro		Japanese Yen		U.S. dollars		Others		Loans Outstanding		Total
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	
Multicurrency terms ^a	\$ 8	\$ 7	\$ 10	\$ 3	\$ 26	\$ 403	\$ —	\$ —	\$ 44	\$ 413	\$ 457
Weighted average rate (%) ^b	2.78	6.61	2.78	6.61	7.30	6.43	—	—	5.46	6.43	6.34
Average Maturity (years)	1.62	—	1.62	—	0.77	—	—	—	1.11	—	0.11
Variable-spread terms	\$ —	\$ 24,930	\$ —	\$ 233	\$ —	\$ 150,309	\$ —	\$ 2,671	\$ —	\$ 178,143	\$ 178,143
Weighted average rate (%) ^b	—	3.94	—	0.55	—	5.77	—	10.16	—	5.58	5.58
Average Maturity (years)	—	7.95	—	6.21	—	8.42	—	6.87	—	8.33	8.33
Fixed-spread terms	\$ 12,717	\$ 7,242	\$ *	\$ 807	\$ 19,560	\$ 24,198	\$ 357	\$ 415	\$ 32,634	\$ 32,662	\$ 65,296
Weighted average rate (%) ^b	2.04	4.26	2.30	0.50	3.32	6.35	8.13	10.76	2.87	5.80	4.34
Average maturity (years)	10.19	7.40	0.08	5.08	8.06	9.42	8.23	7.67	8.89	8.85	8.87
Loans Outstanding	\$ 12,725	\$ 32,179	\$ 10	\$ 1,043	\$ 19,586	\$ 174,910	\$ 357	\$ 3,086	\$ 32,678	\$ 211,218	\$ 243,896
Weighted average rate (%) ^b	2.04	4.01	2.76	0.53	3.33	5.85	8.13	10.24	2.88	5.61	5.25
Average Maturity (years)	10.19	7.82	1.57	5.32	8.05	8.54	8.23	6.98	8.88	8.39	8.46
Loans Outstanding											\$243,896
Less accumulated provision for loan losses and deferred loan income											2,855
Net loans outstanding											\$241,041

Table D1.1

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

	June 30, 2022										
	Euro		Japanese Yen		U.S. dollars		Others		Loans Outstanding		Total
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	
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

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.

* Indicates amount less than \$0.5 million.

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

Table D2: Loans maturity structure

In millions of U.S. dollars

Terms/Rate Type	June 30, 2023				
	July 1, 2023 through June 30, 2024	July 1, 2024 through June 30, 2028	July 1, 2028 through June 30, 2038	Thereafter	Total
Multicurrency terms					
Fixed	\$ 24	\$ 20	\$ —	\$ —	\$ 44
Variable	413	—	—	—	413
Variable-spread terms					
Fixed	—	—	—	—	—
Variable	9,261	51,025	95,141	22,716	178,143
Fixed-spread terms					
Fixed	1,920	6,901	19,016	4,797	32,634
Variable	2,040	8,722	16,717	5,183	32,662
All Loans					
Fixed	1,944	6,921	19,016	4,797	32,678
Variable	11,714	59,747	111,858	27,899	211,218
Total loans outstanding	\$ 13,658	\$ 66,668	\$ 130,874	\$ 32,696	\$ 243,896

Table D2.1

In millions of U.S. dollars

Terms/Rate Type	June 30, 2022				
	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

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. 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. All exposures for countries in nonaccrual status are individually assessed. 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, 2023, including consideration of global and macroeconomic 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

Days past due	June 30, 2023					Total Past Due	Current	Total
	Up to 45	46-60	61-90	91-180	Over 180			
Risk Class								
Low	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,341	\$ 7,341
Medium	—	—	—	—	—	—	117,886	117,886
High	2	—	—	—	—	2	117,242	117,244
Loans in accrual status	2	—	—	—	—	2	242,469	242,471
Loans in nonaccrual status	—	1	40	26	532	599	826	1,425
Total	\$ 2	\$ 1	\$ 40	\$ 26	\$ 532	\$ 601	\$ 243,295	\$ 243,896

Table D3.1

In millions of U.S. dollars

Days past due	June 30, 2022					Total Past Due	Current	Total
	Up to 45	46-60	61-90	91-180	Over 180			
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

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, 2023 and June 30, 2022, classified by the year the loan agreement was signed.

Table D4: Loan portfolio vintage disclosure

In millions of U.S. dollars

	June 30, 2023								
	Fiscal Year of Origination						CAT DDOs Disbursed and Revolving	CAT DDOs Converted to Term Loans	Loans outstanding as of June 30, 2023
	2023	2022	2021	2020	2019	Prior Years			
Risk									
Low	\$ —	\$ 250	\$ —	\$ —	\$ —	\$ 7,091	\$ —	\$ —	\$ 7,341
Medium	7,012	6,082	9,419	7,516	5,499	79,676	800	1,882	117,886
High	4,977	10,660	9,128	7,674	7,476	76,405	—	924	117,244
Loans in accrual status	11,989	16,992	18,547	15,190	12,975	163,172	800	2,806	242,471
Loans in nonaccrual status	—	—	—	127	28	1,270	—	—	1,425
Total	<u>\$ 11,989</u>	<u>\$ 16,992</u>	<u>\$ 18,547</u>	<u>\$ 15,317</u>	<u>\$ 13,003</u>	<u>\$164,442</u>	<u>\$ 800</u>	<u>\$ 2,806</u>	<u>\$ 243,896</u>

Table D4.1

In millions of U.S. dollars

	June 30, 2022								
	Fiscal Year of Origination						CAT DDOs Disbursed and Revolving	CAT DDOs Converted to Term Loans	Loans outstanding as of June 30, 2022
	2022	2021	2020	2019	2018	Prior Years			
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	<u>\$ 12,261</u>	<u>\$ 16,276</u>	<u>\$ 13,462</u>	<u>\$ 11,712</u>	<u>\$ 11,496</u>	<u>\$161,102</u>	<u>\$ 665</u>	<u>\$ 2,370</u>	<u>\$ 229,344</u>

The amount of Catastrophe Deferred Drawdown Option (CAT DDOs) converted to term loans during the fiscal year ended June 30, 2023, is \$473 million (\$671 million—June 30, 2022).

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.

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, 2023			
	<i>Loans outstanding</i>	<i>Loan commitments</i>	<i>Other^a</i>	<i>Total</i>
Accumulated provision, beginning of the fiscal year	\$ 1,742	\$ 359	\$ 64	\$ 2,165
Provision - charge (release)	573	88	24	685
Translation adjustment	21	5	2	28
Accumulated provision, end of the fiscal year	<u>\$ 2,336</u>	<u>\$ 452</u>	<u>\$ 90</u>	<u>\$ 2,878</u>
Composed of accumulated provision for losses on:				
Loans in accrual status	\$ 2,014			
Loans in nonaccrual status	322			
Total	<u>\$ 2,336</u>			
Loans, end of the fiscal year:				
Loans in accrual status	\$ 242,471			
Loans in nonaccrual status	1,425			
Total	<u>\$ 243,896</u>			

Table D5.1

In millions of U.S. dollars

	June 30, 2022			
	<i>Loans outstanding</i>	<i>Loan commitments</i>	<i>Other^a</i>	<i>Total</i>
Adjusted 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	<u>\$ 1,742</u>	<u>\$ 359</u>	<u>\$ 64</u>	<u>\$ 2,165</u>
Composed of accumulated provision for losses on:				
Loans in accrual status	\$ 1,528			
Loans in nonaccrual status	214			
Total	<u>\$ 1,742</u>			
Loans, end of the fiscal year:				
Loans in accrual status	\$ 228,916			
Loans in nonaccrual status	428			
Total	<u>\$ 229,344</u>			

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	
	<i>Balance Sheets</i>	<i>Statements of Income</i>
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	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.

As of June 30, 2023, there were no principal or interest amounts on loans in accrual status that were overdue by more than three months.

The following table provides 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

Borrower	Nonaccrual since	Recorded investment	Accumulated Provision for loan losses	Average recorded investment	Overdue amounts	
					Principal	Interest and Charges
Belarus	October 2022	\$ 998	\$ 109	\$ 992	\$ 171	\$ 30
Zimbabwe	October 2000	427	213	427	427	660
Total - June 30, 2023		\$ 1,425	\$ 322	\$ 1,419	\$ 598	\$ 690
Total - June 30, 2022		\$ 428	\$ 214	\$ 430	\$ 428	\$ 633

Effective October 17, 2022, all loans made to or guaranteed by Belarus were placed in nonaccrual status. No loans to any borrowing country were restored to accrual status during the fiscal years ended June 30, 2023 and June 30, 2022.

During the fiscal year ended June 30, 2023, interest and other revenue not recognized as a result of loans being in nonaccrual status was \$69 million (\$27 million—June 30, 2022 and \$27 million—June 30, 2021).

In addition, during the fiscal year ended June 30, 2023, \$2 million of interest revenue was recognized on loans in nonaccrual status upon receipt of payment (less than \$1 million—June 30, 2022 and less than \$1 million—June 30, 2021).

Guarantees

Guarantees provided

Guarantees of \$6,542 million were outstanding as of June 30, 2023 (\$6,379 million—June 30, 2022). 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 Sheets. These guarantees have original maturities ranging between 10 and 21 years, and expire in decreasing amounts through 2042.

As of June 30, 2023, liabilities related to IBRD's obligations under guarantees included the obligation to stand ready of \$303 million (\$298 million—June 30, 2022), and the accumulated provision for guarantee losses of \$76 million (\$59 million—June 30, 2022). These are included in Other liabilities - Accounts payable and miscellaneous liabilities on the Balance Sheets.

During the fiscal years ended June 30, 2023 and June 30, 2022, no guarantees provided by IBRD were called.

IBRD participates in EEAs 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 and Inter-American Development Bank included on the Balance Sheets and in the Statements of Income is presented in the following table:

Table D7: Amounts associated with EEA

In millions of U.S. dollars

	June 30, 2023			June 30, 2022			Location on Balance Sheet
	Notional amount	(Stand ready obligation) Asset	(Accumulated provision) Recoverable asset	Notional amount	(Stand ready obligation) Asset	(Accumulated provision) Recoverable asset	
Guarantees provided ^{a,c}	\$ 3,619	\$ (149)	\$ (29)	\$ 3,630	\$ (170)	\$ (27)	Other liabilities
Guarantees received ^b	(3,619)	149	27	(3,630)	170	25	Other assets
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2)</u>	

a. For the fiscal year ended June 30, 2023, Provisions for losses on loans and other exposures line on the Statements of Income includes \$2 million charge relating to Guarantees provided (\$7 million of charge —June 30, 2022 and less than \$1 million release of provision-June 30, 2021)

b. For the fiscal year ended June 30, 2023, Non-interest revenue—Other, net, line on the Statements of Income includes \$2 million of gain in recoverable asset relating to Guarantees received (\$8 million of gain in recoverable asset —June 30, 2022 and less than \$1 million of reduction in recoverable asset —June 30, 2021).

c. Notional amount, obligation to stand ready and provision for the guarantees provided are included in guarantees outstanding of \$6,542 million, obligations to stand ready of \$303 million and accumulated provision for guarantee losses of \$76 million, respectively (\$6,379 million, \$298 million and \$59 million, respectively—June 30, 2022).

Guarantees received

As of June 30, 2023, IBRD had received third-party guarantees totaling \$3,325 million (\$2,116 million as of June 30, 2022) that are contractually attached to the loan. These guarantees increase IBRD's lending capacity in certain countries. IBRD considers the benefit of these credit enhancements in the determination of the loan loss provision.

Waivers of Loan Charges

The Executive Directors have approved waivers of certain charges on eligible loans. These include a portion of interest on loans, a portion of the commitment charge on undisbursed balances, and a portion of the front-end fee. The forgone income resulting from waivers of loan charges was \$16 million for the year ended June 30, 2023 (\$20 million —June 30, 2022 and \$31 million —June 30, 2021).

Concentration Risk

Loan revenue comprises interest, commitment fees, loan origination fees and prepayment premiums, net of waivers. For the fiscal year ended June 30, 2023, 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 D8: Loan revenue and associated outstanding loan balances

Region	As of and for the fiscal years ended June 30,			
	2023		2022	
	Loan Revenue ^a	Loan Outstanding	Loan Revenue ^a	Loans Outstanding
Latin America and the Caribbean	\$ 3,484	\$ 78,233	\$ 1,287	\$ 72,417
East Asia and Pacific	2,315	50,140	638	48,826
Europe and Central Asia	1,605	48,029	463	46,033
Middle East and North Africa	1,313	33,733	443	31,675
South Asia	1,136	23,862	257	22,008
Eastern and Southern Africa	373	8,001	244	6,667
Western and Central Africa	53	1,898	33	1,718
Total	\$ 10,279	\$ 243,896	\$ 3,365	\$ 229,344

a. Does not include interest expenses, net from loan related derivatives. Includes commitment charges of \$124 million for the fiscal year ended June 30, 2023 (\$126 million—June 30, 2022).

For the fiscal year ended June 30, 2023, Interest revenue—Loans, net on the Statements of Income of \$10,522 million (\$2,368 million—June 30, 2022) includes \$367 million of interest revenue, net from loan related derivatives (interest expense, net of \$871 million—June 30, 2022).

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, 2023, 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 (62% and 14%, respectively).

IBRD uses derivative contracts, reported at fair value, to manage the currency risk as well as 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 borrowing portfolio carried variable interest rates, with a weighted average cost of 5.05% as of June 30, 2023 (1.04% as of June 30, 2022).

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

Table E1: Borrowings and borrowing-related derivatives

	June 30, 2023		June 30, 2022	
Borrowings ^a	\$	237,265	\$	235,173
Currency swaps, net		8,697		8,162
Interest rate swaps, net		20,866		13,574
	\$	266,828	\$	256,909

a. Includes \$19 million of unsettled borrowings, representing a non-cash financing activity, for which there is a related receivable included in Other assets - Miscellaneous on the Balance Sheets as of June 30, 2023 (Nil—June 30, 2022).

For the fiscal year ended June 30, 2023, Borrowing expenses, net in the Statements of Income of \$9,562 million (\$750 million—June 30, 2022 and \$662 million—June 30, 2021) include \$4,237 million of interest expense, net related to derivatives associated with the Borrowing portfolio (interest revenue, net of \$2,317 million—June 30, 2022 and \$3,323 million—June 30, 2021).

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

	<i>June 30, 2023</i>	<i>WAC^a (%)</i>	<i>June 30, 2022</i>	<i>WAC^a (%)</i>
Fixed	\$ 232,316	1.93	\$ 222,748	1.53
Variable	29,969	9.29	31,120	3.71
Borrowings ^b	\$ 262,285	2.76%	\$ 253,868	1.80%
Fair Value Adjustment	(25,020)		(18,695)	
Borrowings at fair value	<u>\$ 237,265</u>		<u>\$ 235,173</u>	

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)

	<i>June 30, 2023</i>	<i>June 30, 2022</i>
U.S. Dollar	62.3 %	63.6 %
Euro	13.6	11.6
Others	24.1	24.8
	<u>100.0 %</u>	<u>100.0 %</u>

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

Table E4: Maturity structure of Borrowings

In millions of U.S. dollars

	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Less than 1 year	\$ 38,996	\$ 42,289
Between		
1-2 years	31,917	28,483
2-3 years	29,004	32,274
3-4 years	27,040	27,479
4-5 years	25,850	19,163
Thereafter	84,458	85,485
	<u>\$ 237,265</u>	<u>\$ 235,173</u>

IBRD's borrowings have original maturities ranging from 17 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 risks
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 derivatives 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 Sheets 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 master netting agreements are applied on an aggregate basis to the total derivative asset and liability positions and are presented net of any cash collateral received on the Balance Sheets. 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, 2023					
	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	\$ 23,985	\$ (15,792)	\$ 8,193	\$ 64,855	\$ (36,683)	\$ 28,172
Currency swaps ^a	46,549	(41,926)	4,623	75,586	(64,022)	11,564
Other ^b	—	—	—	6	—	6
Total	\$ 70,534	\$ (57,718)	\$ 12,816	\$ 140,447	\$ (100,705)	\$ 39,742
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 12,405 ^d			\$ 12,849 ^e
Cash collateral received ^c			140			
Net derivative position on the Balance Sheet			271			26,893
Less:						
Securities collateral received ^c			145			
Net derivative exposure after collateral			\$ 126			

a. Includes currency forward contracts.

b. These relate to swaptions, options and futures contracts.

c. Does not include excess collateral received.

d. Includes \$27 million CVA.

e. Includes \$471 million DVA.

Table F1.1*In millions of U.S. dollars*

	June 30, 2022					
	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.

b. These relate to swaptions, options and futures contracts.

c. Includes \$2 million CVA.

d. Includes \$571 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

Portfolio	June 30, 2023		
	Interest rate swaps	Currency swaps (including currency forward contracts)	Total
Investments	\$ 18	\$ 926	\$ 944
Loans	6,032	1,486	7,518
Client operations	323	531	854
Borrowings	1,415	1,680	3,095
Other asset/liability management derivatives	405	—	405
Total Exposure	<u>\$ 8,193</u>	<u>\$ 4,623</u>	<u>\$ 12,816</u>

Table F2.1

In millions of U.S. dollars

Portfolio	June 30, 2022		
	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	<u>\$ 6,537</u>	<u>\$ 4,953</u>	<u>\$ 11,490</u>

a. Exchange traded instruments 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 interim and final payments on the derivative instruments are determined. As of June 30, 2023, the notional amounts of IBRD's derivative contracts outstanding were as follows: interest rate contracts \$443,108 million (\$433,539 million as of June 30, 2022), currency swaps \$115,634 million (\$117,856 million as of June 30, 2022), long positions of other derivatives \$360 million (\$185 million as of June 30, 2022), and short positions of other derivatives \$113 million (\$143 million as of June 30, 2022).

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, 2023 was \$27,110 million (\$20,203 million—June 30, 2022). 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, 2023, the amount of collateral that would need to be posted would be \$22,746 million (\$16,141 million—June 30, 2022). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of \$27,110 million as of June 30, 2023 (\$20,203 million—June 30, 2022). In contrast, IBRD received collateral totaling \$301 million as of June 30, 2023 (\$591 million—June 30, 2022) 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 Statements of Income:

Table F3: Unrealized mark-to-market gains or losses on non-trading derivatives*In millions of U.S. dollars*

	Reported as:	2023	2022	2021
Interest rate swaps	Unrealized mark-to-market	\$ (4,948)	\$ (13,844)	\$ (4,228)
Currency swaps (including currency forward contracts and structured swaps)	(losses) gains on non-trading portfolios, net	(867)	(4,336)	(1,702)
Total		<u>\$ (5,815)</u>	<u>\$ (18,180)</u>	<u>\$ (5,930)</u>

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 net Investment-Trading portfolio and their location in the Statements of Income:

Table F4: Unrealized mark-to-market gains or losses on Investment-Trading portfolio*In millions of U.S. dollars*

Type of instrument ^a	Reported as:	2023	2022	2021
Fixed income (including associated derivatives)	Unrealized mark-to-market gains (losses) on Investments-Trading portfolios, net	\$ 10	\$ (74)	\$ 60
Equity ^b		74	(3)	171
Total		<u>\$ 84</u>	<u>\$ (77)</u>	<u>\$ 231</u>

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 ^d	Pension Reserve ^d	Surplus	Cumulative Fair Value Adjustments	Unallocated Net Income (Loss) ^b	Restricted Retained Earnings ^d	Other reserves ^e	Total
As of June 30, 2020	\$ 293	\$ 29,437	\$ 793	\$ 100	\$ (2,166)	\$ 298	\$ (5)	\$ 15	\$ 28,765
Cumulative effect of change in accounting principle ^a	—	—	—	—	—	—	—	203	203
As of July 1, 2020	293	29,437	793	100	(2,166)	298	(5)	218	28,968
Net income allocation ^b	—	950	(62)	100	(1,137)	33	59	57	—
Board of Governors-approved transfers funded from Surplus and other transfers ^c	—	—	—	(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 ^b	—	1,077	(38)	100	1,218	(2,177)	(12)	(168)	—
Board of Governors-approved transfers funded from Surplus and other transfers ^c	—	—	—	(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
Net income allocation ^b	—	589	46	100	3,356	(4,227)	(21)	157	—
Board of Governors-approved transfers funded from Surplus and other transfers ^c	—	—	—	(80)	—	104	—	(24)	—
Net income for the year	—	—	—	—	—	1,144	—	—	1,144
As of June 30, 2023	<u>\$ 293</u>	<u>\$ 32,053</u>	<u>\$ 739</u>	<u>\$ 120</u>	<u>\$ 1,271</u>	<u>\$ 1,364</u>	<u>\$ 21</u>	<u>\$ 280</u>	<u>\$ 36,141</u>

a. Represents the cumulative effect of adopting ASU 2016-13 on July 1, 2020. Subsequently transferred from Other reserves to the General Reserve upon IBRD's Executive Directors approval On August 5, 2021.

b. Amounts retained as Surplus from the allocation of net income are approved by the Board of Governors.

c. A concurrent transfer is made from Surplus to Unallocated Net Income (Loss) for all transfers reported in the Statements of Income and authorized to be funded from Surplus.

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

e. Comprised of non-functional currency translation gains/losses, the unutilized portion of the transfer to the GPG Fund, and revenue from prior years which is set aside for a dedicated purpose.

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 the allocation to the pension reserve.

On August 4, 2022, IBRD's Executive Directors approved the following adjustments and allocations relating to the net income earned in the fiscal year ended June 30, 2022, to arrive at allocable income for that fiscal year:

In millions of U.S. dollars

Adjustments and Allocations	Increase (decrease)
Cumulative Fair Value Adjustments, for the Unrealized mark-to-market gain on non-trading portfolios (this excludes realized amounts).	\$ 3,356
Board of Governors-approved transfers, relating to income earned in prior fiscal years (See Table G2)	354
General Reserve	589
Pension Reserve	46
Other reserves	157
Restricted Retained Earnings	(21)

On August 2, 2022, 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 August 17, 2022.

On October 14, 2022, IBRD's Board of Governors approved a transfer to IDA of \$117 million and a transfer of \$100 million to Surplus out of the net income earned in the fiscal year ended June 30, 2022. The transfer to IDA was made on October 20, 2022.

During the fiscal year ended June 30, 2023, \$24 million was utilized out of the cumulative transfers of \$85 million to the IBRD Fund for Innovative Global Public Goods Solutions (GPG Fund). Accordingly, an expense was recognized and Other reserves was reduced, as the conditions specified for use by the beneficiaries had been met. As of June 30, 2023, the unutilized balance of the cumulative transfers to the GPG Fund was \$61 million.

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

<i>Transfers funded from:</i>	2023	2022	2021
Unallocated Net Income:			
IDA	\$ 117	\$ 274	\$ 331
Surplus:			
Trust fund for Gaza and West Bank	80	80	80
Other reserves:			
GPG Fund	24	—	—
Total	\$ 221	\$ 354	\$ 411

There were no amounts payable for the transfers approved by the Board of Governors as of June 30, 2023, and June 30, 2022.

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, 2023				June 30, 2022			
	IDA	IFC	MIGA	Total	IDA	IFC	MIGA	Total
Administrative services, net	\$ 594	\$ 35	\$ 10	\$ 639	\$ 578	\$ 37	\$ 14	\$ 629
Payable for PCRFB investments	(579)	(385)	—	(964)	(404)	(260)	—	(664)
Derivative assets (liabilities), net ^a	—	—	—	—	8	—	—	8
Pension and other postretirement benefits	(712)	(704)	(27)	(1,443)	(602)	(640)	(25)	(1,267)
Total	\$ (697)	\$ (1,054)	\$ (17)	\$ (1,768)	\$ (420)	\$ (863)	\$ (11)	\$ (1,294)

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 Sheets as follows:

Receivables / Payables related to:	Reported as:
Administrative services	Other assets
PCRFB investments	Other liabilities
Derivative transactions	Derivative assets/liabilities – net
Pension and other postretirement benefits	Other liabilities

Loans and Other Exposures

IBRD has a Local Currency Loan Facility Agreement with IFC, which is capped at \$300 million. As of June 30, 2023 and June 30, 2022, there were no loans outstanding under this facility.

During the fiscal year ended June 30, 2014, IBRD entered into an EEA 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, 2023, assets related to IBRD's right to be indemnified under this agreement amounted to less than \$1 million (\$1 million—June 30, 2022), while liabilities related to IBRD's obligation under this agreement amounted to less than \$1 million (\$1 million—June 30, 2022). These include an accumulated provision for guarantee losses of less than \$1 million as of June 30, 2023 (less than \$1 million—June 30, 2022).

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, 2023, IBRD's administrative expenses are net of the share of expenses allocated to IDA of \$1,744 million (\$1,644 million—fiscal year ended June 30, 2022, and \$1,873 million—fiscal year ended June 30, 2021).

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, 2023, IBRD's other revenue is net of revenue allocated to IDA of \$280 million (\$252 million—fiscal year ended June 30, 2022, and \$261 million—fiscal year ended June 30, 2021), and is included in Revenue from externally funded activities in the Statements 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

	<u>2023</u>		<u>2022</u>		<u>2021</u>
Trust fund fees	\$ 119		\$ 93		\$ 82
Reimbursable advisory services	99		88		98
Asset management services	31		30		28
	<u>\$ 249</u>		<u>\$ 211</u>		<u>\$ 208</u>
Of which:					
IBRD's share	\$ 130		\$ 113		\$ 112
IDA's share	119		98		96

Each revenue stream represents compensation for services provided and the related revenue is recognized over time.

When IBRD performs services, its 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

	<i>June 30, 2023</i>		<i>June 30, 2022</i>	
Receivables	\$	125	\$	103
Contract liabilities		181		179

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

	<i>2023</i>		<i>2022</i>		<i>2021</i>	
Fees charged to IFC	\$	102	\$	97	\$	89
Fees charged to MIGA		7		6		6

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 Sheets. The corresponding payable to IFC is included in the amount Payable for Investment Securities Purchased on IBRD's Balance Sheets. 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

	2023	2022	2021
IBRD-executed trust fund expenses	\$ 570	\$ 494	\$ 470

These amounts are included in Administrative expenses and the corresponding revenue is included in Revenue from externally funded activities in the Statements 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 Sheets:

Table I2: Undisbursed contributions by third party donors to IBRD-executed trust funds

In millions of U.S. dollars

	2023	2022
IBRD-executed trust funds	\$ 588	\$ 566

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 Sheets.

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

	2023	2022	2021
Revenues	\$ 62	\$ 50	\$ 44

These amounts are included in Revenue from externally funded activities in the Statements of Income.

Revenue collected from donor contributions for trust fund administration fees, but not yet earned by IBRD totaling \$94 million as of June 30, 2023 (\$88 million—June 30, 2022) is included in Other assets - Miscellaneous and in Other liabilities – Accounts payable and miscellaneous liabilities, respectively on the Balance Sheets.

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 Program, for capacity building and other development purposes, and receives a fee for these services.

During the fiscal year ended June 30, 2023, IBRD's fee revenue from investment management activities totaled \$16 million (\$18 million –June 30, 2022 and \$19 million – June 30, 2021) and is included in Revenue from externally funded activities in the Statements 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 Pension 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 Pension 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 Pension 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		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Service cost	\$ 511	\$ 664	\$ 642	\$ 139	\$ 178	\$ 170	\$ 93	\$ 114	\$ 111
Interest cost	944	659	588	162	119	107	92	64	56
Expected return on plan assets	(1,386)	(1,289)	(967)	(238)	(223)	(162)	—	—	—
Amortization of unrecognized prior service costs ^a	3	3	3	14	17	17	3	3	3
Amortization of unrecognized net actuarial losses (gains) ^a	—	—	311	(28)	—	12	—	53	55
Net periodic pension cost	<u>\$ 72</u>	<u>\$ 37</u>	<u>\$ 577</u>	<u>\$ 49</u>	<u>\$ 91</u>	<u>\$ 144</u>	<u>\$ 188</u>	<u>\$ 234</u>	<u>\$ 225</u>
of which:									
IBRD's share	\$ 34	\$ 17	\$ 276	\$ 23	\$ 44	\$ 69	\$ 89	\$ 110	\$ 107
IDA's share	38	20	301	26	47	75	99	124	118
							<u>2023</u>	<u>2022</u>	<u>2021</u>
Net periodic pension cost (all three plans combined)							\$ 146	\$ 171	\$ 452
IBRD's share							163	191	494
IDA's share									

a. Included in Amounts reclassified into net income in Note K—Accumulated Other Comprehensive Income.

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 Sheets (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 Statements 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

	2023			
	SRP	RSBP	PEBP	Total
Service cost	\$ 511	\$ 139	\$ 93	\$ 743
Of which:				
IBRD's share	\$ 241	\$ 66	\$ 44	\$ 351
IDA's share	270	73	49	392

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

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 other fund investments.

Table J3: PBO, funded status and accumulated benefit obligations

In millions of U.S. dollars

	SRP		RSBP		PEBP	
	2023	2022	2023	2022	2023	2022
Projected Benefit Obligations						
Beginning of year	\$ 21,831	\$ 24,728	\$ 3,666	\$ 4,235	\$ 2,107	\$ 2,339
Service cost	511	664	139	178	93	114
Interest cost	944	659	162	119	92	64
Participant contributions	172	164	31	30	4	5
Benefits paid	(921)	(779)	(108)	(102)	(49)	(40)
Actuarial (gain) loss	(1,329)	(3,605)	(549)	(794)	(190)	(375)
End of year	21,208	21,831	3,341	3,666	2,057	2,107
Fair value of plan assets						
Beginning of year	23,745	24,408	4,061	4,145		
Participant contributions	172	164	31	30		
Actual return on assets	1,429	(231)	258	(58)		
Employer contributions	140	183	39	46		
Benefits paid	(921)	(779)	(108)	(102)		
End of year	24,565	23,745	4,281	4,061		
Funded Status^a	\$ 3,357	\$ 1,914	\$ 940	\$ 395	\$ (2,057)	\$ (2,107)
Accumulated Benefit Obligations	\$ 20,098	\$ 20,643	\$ 3,341	\$ 3,666	\$ 1,908	\$ 1,923

a. Funded status is included in Other Assets – Assets under retirement benefits plans on the Balance Sheets and Other liabilities – Liabilities under retirement benefits plans on the Balance Sheets.

As of June 30, 2023, the SRP and RSBP were overfunded by \$3,357 million and \$940 million, respectively. The PEBP, after reflecting IBRD and IDA's share of assets which are included in the IBRD's investment portfolio (\$1,953 million), was underfunded by \$104 million.

During the fiscal years ended June 30, 2023 and June 30, 2022, 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 as of June 30, 2023

In millions of U.S. dollars

	<i>SRP</i>	<i>RSBP</i>	<i>PEBP</i>	<i>Total</i>
Net actuarial (gains) losses	\$ (2,175)	\$ (1,318)	\$ 3	\$ (3,490)
Prior service cost	6	11	6	23
Net amount recognized in Accumulated Other Comprehensive Income	<u>\$ (2,169)</u>	<u>\$ (1,307)</u>	<u>\$ 9</u>	<u>\$ (3,467)</u>

Table J4.1: Amounts included in Accumulated Other Comprehensive Income as of June 30, 2022

In millions of U.S. dollars

	<i>SRP</i>	<i>RSBP</i>	<i>PEBP</i>	<i>Total</i>
Net actuarial (gains) losses	\$ (804)	\$ (776)	\$ 193	\$ (1,387)
Prior service cost	9	25	9	43
Net amount recognized in Accumulated Other Comprehensive Income	<u>\$ (795)</u>	<u>\$ (751)</u>	<u>\$ 202</u>	<u>\$ (1,344)</u>

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	
	2023	2022	2023	2022	2023	2022
Discount rate	4.90	4.40	4.90	4.50	4.90	4.50
Rate of compensation increase	5.10	5.30			5.10	5.30
Health care growth rates						
– at end of fiscal year			5.40	5.80		
Ultimate health care growth rate			4.20	4.40		
Year in which ultimate rate is reached			2031	2031		
Interest crediting rate	5.20	5.40	n.a	n.a	5.20	5.40

Table J6: Weighted average assumptions used to determine net periodic pension cost

In percent, except years

	SRP			RSBP			PEBP		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Discount rate	4.40	2.70	2.60	4.50	2.80	2.70	4.50	2.80	2.60
Expected return on plan assets	5.90	5.40	5.10	5.90	5.40	5.10			
Rate of compensation increase	5.30	4.80	4.60				5.30	4.80	4.60
Health care growth rates									
– at end of fiscal year				5.80	5.40	5.40			
Ultimate health care growth rate				4.40	3.90	3.70			
Year in which ultimate rate is reached				2031	2031	2031			
Interest crediting rate	5.40	4.90	4.60	n.a	n.a	n.a	5.40	4.90	4.60

The medical cost trend rate can significantly affect the reported postretirement benefit income or costs and benefit obligations for the RSBP. For the fiscal years ended June 30, 2023 and June 30, 2022, the actuarial gains were primarily due to an increase in the discount rates.

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 April 2022, the Pension Finance Committee (PFC) approved a revision to the SAA band around the target allocation for private equity from +/-3 percent to +/-5 percent to accommodate the illiquid nature of this asset class and the limited ability to rebalance the allocation on a short-term basis, 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

Asset class	SRP			RSBP		
	Policy allocation	Actual Allocation (%)		Policy allocation	Actual Allocation (%)	
	2023 (%)	2023	2022	2023 (%)	2023	2022
Fixed income and Cash	20	16	17	20	16	17
Credit Strategy	6	8	7	6	8	7
Public equity	31	22	23	31	22	22
Private equity	20	28	27	20	27	27
Market neutral hedge funds	10	11	10	10	11	10
Real assets ^a	13	14	15	13	15	16
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, 2023, the largest exposure to a single counterparty was 9% and 11% of the plan assets in SRP and RSBP, respectively (7% and 6%, respectively—June 30, 2022).

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 tables present 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, 2023							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>Debt securities</i>								
Short-term investments	\$ 4	\$ 23	\$ —	\$ 27	\$ 3	\$ 7	\$ —	\$ 10
Securities purchased under resale agreements	30	—	—	30	15	—	—	15
Government and agency securities	2,387	337	—	2,724	500	80	—	580
Corporate and convertible bonds	—	306	—	306	—	60	—	60
ABS	—	188	—	188	—	37	—	37
MBS	—	299	—	299	—	58	—	58
Total debt securities	2,421	1,153	—	3,574	518	242	—	760
<i>Equity securities</i>								
Stocks	1,818	—	—	1,818	321	—	—	321
Mutual funds	—	—	—	—	—	—	—	—
Real estate investment trusts (REITs)	131	—	—	131	20	—	—	20
Total equity securities	1,949	—	—	1,949	341	—	—	341
<i>Other funds at NAV ^a</i>								
Commingled funds	—	—	—	3,526	—	—	—	553
Private equity funds	—	—	—	6,848	—	—	—	1,163
Private credit funds	—	—	—	2,055	—	—	—	340
Real estate funds (including infrastructure and timber)	—	—	—	3,329	—	—	—	620
Hedge funds	—	—	—	2,941	—	—	—	475
Total other funds	—	—	—	18,699	—	—	—	3,151
Derivative assets/liabilities	(8)	(5)	—	(13)	—	(1)	—	(1)
Other assets/liabilities, net ^b	—	—	—	356	—	—	—	30
Total assets	\$ 4,362	\$ 1,148	\$ —	\$ 24,565	\$ 859	\$ 241	\$ —	\$ 4,281

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.

J8.1*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
<i>Debt securities</i>								
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
<i>Equity securities</i>								
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
<i>Other funds at NAV ^a</i>								
Commingled funds	—	—	—	3,180	—	—	—	471
Private equity funds	—	—	—	6,327	—	—	—	1,084
Private credit funds	—	—	—	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.

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. 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 include 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 entities 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 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, 2023 - June 30, 2024	\$	1,132	\$	97	\$	91
July 1, 2024 - June 30, 2025		1,134		106		89
July 1, 2025 - June 30, 2026		1,160		114		93
July 1, 2026 - June 30, 2027		1,191		122		97
July 1, 2027 - June 30, 2028		1,226		130		102
July 1, 2028 - June 30, 2033		6,728		774		599

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, 2023 is \$149 million and \$38 million, respectively.

NOTE K—ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income or loss 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 Option elected liabilities, and pension-related items. These items are presented in the Statements of Comprehensive Income.

The following tables present the changes in Accumulated Other Comprehensive Income (AOCI) and Accumulated Other Comprehensive Loss (AOCL):

Table K1: AOCI/AOCL changes*In millions of U.S. dollars*

	2023				
	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	\$ (790)	\$ 495	\$ —	\$ 495	\$ (295)
DVA on Fair Value Option elected liabilities	364	(60)	47	(13)	351
Unrecognized Net Actuarial Gains (Losses) on Benefit Plans	1,387	2,131	(28) ^a	2,103	3,490
Unrecognized Prior Service (Costs) Credits on Benefit Plans	(43)	—	20 ^a	20	(23)
Total AOCI	<u>\$ 918</u>	<u>\$ 2,566</u>	<u>\$ 39</u>	<u>\$ 2,605</u>	<u>\$ 3,523</u>

Table K1.1:*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	\$ 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	<u>\$ (1,565)</u>	<u>\$ 2,389</u>	<u>\$ 94</u>	<u>\$ 2,483</u>	<u>\$ 918</u>

Table K1.2:*In millions of U.S. dollars*

	2021				
	<i>Balance, beginning of the fiscal year</i>	<i>Changes in AOCL</i>	<i>Amounts reclassified into net income</i>	<i>Net Changes during the period</i>	<i>Balance, end of the fiscal year</i>
Cumulative Translation Adjustment	\$ (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	<u>\$ (5,726)</u>	<u>\$ 3,815</u>	<u>\$ 346</u>	<u>\$ 4,161</u>	<u>\$ (1,565)</u>

a. See Note J—*Pension and Other Post Retirement Benefits*.

NOTE L—FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of June 30, 2023 and June 30, 2022, 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 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, 2023 and June 30, 2022. 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, 2023, 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.

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, as well as some floating rate notes of longer maturity.

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, Generalized Forward 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, 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, 2023		June 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Due from banks	\$ 547	\$ 547	\$ 479	\$ 479
Investments-Trading (including Securities purchased under resale agreements)	79,277	79,277	81,820	81,820
Net loans outstanding	241,041	236,521	227,092	225,046
Derivative assets, net	271	271	804	804
Miscellaneous assets	55	55	55	55
Liabilities				
Borrowings	237,265	237,265	235,173	235,173
Securities sold/lent under repurchase agreements/securities lending agreements and payable for cash collateral received	9	9	37	37
Derivative liabilities, net	26,893	26,893	20,041	20,041

As of June 30, 2023, IBRD's signed loan commitments were \$59 billion (\$57 billion—June 30, 2022) and had a fair value of \$0.5 billion (\$0.6 billion—June 30, 2022).

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 other fund investments measured using the NAV 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, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments-Trading				
Government and agency obligations	\$ 12,651	\$ 26,395	\$ —	\$ 39,046
Time deposits	1,992	34,817	—	36,809
ABS	—	1,087	—	1,087
Other fund investments ^a	—	—	—	1,982
Equity securities	275	—	—	275
Total Investments-Trading	\$ 14,918	\$ 62,299	\$ —	\$ 79,199
Securities purchased under resale agreements	\$ 18	\$ 60	\$ —	\$ 78
Derivative Assets				
Currency swaps ^b	\$ —	\$ 4,475	\$ 148	\$ 4,623
Interest rate swaps	—	8,120	73	8,193
	\$ —	\$ 12,595	\$ 221	\$ 12,816
Less:				
Amounts subject to legally enforceable master netting agreements ^e				12,405
Cash collateral received				140
Derivative Assets, net				\$ 271
Miscellaneous assets	\$ —	\$ 55	\$ —	\$ 55
Liabilities:				
Borrowings	\$ —	\$ 233,658	\$ 3,607	\$ 237,265
Securities sold under repurchase agreements and securities lent under securities lending agreements ^d	—	9	—	9
Derivative Liabilities				
Currency swaps ^b	—	11,429	135	11,564
Interest rate swaps	—	27,965	207	28,172
Other ^c	6	—	—	6
	\$ 6	\$ 39,394	\$ 342	\$ 39,742
Less:				
Amounts subject to legally enforceable master netting agreements ^f				12,849
Derivative Liabilities, net				\$ 26,893

a. Investments at NAV related to PEBP holdings, not included in the fair value hierarchy.

b. Includes currency forward contracts.

c. These relate to swaptions, options and futures contracts and TBA securities.

d. Excludes \$140 million relating to payable for cash collateral received.

e. Includes \$27 million CVA.

f. Includes \$471 million DVA.

Table L2.1*In millions of U.S. dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>June 30, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
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
Other fund 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 Asset, 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.**c. These relate to swaptions, 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.*

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, 2023, and June 30, 2022, the interest rate volatilities for certain currencies were extrapolated for certain tenors and, thus, are considered an unobservable input.

IBRD entered into transactions which have an embedded option associated with an equity index. Valuation inputs of such transactions include, among other valuation inputs, volatilities of the equity indices, that are the extent to which the level of equity index changes over time. These index volatility levels are consistent with the respective index construction methodologies and historical movements. Similar to the impact of the volatility of the other asset classes described above, an increase in the equity index volatility will result in an increase in the value of the purchase option and vice versa.

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 as of June 30, 2023	Fair Value as of June 30, 2022	Valuation Technique	Unobservable input	Range (average), June 30, 2023	Range (average), June 30, 2022
Borrowings	\$3,607	\$3,932	Discounted Cash Flow	Correlations	-16% to 99%(11%)	-18% to 99% (12%)
				Interest rate volatilities	63% to 85% (78%)	61% to 77% (68%)
				Equity index volatilities	5% to 15% (9%)	5% to 15% (10%)
Derivative assets/ (liabilities), net	\$(121)	\$(544)	Discounted Cash Flow	Correlations	-16% to 99%(11%)	-18% to 99% (12%)
				Interest rate volatilities	63% to 85% (78%)	61% to 77% (68%)
				Equity index volatilities	5% to 15% (9%)	5% to 15% (10%)

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

	2023		2022	
	Level 2	Level 3	Level 2	Level 3
Borrowings				
Transfer into (out of)	\$ 144	\$ (144)	\$ —	\$ —
Transfer (out of) into	(118)	118	(195)	195
	<u>\$ 26</u>	<u>\$ (26)</u>	<u>\$ (195)</u>	<u>\$ 195</u>
Derivative assets, net				
Transfer into (out of)	\$ 10	\$ (10)	\$ 24	\$ (24)
Transfer (out of) into	(124)	124	(28)	28
	<u>\$ (114)</u>	<u>\$ 114</u>	<u>\$ (4)</u>	<u>\$ 4</u>
Derivative liabilities, net				
Transfer (into) out of	\$ (328)	\$ 328	\$ —	\$ —
Transfer out of (into)	325	(325)	9	(9)
	<u>(3)</u>	<u>3</u>	<u>9</u>	<u>(9)</u>
Total Derivative Transfers, net	<u>\$ (117)</u>	<u>\$ 117</u>	<u>\$ 5</u>	<u>\$ (5)</u>

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

	June 30, 2023		June 30, 2022	
Beginning of the fiscal year	\$	3,932	\$	4,594
Issuances		396		355
Settlements		(1,014)		(371)
Total realized/unrealized mark-to-market losses (gains) in:				
Net income		294		(711)
Other comprehensive income		25		(130)
Transfers (from)/to Level 3, net		(26)		195
End of the fiscal year	\$	3,607	\$	3,932

Table L6: Derivatives Level 3 changes

In millions of U.S. dollars

	2023			2022		
	Derivatives, Assets/(Liabilities)			Derivatives, Assets/(Liabilities)		
	Currency Swaps	Interest Rate Swaps	Total	Currency Swaps	Interest Rate Swaps	Total
Beginning of the fiscal year	\$ (379)	\$ (165)	\$ (544)	\$ 154	\$ 179	\$ 333
Issuances	—	(33)	(33)	—	(15)	(15)
Settlements	179	24	203	(1)	(73)	(74)
Total realized/unrealized mark-to-market losses (gains) in:						
Net income	114	46	160	(435)	(256)	(691)
Other comprehensive income	(18)	(6)	(24)	(92)	—	(92)
Transfers to/(from) Level 3, net	117	—	117	(5)	—	(5)
End of the fiscal year	\$ 13	\$ (134)	\$ (121)	\$ (379)	\$ (165)	\$ (544)

Information on the unrealized gains or losses included in the Statements of Income and Statements 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

	2023	2022	2021
Reported as follows:			
Borrowings			
Net income (loss) ^a	\$ 56	\$ 220	\$ (449)
Other comprehensive (loss) income ^b	(53)	130	(92)
Derivatives			
Net (loss) income ^a	\$ (54)	\$ (214)	\$ 446
Other comprehensive income (loss) ^c	5	(97)	25

a. Amounts are included in Unrealized mark-to-market (losses) gains on non-trading portfolios, net, on the Statements 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 Statements of Comprehensive Income.

c. Amounts are included in Currency translation adjustment on functional currency, on the Statements of Comprehensive Income.

Table L8: Borrowings fair value and contractual principal balance*In millions of U.S. dollars*

	<i>Fair Value</i>	<i>Principal Amount Due Upon Maturity</i>	<i>Difference</i>
June 30, 2023	\$ 237,265	\$ 265,147	\$ (27,882)
June 30, 2022	\$ 235,173	\$ 256,753	\$ (21,580)

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 Statements of Comprehensive Income:

Table L9: Changes in fair value due to IBRD's own credit risk*In millions of U.S. dollars*

<i>Unrealized mark-to-market (losses) gains due to DVA on fair value option elected liabilities</i>	<i>2023</i>	<i>2022</i>
DVA on Fair Value Option Elected Liabilities	\$ (60)	\$ 564
Amounts reclassified to net income upon derecognition of a liability	47	18
Net change in DVA on Fair Value Option Elected Liabilities	<u>\$ (13)</u>	<u>\$ 582</u>

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 Sheets:

Table L10: Cumulative changes in fair value due to the change in IBRD's own credit risk*In millions of U.S. dollars*

<i>DVA on fair value option elected liabilities- gain</i>	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Reported as:		
Accumulated other comprehensive gain	\$ 351	\$ 364

Table L11: Unrealized mark-to-market gains or losses on investments-trading, and non-trading portfolios, net

In millions of U.S. dollars

	2023		
	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts ^a	
Investments-Trading	\$ (42)	\$ 126	\$ 84
Non-trading portfolios, net			
Loan-related derivatives—Note F	4	1,673	1,677
Other asset/liability management derivatives, net	—	(1,642)	(1,642) ^b
Borrowings, including derivatives—Notes E and F	8	(198)	(190) ^b
Client operations derivatives	—	1	1
Others, net	—	(1)	(1)
Total non-trading portfolios, net	\$ 12	\$ (167)	\$ (155)

In millions of U.S. dollars

	2022		
	Realized gains (losses)	Unrealized gains (losses) excluding realized amounts ^a	
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) ^b
Borrowings, including 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	
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) ^b
Borrowings, including derivatives—Notes E and F	14	140	154 ^b
Client operations derivatives	—	14	14
Total non-trading portfolios, net	\$ 14	\$ 1,218	\$ 1,232

a. Adjusted to exclude amounts reclassified to realized gains (losses).

b. Includes \$5,851 million of unrealized mark-to-market losses related to derivatives associated with borrowings (unrealized mark-to-market losses of \$20,790 million—June 30, 2022 and unrealized mark-to-market losses of \$7,209 million—June 30, 2021).

NOTE M—CONTINGENCIES

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, 2023, 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, 2023

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This Management's Discussion & Analysis (MD&A) reflects the results of the International Development Association's (IDA) financial performance for the fiscal year ended June 30, 2023 (FY23). 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, 2022, as compared to the year ended June 30, 2021, see Section IV – Financial Results in IDA's MD&A and Financial Statements for the fiscal year ended June 30, 2022 (FY22).

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,		
	2023	2022	2021
Lending Highlights (Sections IV & V)			
Loans, Grants and Guarantees			
Net commitments ^a	\$ 34,245	\$ 37,727	\$ 36,028
Gross disbursements ^a	27,718	21,214	22,921
Net disbursements ^a	19,968	14,477	16,465
Balance Sheet (Section IV)			
Total assets	\$ 227,482	\$ 220,014	\$ 219,324
Net investment portfolio ^b	30,672	39,561	37,921
Net loans outstanding	187,669	174,490	177,779
Borrowing portfolio ^c	35,393	35,032	28,335
Total equity	185,782	178,668	180,876
Income Statement (Section IV)			
Interest revenue, net of borrowing expenses	\$ 2,367	\$ 1,901	\$ 1,996
Transfers from affiliated organizations and others	117	274	544
Development grants	(3,946)	(2,372)	(2,830)
Net (loss) income	(3,262)	12	(433)
Non-GAAP Measures			
Adjusted Net Income (Section IV)	\$ 193	\$ 260	\$ 394
Deployable Strategic Capital Ratio (Section IX)	24.1 %	26.4 %	30.4 %

a. Commitments that have been approved by the Executive Directors (referred to as "the Board" in this document) and are net of full cancellations and terminations approved in the same fiscal year. Commitments and disbursements exclude IDA- IFC-MIGA Private Sector Window (PSW) activities.

b. For the composition of the net investment portfolio, see Notes to the Financial Statements, Note C – Investments – Table C2.

c. Includes associated derivatives. For the composition of the Borrowing portfolio, see Notes to the Financial Statements, Note E – Borrowings.

Section I: Executive Summary

IDA, an international organization owned by its 174 member countries, is one of the five institutions of the World Bank Group (WBG¹). 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 62 years. With its many years of experience and its depth of knowledge in international development, IDA plays a key role in achieving the WBG's goal of helping countries achieve better development outcomes. IDA provides loans, grants, guarantees, and other financial products to the poorest and most vulnerable countries to help meet their development needs, and technical assistance and policy advice by 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 in reducing poverty and inequality, achieve improvements in growth, job creation, governance, the environment, climate adaptation, mitigation and resilience, human capital, infrastructure and debt transparency, among others. To meet its development goals, the WBG supports client countries' efforts to implement programs to improve growth and development outcomes. Further, new and ongoing challenges continue to influence the global outlook. These include high inflation, the rise in food insecurity, growing inequality, global fragility, pandemic risk, Russia's invasion of Ukraine and other geopolitical events, rising debt, climate change, 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. To further enhance these efforts, the Board and Management have been working on an Evolution Roadmap for the WBG to better address the scale of development challenges by adapting the WBG's vision and mission, strengthening its operating model, and enhancing its financial capacity and model. Management is in the process of advancing agreed actions and developing further proposals, including efforts to expand crisis preparedness, response and recovery and increase private finance mobilization, with particular efforts to scale investment in emerging markets.

¹ 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.

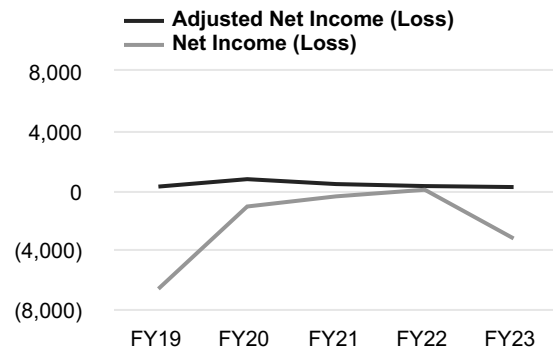
Summary of Financial Results

Net Income and Adjusted Net Income

Net Income: IDA reported a net loss of \$3,262 million in FY23, compared to net income of \$12 million in FY22. The decrease was primarily driven by the increase in development grant expenses, lower unrealized mark-to-market gains on non-trading portfolios, and higher borrowing expenses. See Section IV: Financial Results.

Adjusted Net Income: IDA's adjusted net income was \$193 million in FY23, compared to \$260 million in FY22. The decrease was primarily due to higher borrowing expenses and higher provision expenses for losses on loans and other exposures, partially offset by higher net interest revenue on investments. See Section IV: Financial Results.

In millions of U.S. dollars



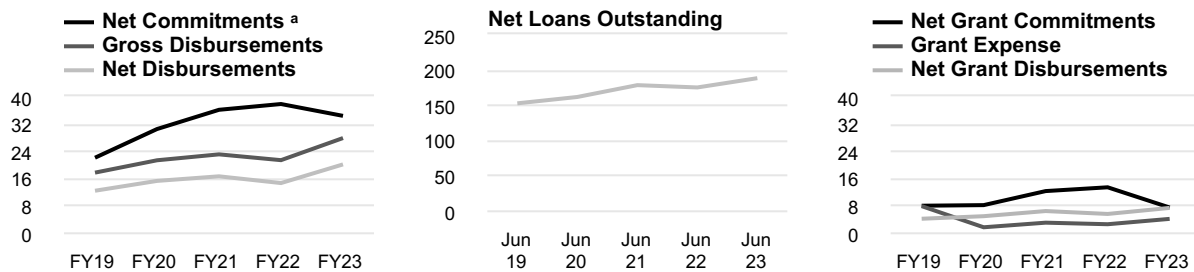
Loans and grants

IDA's net commitments in FY23 were \$34.2 billion, \$3.5 billion lower than FY22 primarily due to lower grant commitments. Out of the total net commitments, \$27.0 billion were loan commitments and \$7.3 billion were grant commitments. FY23 net loan commitments included \$1.2 billion approved under the IDA19 envelope due to the extension of the closing date for the approval of IDA19 operations.

IDA's net loans outstanding increased by \$13.2 billion to \$187.7 billion as of June 30, 2023, from \$174.5 billion as of June 30, 2022, primarily due to net loan disbursements. See Section IV: Financial Results.

Development grant expenses were \$3.9 billion in FY23 compared to \$2.4 billion in FY22 due to higher disbursements of conditional grants during the year as the conditions for recognition were met.

In billions of U.S. dollars

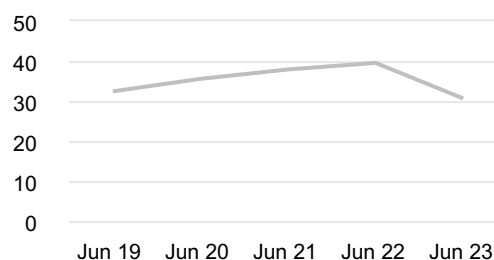


a. Includes loans, grants, and guarantees

Net Investment Portfolio

As of June 30, 2023, the net investment portfolio was \$30.7 billion, compared with \$39.6 billion as of June 30, 2022. The decrease was due to net cash outflows from loan and grant disbursements, partially offset by cash contributions from members. See Section VII: Investment Activities. The primary objective of IDA's investment strategy is principal protection. As of June 30, 2023, 78% of IDA's investment portfolio was held in instruments rated AA or above (See Table 27).

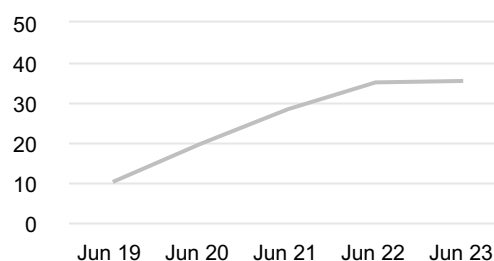
In billions of U.S. dollars
Net Investment Portfolio



Borrowing Portfolio

Market borrowings at fair value: As of June 30, 2023, the market borrowings carried at fair value and the related derivatives were \$19.6 billion, a decrease of \$2.2 billion from June 30, 2022 primarily due to net maturities during the year.

In billions of U.S. dollars
Borrowing Portfolio



Market borrowings at amortized cost: As of June 30, 2023, the market borrowings carried at amortized cost were \$8.6 billion, an increase of \$2.4 billion from June 30, 2022 primarily due to a new issuance during the year.

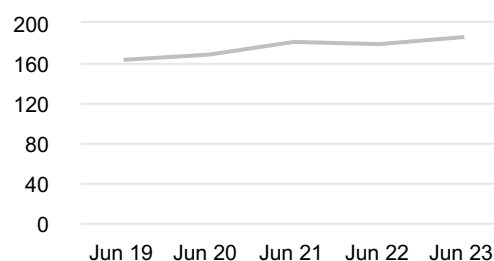
Concessional Partner Loans at amortized cost: As of June 30, 2023, total borrowings from members - Concessional Partner Loans (CPL) were \$7.2 billion, an increase of \$0.2 billion from June 30, 2022.

See Section VIII: Borrowing Activities

Equity and Capital Adequacy

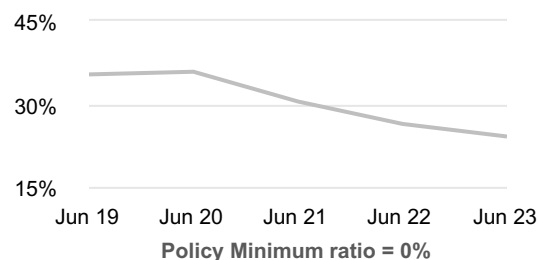
As of June 30, 2023, IDA's equity was \$185.8 billion, an increase of \$7.1 billion from June 30, 2022. The increase was primarily due to higher subscriptions and contributions paid in. See Section IV: Financial Results.

In billions of U.S. dollars
Equity



The Deployable Strategic Capital (DSC) ratio, IDA's main capital adequacy measure, was 24.1% as of June 30, 2023, above the zero percent policy minimum and a decrease of 2.3 percentage points from 26.4% as of June 30, 2022. The decrease was mainly due to the increase in total resources required. See Section IX: Risk Management.

Ratio in percentages
Deployable Strategic Capital Ratio



Section II: Overview

IDA Replenishment

Generally, every three years, representatives of IDA's members² 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)

IDA's Twentieth Replenishment, the replenishment period of FY23 through FY25, commenced on July 1, 2022, with a financing envelope of \$93.0 billion³, including \$11.0 billion of IDA19 carry over, supported by \$23.5 billion of member contributions. 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 coronavirus disease (COVID-19) pandemic crisis, recoup their development losses, and resume progress toward the 2030 Sustainable Development goals. IDA20 supports 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 builds on the IDA19 special themes, with the continuation of climate change, fragility, conflict, and violence (FCV), gender and development, jobs and economic transformation and the introduction of human capital as a special theme in IDA20. In addition, IDA20's policy package incorporates four cross-cutting issues: crisis preparedness (introduced in IDA20), governance and institutions, debt, and technology.

IDA20 became effective in December 2022. See Notes to the Financial Statements for the year ended June 30, 2023, Note A – Summary of Significant Accounting and Related Policies, Members' Subscriptions and Contributions.

IDA Crisis Facility

In May 2023, IDA's Executive Directors approved Management's recommendation to establish a Crisis Facility to scale up support for the world's poorest countries to address worsening development challenges due to the overlapping global crises, particularly food insecurity and extreme climate events. IDA's Board of Governors adopted the Resolution for the Crisis Facility on July 5, 2023. The Crisis Facility has two objectives: i) to provide additional resources to IDA countries affected by Russia's invasion of Ukraine at a time of compounding, overlapping global crises; and ii) to provide a mechanism for pooling and leveraging contributions to support Ukraine, and to neighboring Moldova. This facility will be supported by member contributions and enhance IDA's financing capacity in addition to IDA20.

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 \$185.8 billion as of June 30, 2023. Since FY18, IDA has shifted to a hybrid financial model by introducing 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.

Currently, IDA's non-concessional and concessional lending, including grants, is primarily financed by IDA's equity. As IDA's funding program expands under the hybrid financial model, a larger portion of lending will be

² 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.

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).

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.

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 reporting currency is the U.S. dollar. IDA's functional currencies are the SDR and its component currencies of the U.S. dollar, euro, Japanese yen, pound sterling and Chinese renminbi. 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 finances its operations mainly with its own equity, including regular additions to equity through members' subscriptions and contributions as part of the replenishment process. Members' subscriptions and contributions receivable for each replenishment are settled through payment of cash or deposit of nonnegotiable, noninterest-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.

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. For the three-year funding cycle of IDA20, the agreed resource envelope totals \$93.0 billion, supported by \$23.5 billion of member contributions.

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 that is updated annually. For FY24, the threshold is \$1,315 (FY23: \$1,255).

Table 1: IDA20 Allocations

In billions of U.S. dollars

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, 2023, 75 countries are eligible to borrow from IDA on concessional terms as follows:

IDA eligible countries	IDA-only	<p>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.</p> <p>2 countries with loans in nonaccrual status, which were classified as "IDA-only" at the time they became nonaccrual countries.</p>
	Gap	<p>18 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.</p>
	Blend	<p>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.</p> <p>1 country with loans in nonaccrual status, which was classified as "Blend" at the time it became a nonaccrual country.</p>

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. The allocation framework is agreed for each replenishment cycle. 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.

IDA responds to specific needs of its members through the following five IDA Windows:

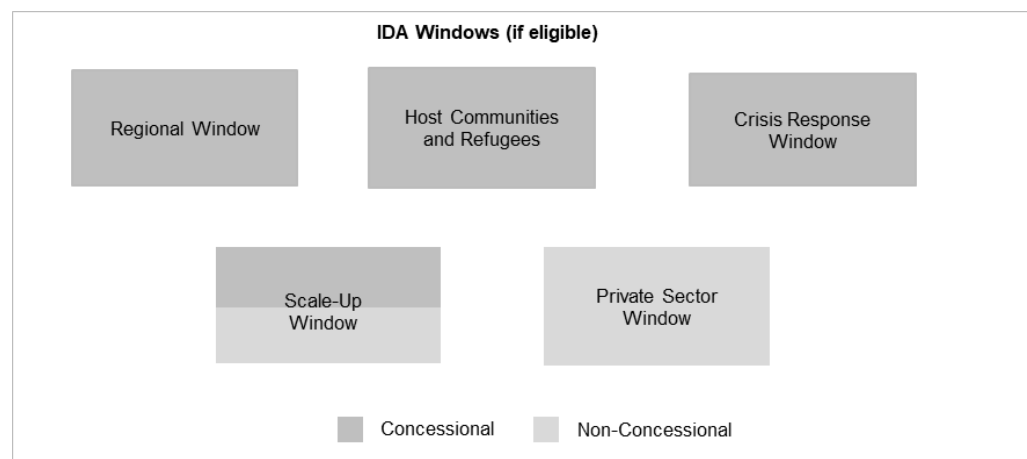


Table 2: Cumulative Net Commitments since July 1, 2022

In millions of U.S. dollars

As of June 30, 2023	Loans and Guarantees		Grants		Total
Concessional financing					
IDA Country Allocations	\$	18,268	\$	4,311	\$ 22,579
IDA Concessional Windows					
Regional Window		1,047		1,321	2,368
Window for Host Communities and Refugees		33		437	470
Crisis Response Window		417		1,215	1,632
Scale-up Window – Shorter Maturity Loans		3,758		—	3,758
Non-concessional financing including Scale-up Window		2,238		—	2,238
Cumulative Net Commitments under IDA20	\$	25,761	\$	7,284	\$ 33,045
IDA19 Commitments approved in July 2022					
IDA Country Allocations	\$	1,200	\$	—	\$ 1,200
Total Cumulative Net Commitments^a	\$	26,961	\$	7,284	\$ 34,245

a. Commitments are net of full cancellations and terminations approved in the same fiscal year. Commitments exclude IDA-IFC-MIGA Private Sector Window (PSW) activities.

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 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 is based on an assessment of the country’s risk of debt distress, where countries, including IDA-only Small States, with high risk of debt distress, or in debt distress, receive their IDA assistance in grants. IDA-only Small States at moderate risk of debt distress continue to receive half of their IDA20 allocation in grants and half in loans. Gap and Blend countries are only eligible for grant financing through the Window for Host Communities and Refugees, if applicable.

As part of IDA’s balance sheet optimization measures, two new financing terms have been introduced in IDA20 which carry no interest or service charges: a) Concessional Shorter-Maturity Loans (SMLs); and b) 50-year loans. See Figure 1 for Overview of IDA20 Financing Terms. In addition, starting from IDA20, the borrowers are offered, as part of the loan agreement, an option to convert their concessional borrowing into one of the SDR component currencies or non-SDR local currency terms, at their choice and subject to market availability.

Figure 1: 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
	Moderate Risk	<ul style="list-style-type: none"> 50-year loans 12-year Concessional SMLs 	<ul style="list-style-type: none"> Half grants and half 40-year loans (small economy) 12-year Concessional SMLs
	Low Risk	<ul style="list-style-type: none"> 38-year loans (regular) 12-year Concessional SMLs 	<ul style="list-style-type: none"> 40-year loans (small economy) 12-year Concessional SMLs
Gap Countries		<ul style="list-style-type: none"> 30-year loans (blend) 12-year Concessional SMLs 	<ul style="list-style-type: none"> 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 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, 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. This \$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) to enable IDA countries to intervene earlier in 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 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. Under IDA20, \$2.5 billion has been allocated to PSW, bringing the cumulative total allocation to \$5.5 billion.

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.

As of June 30, 2023, \$1.3 billion had been utilized out of a combined total of \$3.8 billion committed in IDA18 through IDA20. See Notes to the Financial Statements for the year ended June 30, 2023, Note G – Transactions with Affiliated Organizations – Table G4.

Table 3: Utilization of PSW Commitments

In millions of U.S. dollars

As of June 30, 2023	IDA18 and IDA19	IDA20	Total	Utilization Measure
Allocation	\$ 2,950	\$ 2,500	\$ 5,450	
Net Commitments	2,947	900	3,847	
Of which utilized				
Guarantees			\$ 795	Face value of outstanding guarantees
Derivatives			276	Notional amount
Funding of IFC's PSW related debt and equity investments			95	Initial value of investment
Loans			102	Amortized cost
Total utilization of IDA PSW			\$ 1,268	

Arrears Clearance Framework

IDA has a policy of not providing additional financing to borrowers who are overdue on their payments to IDA or IBRD. However, IDA 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 FY23.

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 Loss

IDA had a net loss of \$3.3 billion in FY23 compared with net income of \$12 million in FY22 (See Table 4). The decrease in net income during the year was primarily driven by:

- An increase of \$1.6 billion in development grant expenses due to higher disbursements of conditional grants in FY23 as the conditions for recognition were met;
- A decrease of \$1.3 billion in unrealized mark-to-market gains on non-trading portfolios. The decrease was mainly driven by lower 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 more prominent in FY22;
- An increase of \$0.7 billion in borrowing expenses as a result of the increase in interest rates;
- An increase of \$0.4 billion in provision expense for losses on loans and other exposures mainly due to the increase in exposure; partially offset by
- An increase of \$0.9 billion in net interest revenue on investments as a result of higher interest rates in FY23.

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, and 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.
- *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 PCRFB, and the accounting expense, as well as the investment revenue earned on those assets related to the PEBP and PCRFB. The PCRFB 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 PCRFB investment revenue is excluded from adjusted net income.

- *Other Adjustments:*
 - i. 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.
 - ii. 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 is excluded to arrive at adjusted net income.

IDA's adjusted net income was \$193 million in FY23 compared with adjusted net income of \$260 million in FY22 (See Table 4). The decrease was primarily driven by the following offsetting factors:

- An increase of \$712 million in borrowing expenses, excluding amortization of the discount on CPL, as a result of the increase in interest rates;
- An increase of \$439 million in the provision expense for losses on loans and other exposures, excluding the provision expense for HIPC/MDRI and grant advances, mainly due to the increase in exposure, partially offset by:
- An increase of \$864 million in net interest revenue on investments as a result of higher interest rates in FY23; and
- An increase of \$296 million in net interest revenue from loans due to the higher average balance and the increase in interest rates on non-concessional loans in FY23.

Table 4: Condensed Statements of Income

In millions of U.S. dollars

For the fiscal year ended June 30,	2023	2022	Negative Impact	Positive Impact
Interest Revenue				
Loans, net ^a	\$ 2,256	\$ 1,960		296
Investments, net	1,053	189		864
Asset-liability management derivatives, net	15	1		14
Borrowing expenses, net	(957)	(249)	(708)	
Interest Revenue, net of borrowing expenses	\$ 2,367	\$ 1,901		466
Provision for losses on loans and other exposures	(688)	(278)	(410)	
Other revenue (expenses), net (Table 10)	55	(2)		57
Net non-interest expenses (Table 8)	(1,464)	(1,392)	(72)	
Transfers from affiliated organizations and others	117	274	(157)	
Non-functional currency translation adjustment gains, net	192	511	(319)	
Unrealized mark-to-market losses on investments-trading portfolio, net ^b	(29)	(104)		75
Unrealized mark-to-market gains on non-trading portfolios, net	134	1,474	(1,340)	
Development grants	(3,946)	(2,372)	(1,574)	
Net (Loss) Income	\$ (3,262)	\$ 12	(3,274)	
Adjustments to reconcile net (loss) income to adjusted net income:				
Activities directly funded by member contributions	4,000	2,508		1,492
Contributions from affiliated organizations and others	(117)	(274)		157
Non-functional currency translation adjustment gains, net	(192)	(511)		319
Unrealized mark-to-market gains on non-trading portfolios, net ^c	(32)	(1,432)		1,400
Pension and other adjustments	(204)	(43)	(161)	
Adjusted Net Income	\$ 193	\$ 260	(67)	

a. Includes interest rate swap income or expense from loan related derivatives.

b. Includes IDA's share of returns from Post-Employment Benefit Plan (PEBP) and Post-Retirement Contribution Reserve Fund (PCRF) assets – \$83 million positive return (FY22- \$37 million negative return).

c. Excludes \$102 million of gains from revenue-related forward currency contracts (FY22 - \$42 million of gains).

Table 5: Condensed Balance Sheets

In millions of U.S. dollars

As of June 30,	2023	2022	Decrease	Increase
Assets				
Due from banks	\$ 689	\$ 686		3
Investments	31,822	39,827	(8,005)	
Net Loans Outstanding	187,669	174,490		13,179
Derivative assets, net	364	404	(40)	
Other assets	6,938	4,607		2,331
Total assets	\$ 227,482	\$ 220,014		7,468
Liabilities				
Borrowings	\$ 32,567	\$ 32,899	(332)	
Derivative liabilities, net	1,244	579		665
Other liabilities	7,889	7,868		21
Equity	185,782	178,668		7,114
Total liabilities and equity	\$ 227,482	\$ 220,014		7,468

The main drivers for the movements in the Balance Sheets from June 30, 2022 to June 30, 2023 are as follows:

- An increase in net loans outstanding due to net loan disbursements during the year;
- An increase in other assets due to higher grant advances;
- A decrease in investments due to net cash outflows for funding loan and grant disbursements during the year;
- An increase in derivative liabilities primarily due to unrealized mark-to-market losses on borrowing-related derivatives as a result of the increase in interest rates;
- An increase in equity due to higher subscriptions and contributions paid in, partially offset by the increase in demand obligations and the increase in the accumulated deficit.

Equity

See Figure 2 below for the change in IDA's equity during FY23:

Figure 2: Changes in Equity

In billions of U.S. dollars



Results from Financing Activities

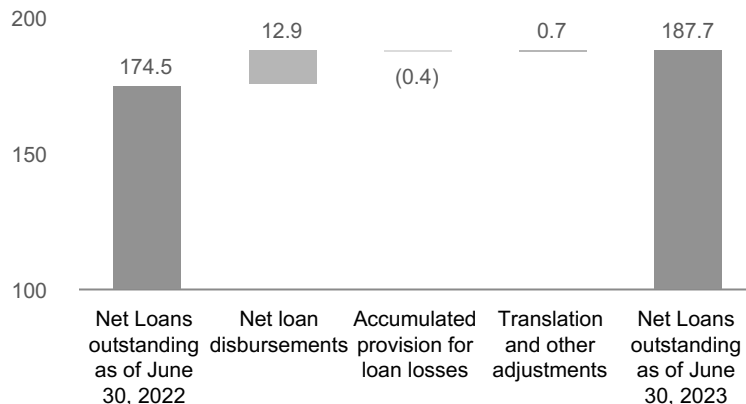
Loan Portfolio and Grant Activity

As of June 30, 2023, net loans outstanding were \$187.7 billion, \$13.2 billion higher compared with June 30, 2022. The increase was mainly due to net loan disbursements during the year.

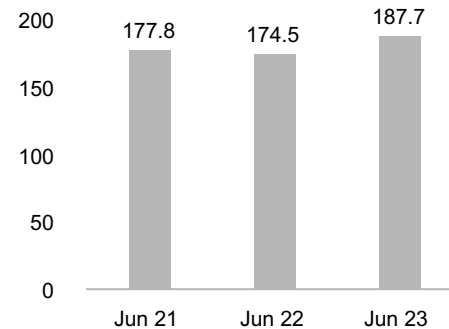
As of June 30, 2023, 83% of IDA's total loans outstanding were denominated in the SDR. For the regional presentation of total loans outstanding, see Notes to the Financial Statements for the year ended June 30, 2023, Note D – Loans and Other Exposures – Table D7.

Figure 3: Net Loans Outstanding Activity

In billions of U.S. dollars

**Figure 4: 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 6).

Table 6: Gross Disbursements of Loans and Grants by Region

In millions of U.S. dollars

For the fiscal year ended June 30,	2023			2022			Variance
	Loans ^a	Grants ^b	Total	Loans ^a	Grants ^b	Total	
Eastern and Southern Africa	\$ 6,345	\$ 4,072	\$ 10,417	\$ 4,520	\$ 2,613	\$ 7,133	\$ 3,284
Western and Central Africa	6,034	1,914	7,948	4,942	1,602	6,544	1,404
East Asia and Pacific	1,297	151	1,448	1,365	137	1,502	(54)
Europe and Central Asia	2,104	281	2,385	631	133	764	1,621
Latin America and the Caribbean	235	87	322	346	164	510	(188)
Middle East and North Africa	46	506	552	63	496	559	(7)
South Asia	4,487	159	4,646	3,952	250	4,202	444
Total	\$ 20,548	\$ 7,170	\$ 27,718	\$ 15,819	\$ 5,395	\$ 21,214	\$ 6,504

a. Excludes PSW related disbursements - \$53 million (FY22 - \$41 million).

b. Excludes Project Preparation Advances (PPA)

As of June 30, 2023, 56% of IDA's loans were on regular terms (75 basis points SDR equivalent service charge) See Table 7. The increase in IDA's revenue from loans in FY23 compared to FY22 was primarily due to the higher average balances of loans outstanding and the increase in interest rates on non-concessional loans.

Table 7: Revenue and Loan Balances by Product Category

In millions of U.S. dollars

Category	Balance as of June 30,		Interest revenue on loans ^a	
	2023	2022	For the fiscal year ended June 30, 2023	2022
Loans				
Concessional				
Regular	\$ 106,720	\$ 104,716	\$ 806	\$ 829
Blend	69,908	65,617	1,072	970
Hard ^b	1,280	1,327	44	47
SML	3,014	NA	NA	NA
50-year	1,113	NA	NA	NA
Non-concessional ^c	9,497	6,381	322	116
Others ^d	152	50	6	1
Total	\$ 191,684	\$ 178,091	\$ 2,250	\$ 1,963

- a. Excludes interest rate swap income or expense from loan related derivatives - \$6 million of income in FY23 (\$3 million of expense in FY22)
- b. Effective FY18, Hard-term loans are no longer offered.
- c. In addition, \$27 million of commitment charges were earned in FY23 on undisbursed balances of non-concessional loans (\$24 million in FY22).
- d. Represents loans under the PSW and others.

Provision for losses on loans and other exposures

In FY23, IDA recorded a provision expense for losses on loans and other exposures of \$688 million compared to a provision expense of \$278 million in FY22 (see Notes to the Financial Statements for the year ended June 30, 2023, Note D – Loans and Other Exposures – Table D5). The increase in provision expense was primarily due to higher exposure in FY23 compared to FY22. 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.

Results from Investing Activities

Investment Portfolio

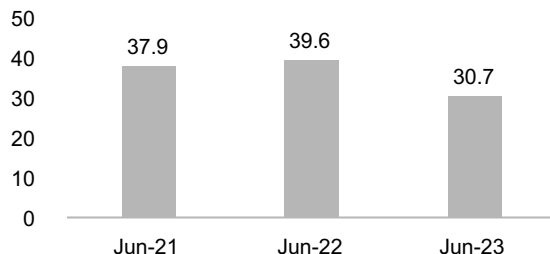
IDA's net investment portfolio decreased to \$30.7 billion as of June 30, 2023, from \$39.6 billion as of June 30, 2022. The decrease was primarily due to net cash outflows from net loan and grant disbursements, offset by cash received from member contributions. See Notes to the Financial Statements for the year ended June 30, 2023, Note C - Investments.

Investment interest revenue, net of derivatives

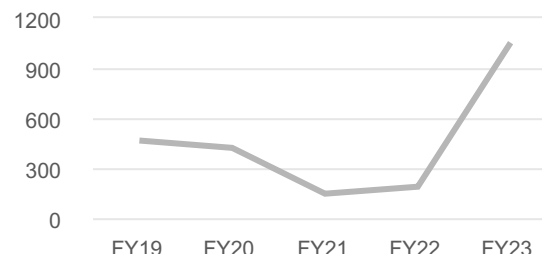
During FY23, IDA's net interest revenue from investments was \$1,053 million, an increase of \$864 million compared with FY22. The increase in interest revenue was mainly driven by the higher interest rates in FY23 compared to FY22.

Figure 5: Net Investment Portfolio

In billions of U.S. dollars

**Figure 6: Net Investment Revenue**

In millions of U.S. dollars



Unrealized mark-to-market gains (losses) on investments-trading portfolio

During FY23, IDA's investments-trading portfolio, excluding IDA's share of returns from PEBP and PCRFB, had unrealized mark-to-market losses of \$112 million, compared to \$67 million of unrealized mark-to-market losses in FY22. The increase in losses was mainly due to the increase in yield curves of certain non-USD denominated bonds in FY23.

Results from Borrowing Activities

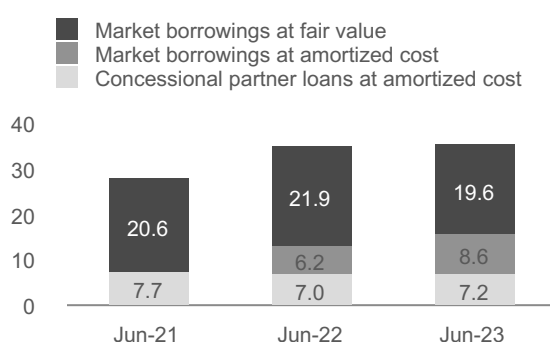
As of June 30, 2023, the fair value of the market borrowing portfolio was \$19.6 billion, a decrease of \$2.2 billion compared to June 30, 2022 (\$21.9 billion). The decrease was mainly due to the maturities during the year.

As of June 30, 2023, the market borrowings recorded at amortized cost were \$8.6 billion, an increase of \$2.4 billion from June 30, 2022 (\$6.2 billion). The increase was due to an issuance of new long-term fixed rate market debt during the year. See Notes to the Financial Statements for the year ended June 30, 2023, Note E – Borrowings.

Concessional partner loans from members recorded at amortized cost were \$7.2 billion as of June 30, 2023, an increase of \$0.2 billion from June 30, 2022 (\$7.0 billion).

Figure 7: Borrowing Portfolio

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, 2022, IBRD's Board of Governors approved a transfer from FY22 allocable income of \$117 million to IDA which was received by IDA on October 20, 2022.

Net Non-Interest Expense

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 both entities. 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.

The increase in net non-interest expenses from FY22 to FY23, on both a U.S. GAAP basis and on an adjusted net income basis, was primarily driven by higher travel and higher staff costs (See Table 8). Travel expenses have been increasing since the easing of the COVID-19 related travel restrictions and office closures and are now approximately at 83% of the pre-COVID levels for the World Bank.

Table 8: Net Non-Interest Expenses

In millions of U.S. dollars

For the fiscal year ended June 30,	2023	2022	Variance
Administrative expenses:			
Staff costs	\$ 1,228	\$ 1,137	\$ 91
Travel	165	71	94
Consultant and contractual services	588	588	—
Pension and other post-retirement benefits	163	191	(28)
Communications and technology	100	83	17
Premises and equipment	144	144	—
Other expenses	22	24	(2)
Total administrative expenses ^a	\$ 2,410	\$ 2,238	\$ 172
Contributions to special programs ^b	20	19	1
Revenue from externally funded activities:			
Reimbursable advisory services	(47)	(41)	(6)
Reimbursable revenue – IDA executed trust funds	(686)	(613)	(73)
Revenue – trust funds administration	(57)	(43)	(14)
Restricted revenue	(3)	(3)	—
Other revenue	(173)	(165)	(8)
Total revenue from externally funded activities	\$ (966)	\$ (865)	\$ (101)
Total net non-interest expenses (Table 4) - GAAP Basis	\$ 1,464	\$ 1,392	\$ 72
Adjustments to arrive at Net non-interest expenses - Adjusted Net Income basis			
Pension, RAMP and EFO adjustments (Table 9) ^c	121	80	41
Net non-interest expenses - Adjusted Net Income basis	\$ 1,585	\$ 1,472	\$ 113

a. Includes expenses related to IDA executed trust funds of \$686 million for FY23 and \$613 million for FY22.

b. Included in Non-interest expenses – Other in the Statements of Income.

c. Adjustments are included in the Pension and other adjustments line in Table 4.

IDA aims 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 FY23, IDA's budget anchor was 69.9%, improved by 4.4 percentage points compared to FY22 primarily due to a higher increase in loan revenue than the increase in administrative expenses. See Table 9.

Table 9: Budget Anchor

In millions of U.S. dollars

For the fiscal year ended June 30,	2023	2022	Variance
Total net Non-interest Expenses (Table 8)	\$ 1,464	\$ 1,392	\$ 72
Pension, RAMP and EFO adjustments (Table 8) ^a	121	80	41
Net administrative expenses for Budget Anchor	\$ 1,585	\$ 1,472	\$ 113
Interest Revenue from Loans, net of associated borrowing expenses	\$ 2,106	\$ 1,892	\$ 214
Commitment charges and Guarantee fees (Table 10)	58	46	12
Gains on revenue-related forward currency contracts	102	42	60
Total revenue for Budget Anchor	\$ 2,266	\$ 1,980	\$ 286
Budget Anchor	69.9%	74.3%	(4.4)%

a. These adjustments are made to arrive at net administrative expenses used for adjusted net income purposes.

In FY23, IDA's net other revenue was \$55 million compared to \$2 million net other expenses in FY22. The change was due to lower PPA grant expenses, net of cancellations and refinancing of PPA grants previously approved. Refinanced PPA grants are included in the loan provided to the borrower, and correspondingly, prior grant expenses are reversed.

Table 10: Other Revenue (Expenses), net

In millions of U.S. dollars

For the fiscal year ended June 30,	2023	2022	Variance
PPA grants and others ^a	\$ (3)	\$ (48)	\$ 45
Guarantee fees and others ^b	31	22	9
Commitment charges	27	24	3
Other Revenue (Expenses), net (Table 4)	\$ 55	\$ (2)	\$ 57

a. Included in Non-interest expenses – Other in the Statements of Income.

b. Included in Non-interest revenue – Other in the Statements of Income.

Unrealized mark-to-market gains (losses) on non-trading portfolios, net

During FY23, the non-trading portfolios had \$134 million net unrealized mark-to-market gains (\$1,474 million net unrealized mark-to-market gains in FY22). The decrease was mainly driven by lower unrealized mark-to-market gains from the derivatives held for the CVP, managed as part of Asset-Liability Management (ALM), as a result of a smaller increase in the U.S. dollar and EUR interest rates for long tenors in FY23 compared to FY22. (Section IX: Risk Management).

Table 11: Unrealized Mark-to-Market gains (losses) on non-trading portfolios, net

In millions of U.S. dollars

For the fiscal year ended June 30,	2023	2022	Variance
Asset-liability management	\$ 143	\$ 1,441	\$ (1,298)
Investment portfolio	(5)	(26)	21
Other ^a	(4)	59	(63)
Total	\$ 134	\$ 1,474	\$ (1,340)

a. Other comprises mark-to-market gains (losses) on borrowings, loan related derivatives and on PSW associated instruments.

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, 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 in FY23 and FY22 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 depreciation or appreciation of these currencies against the U.S. dollar results in exchange rate gains or losses which are recorded in the income statements. Accordingly, the translation adjustment gains on non-functional currencies were \$192 million in FY23, compared to translation adjustment gains of \$511 million in FY22. The decrease in translation gains in FY23 was primarily driven by less depreciation of certain non-functional currencies against the U.S. dollar when compared to FY22.

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 financing 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.

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 exchange 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.

Financing Cycles

Financing cycles involve identifying and appraising a project and approving and disbursing the funds. In response to emergency situations, such as natural disasters and other 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. As of June 30, 2023, \$15.5 billion was committed under the MPA.

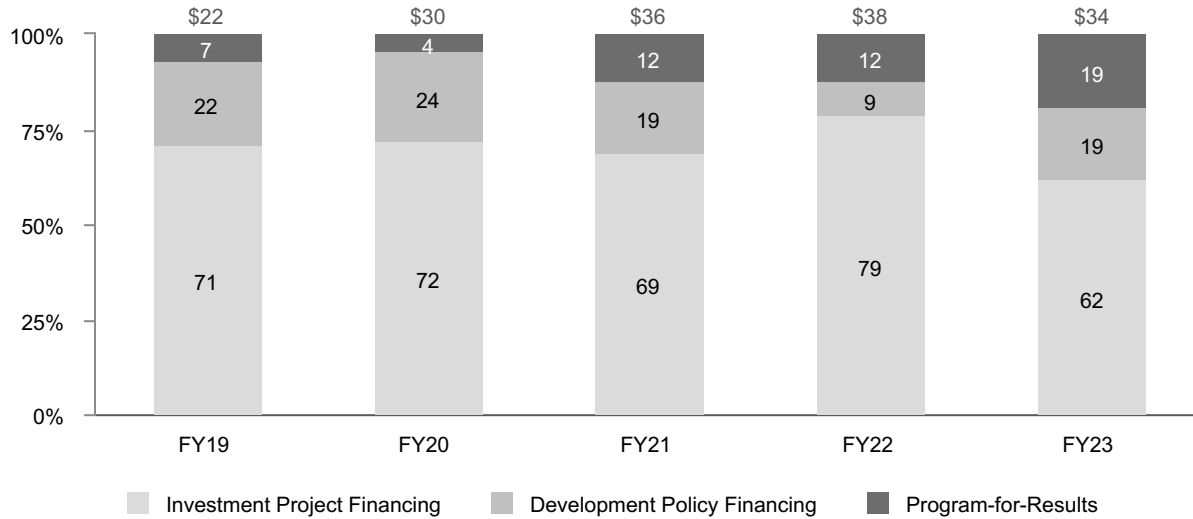
During implementation of IDA-supported operations, staff review progress, monitor compliance with IDA's policies, and assist in resolving any problems that may arise. An independent unit, the Independent Evaluations Group, also assesses the extent to which operations have met their major objectives, and these evaluations are reported directly to the Board. From July 1, 2023, new financing and guarantees provided by IDA are being tracked against the objectives of the Paris Agreement and a country's pathway towards low greenhouse gas emissions and climate-resilient development.

Financing Categories

Most of IDA's lending is of three types: investment project financing, development policy financing, and program-for-results. Figure 8 shows the percentage of loans approved for investment lending, development policy operations and program-for-results over the past five fiscal years.

Figure 8: Net Annual Commitments and Percentage 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 (approximately 5 to 10 years). FY23 net commitments under IPF totaled \$21.3 billion, compared with \$29.9 billion in FY22.

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 such reforms through non-earmarked general budget financing. DPF provides fast-disbursing financing (approximately 1 to 3 years) to help borrowers address actual or anticipated financing requirements. FY23 net commitments under DPF totaled \$6.5 billion, compared with \$3.4 billion in FY22.

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. FY23 net commitments under PforR totaled \$6.4 billion, compared with \$4.4 billion in FY22. Observable increases in the proportion of PforR reflect borrower preferences.

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 financing 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, 2023, see Table 12.

Table 12: Cumulative Loans approved under Single Currency program

In billions of U.S. dollar equivalent value

As of June 30,	2023	
Euro	\$	38.7
U.S. dollar		32.1
Japanese Yen		1.2
Pound Sterling	\$	0.1
Total	\$	72.1
Of the above, loans outstanding at the end of the year	\$	30.3

Table 13: Summary of Financial Terms for IDA Lending Products, effective July 1, 2023

Instrument type ^a	Currencies	Maturity/Grace Period	Service 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	<p>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.</p> <p>After Drawdown:</p> <ul style="list-style-type: none"> - 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 Statements of Income. Commitment charges earned on loans and grants, if any, are reported as non-interest revenue in the Statements 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, 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 FY23, the commitment charge on undisbursed concessional loans had been set at zero, and for grants it had been set at zero from FY03 to FY23. For FY24, commitment charges on concessional loans remain at zero. The commitment charge on non-concessional loans is aligned to IBRD terms, which is 0.25% per annum.

Repayment Terms

IDA's lending terms 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, 2023, \$27.0 billion of qualifying loans outstanding from 15 borrowers that have graduated from IDA since the introduction of the accelerated repayment clause were under the accelerated repayment terms. Of these 15 borrowers, 9 borrowers selected the principal option, 5 borrowers selected the interest option, and 1 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 or cancellation 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, pausing of accelerations, and cancellation are contemplated in the original terms of the instruments, they do not constitute loan modifications.

Loans, Grants and Guarantee Activity

Commitments

FY23 net loan commitments were \$27.0 billion, an increase of \$2.5 billion or 10% over FY22 (\$24.5 billion), mainly driven by higher DPF commitments. There were no guarantee commitments in either FY23 or FY22. (See Table 14). Also, see Section VI: Other Development Activities and Programs.

FY23 net commitments of grants were \$7.3 billion, a decrease of \$5.9 billion compared to FY22 (\$13.2 billion) (See Table 15). This decrease was mainly driven by lower grant commitments to Eastern and Southern Africa and Western and Central Africa.

Table 14: Net Commitments of Loans and Guarantees by Region*In millions of U.S. dollars*

For the fiscal year ended June 30,	2023	% of total	2022	% of total	Variance
Eastern and Southern Africa	\$ 9,661	36 %	\$ 7,751	32 %	\$ 1,910
Western and Central Africa	9,790	36	8,779	36	1,011
East Asia and Pacific	826	3	1,039	4	(213)
Europe and Central Asia	898	4	2,046	8	(1,148)
Latin America and the Caribbean	51	*	534	2	(483)
Middle East and North Africa	15	*	162	1	(147)
South Asia	5,720	21	4,183	17	1,537
Total	\$ 26,961	100 %	\$ 24,494	100 %	\$ 2,467

* indicates percentage less than 0.5%.

Table 15: Net Commitments of Grants by Region*In millions of U.S. dollars*

For the fiscal year ended June 30,	2023	% of total	2022	% of total	Variance
Eastern and Southern Africa	\$ 4,707	64 %	\$ 7,515	57 %	\$ (2,808)
Western and Central Africa	1,600	22	3,434	26	(1,834)
East Asia and Pacific	51	1	634	5	(583)
Europe and Central Asia	200	3	465	3	(265)
Latin America and the Caribbean	130	2	496	4	(366)
Middle East and North Africa	546	7	655	5	(109)
South Asia	50	1	34	*	16
Total	\$ 7,284	100	\$ 13,233	100 %	\$ (5,949)

* 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 16 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 16: 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: <ol style="list-style-type: none"> 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 17: Pricing for IDA's Project-Based and Policy-Based Guarantees, effective July 1, 2023

Charges	Guarantees on Concessional Terms		Guarantees on Non-Concessional Terms	
	Private Projects	Public Projects	Private Projects	Public Projects
Front-end fee	NA	NA	25 bps	25 bps
Initiation fee ^a	15 bps	NA	15 bps	NA
Processing fee ^b	Up to 50 bps	NA	Up to 50 bps	NA
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 \$795 million of exposure under PSW guarantees as of June 30, 2023 (\$638 million — June 30, 2022). See Section III: IDA's Financial Resources for PSW guarantees. For additional information, see Notes to the Financial Statements for the year ended June 30, 2023, Notes D – Loans and Other Exposures and Note G – Transactions with Affiliated Organizations.

In millions of U.S. dollars

As of June 30,	2023	2022
Guarantee Exposure	\$ 1,744	\$ 1,845
Maximum potential undiscounted future payments	1,763	1,869

During the fiscal year ended June 30, 2023, IDA's partial guarantee of certain Eurobonds that had been issued by the Republic of Ghana (Ghana) was called and in accordance with the terms of the guarantee, IDA made a payment of \$50 million to the guaranteed bondholders out of the total \$372 million Eurobonds guarantee exposure. Pursuant to the terms of the related indemnity agreement between IDA and Ghana, IDA directed Ghana to reimburse IDA for the \$50 million in twelve equal semi-annual installments, commencing April 15, 2029, and to repay interest on the outstanding amount at 2.73% per annum. The outstanding amount of \$50 million is included in Loans Outstanding on the Balance Sheet as of June 30, 2023. No other guarantees provided by IDA to sovereign or sub-sovereign borrowers have been called during the fiscal years ended June 30, 2023 and June 30, 2022.

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.

The Catastrophe Deferred Draw-Down Option (CAT-DDO) promotes countries' resilience to disasters and expands the range of IDA's crisis instruments. 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, 2023, the amount of CAT DDOs disbursed and outstanding was \$367 million (\$359 million as of June 30, 2022), and the undisbursed amount of effective CAT DDOs was \$194 million, compared to \$53 million a year earlier.

Grant Making Facilities

Grant Making Facilities (GMFs) are contributions to specific trust funds and complementary to IDA's work. In FY23, the amount under this program was \$20 million in accordance with the cost sharing agreement with IBRD (FY22 - \$19 million). These amounts are reflected in Non-Interest Expenses - Contribution to Special Programs in IDA's Statements 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 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 FY23, HIPC debt relief was provided on \$22 million of loans (\$30 million in FY22). There was no HIPC debt relief on service charges in FY23 or FY22. 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, 2023.

During FY23 and FY22, 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, 2023. 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 Funds 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 \$686 million in FY23 (\$613 million in FY22) of trust fund program funds, which was included in Non-interest expense, Administrative in IDA's Statements of Income.

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 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 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 FY23, IDA's share of revenue and fees from Trust Fund administration activity was \$57 million (\$43 million in FY22). For additional information, see Notes to the Financial Statements for the year ended June 30, 2023, 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. See Table 18. These funds did not include \$729 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 Sheets.

Table 18: Funds Held in Trust by IDA*In millions of U.S. dollars*

As of June 30,	Total Fiduciary Assets	
	2023	2022
IDA executed	\$ 39	\$ 38
Jointly executed with affiliated organization	1,027	1,004
Recipient-executed	2,017	1,855
Financial intermediary funds	292	285
Execution not yet assigned ^a	8,213	5,800
Total	\$ 11,588	\$ 8,982

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 FY23, income relating to reimbursable advisory services was \$47 million (FY22 - \$41 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 FY23 (FY22 - \$3 million), which was included in the line "Total net non-interest expenses – GAAP basis" in Table 8.

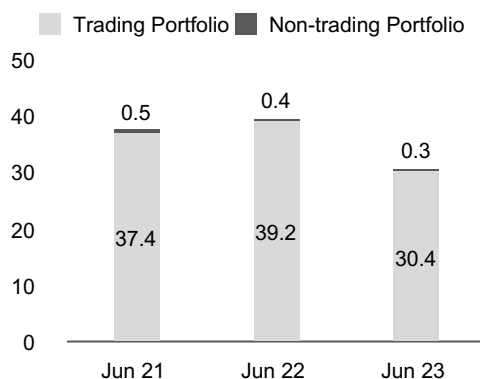
Restrictions are released once the funds are used for the purposes specified by donors. In FY23, there was a release of \$13 million (FY22 - \$17 million).

Section VII: Investment Activities

As of June 30, 2023, IDA's net investment portfolio totaled \$30.7 billion (Figure 9). See the Notes to the Financial Statements for the year ended June 30, 2023, Note C – Investments.

Figure 9: 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.

The investments-trading portfolio is held in three sub-portfolios: Operational, Stable, and Discretionary. Each may have different risk profiles and performance guidelines (See Table 19).

- *Operational portfolio* is used to meet IDA's day-to-day cash flow requirements.
- *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.
- *Discretionary portfolio* gives IDA 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.

As of June 30, 2023, the operational sub-portfolio decreased by \$11.7 billion compared to June 30, 2022 mainly driven by large loan and grant disbursements during FY23. As of June 30, 2023, \$20.4 billion (approximately 66% of total volume) of the net investment portfolio was due to mature within six months, of which \$9.2 billion was expected to mature within one month.

IDA's total return on its investments-trading portfolio for FY23 (excluding unrealized mark-to-market gains / losses on PEBP assets) was 2.63%, compared to 0.26% in FY22, primarily due to higher interest revenue resulting from the increase in average interest rates in FY23, partially offset by higher unrealized mark-to-market losses in FY23 compared to FY22. The unrealized mark-to-market losses in FY23 primarily reflected the increase in yield curves of certain non-USD denominated bonds during the year.

Table 19 provides a breakdown of the outstanding balances, 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 19: Investments Trading Portfolio

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

Sub Portfolios	Outstanding as of June 30		Average Balance		Average Return	
	2023	2022	FY23	FY22	FY23	FY22
Operational	\$ 4,235	\$ 15,929	\$ 11,200	\$ 16,136	3.01 %	0.25 %
Stable	22,494	22,734	21,332	23,959	2.12	0.26
Discretionary *	3,699	552	3,116	167	5.00	—
Total	\$ 30,428	\$ 39,215	\$ 35,648	\$ 40,262	2.63 %	0.26 %

* Discretionary sub-portfolio was terminated between December 2020 and September 2021.

IDA's liquid assets are held mainly in the following types of highly rated, fixed-income instruments. See Table 26 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. The prudential minimum for FY24 has been set at \$24.7 billion, compared to \$20.8 billion for FY23, a \$3.9 billion increase due to higher projected net disbursements. 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. As of June 30, 2023, the investments non-trading portfolio had a fair value of \$244 million (\$346 million in FY22). The changes in fair value for this security are recognized in the Unrealized mark-to-market gains (losses) on non-trading portfolios, net line in the Statements of Income. See Notes to the Financial Statements for the year ended June 30, 2023, Note C – Investments and Note G - Transactions with Affiliated Organizations.

Section VIII: Borrowing Activities

IDA's borrowing portfolio comprises market borrowings (carried at amortized cost or fair value) and concessional partner loans made by IDA members (carried at amortized cost).

Table 20: Borrowing Portfolio

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

	Outstanding as of June 30,		Interest expense ^a		Weighted average rate	
	2023	2022	FY23	FY22	FY23	FY22
Market debt including related derivatives, at fair value	\$ 19,612	\$ 21,851	\$ 703	\$ 64	4.99 %	1.54 %
Market debt, at amortized cost	8,627	6,201	97	14	1.28	0.86
Concessional partner loans	7,154	6,980	139	144	2.02	1.99
Total	\$ 35,393	\$ 35,032	\$ 939	\$ 222	3.47 %	1.51 %

a. Excludes interest expenses associated with repurchase agreements - \$18 million in FY23 (FY22 - \$27 million).

Market Debt

IDA has been issuing bonds in the international capital markets since FY18 including long-term fixed rate bonds recorded at amortized cost to fund its fixed rate loans since FY22. As of June 30, 2023, market borrowings recorded at fair value were \$19.6 billion, a decrease of \$2.2 billion compared to June 30, 2022, primarily due to net maturities during the year. As of June 30, 2023, market borrowings recorded at amortized cost were \$8.6 billion, an increase of \$2.4 billion compared to June 30, 2022, primarily due to a new issuance during the year.

Concessional Partner Loans

Concessional partner loans (CPLs) 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 CPLs can be 25, 40 or 50 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 a 40-year or a 50-year loan. 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. See Table 21.

Table 21: Concessional Partner Loans Terms

Maturity	Grace period	SDR Discount rates (IDA20)
25-year	5 years	1.41%
40-year	10 years	1.79%
50-year	10 years	1.84%

The increase of \$0.2 billion in concessional partner loans outstanding was primarily due to net new issuance during the year. Interest expense associated with these loans was \$139 million in FY23 (FY22 - \$144 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 10: Effect of Derivatives on Currency Composition of the Borrowing Portfolio—June 30, 2023

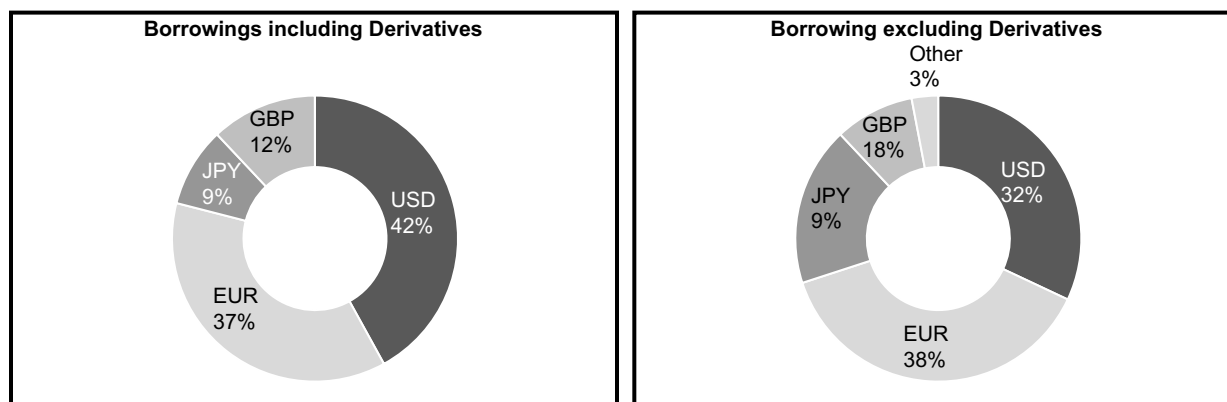
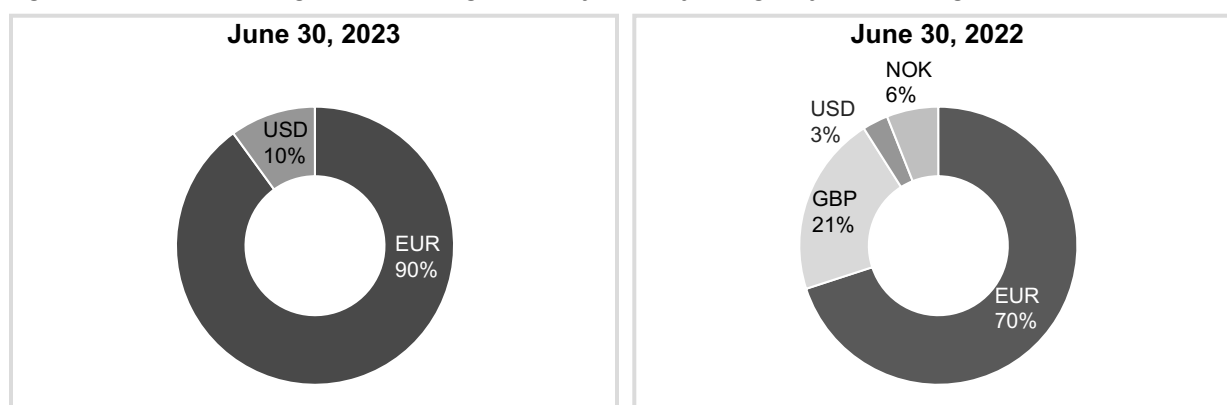


Figure 11: Medium- and Long-Term Borrowings Issued by Currency during the year, excluding Derivatives



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.

Table 22: Short-Term Borrowings

As of June 30,	2023	2022
Securities sold under repurchase agreements and securities lent under securities lending agreements		
Average monthly balance during the year	464	*
Weighted average rate during the fiscal year	2.06 %	0.04 %

* Indicates less than \$0.5 million.

Contractual Obligations

In conducting its business, IDA takes on contractual obligations that may require future payments which are mainly associated with IDA's borrowings. See Notes to the Financial Statements for the year ended June 30, 2023, Note E – Borrowings – Table E6. Other contractual obligations are reflected on IDA's balance sheet including 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 the 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.

Risk Oversight and Coverage

Financial and Operational Risk Management

The Vice President and WBG Chief Risk Officer (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 the oversight of the enterprise risk, operational risk, business continuity, corporate insurance, and data privacy functions.

Risk Committees

Figure 12: 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 a 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 requested by its members. ERC's scope comprises : 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 in its financial activities, which include lending, borrowing and investing (Table 23). 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 23: 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 align 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 Global Outlook

In response to geopolitical events and other ongoing challenges to the global outlook, IDA continues to support its client needs in a financially sustainable manner.

As of June 30, 2023, 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 (See Table 24).

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 mitigates its exposures and risks in line with the 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 equivalent to 10 percent of TRA.

As of June 30, 2023, the DSC was 24.1%, lower by 2.3 percentage points compared with June 30, 2022 (26.4%). The decrease was mainly due to the increase in TRR exceeding the increase in TRA. The increase in TRR was primarily due to higher capital requirements for the increase in total exposure and the increase in conditional development grants approved but not yet expensed. The increase in TRA was primarily due to the increase in equity from subscriptions and contributions. IDA's capital continues to be adequate to support its operations. See Table 24.

Table 24: Deployable Strategic Capital Ratio

In billions of U.S. dollars except ratios in percentages

As of June 30,	2023	2022	Variance
Total Resources Available (TRA)	\$ 191.3	\$ 183.5	\$ 7.8
Total Resources Required (TRR)	126.1	116.7	9.4
Conservation Buffer (CB)	19.1	18.4	0.7
Deployable Strategic Capital (DSC = TRA-TRR-CB)	\$ 46.1	\$ 48.4	\$ (2.3)
Deployable Strategic Capital as a percentage of TRA	24.1 %	26.4 %	(2.3)%

Asset-Liability Management

Since FY22, IDA's interim ALM policy allows, under specific criteria, funding fixed rate loans with long-term fixed rate market debt and CPLs (both reported at amortized cost), as part of IDA's interest rate risk management to align the interest rate and maturities of the debt with those of the loan portfolio. For more details, see Notes to the Financial Statements for the year ended June 30, 2023, 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, 2023, 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 monitors the level of assets available to satisfy all of IDA's borrowings and adjusts future lending and grant commitments should the level of asset coverage fall below the level expected for a triple-A rated entity.
- Management monitors 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 regularly 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

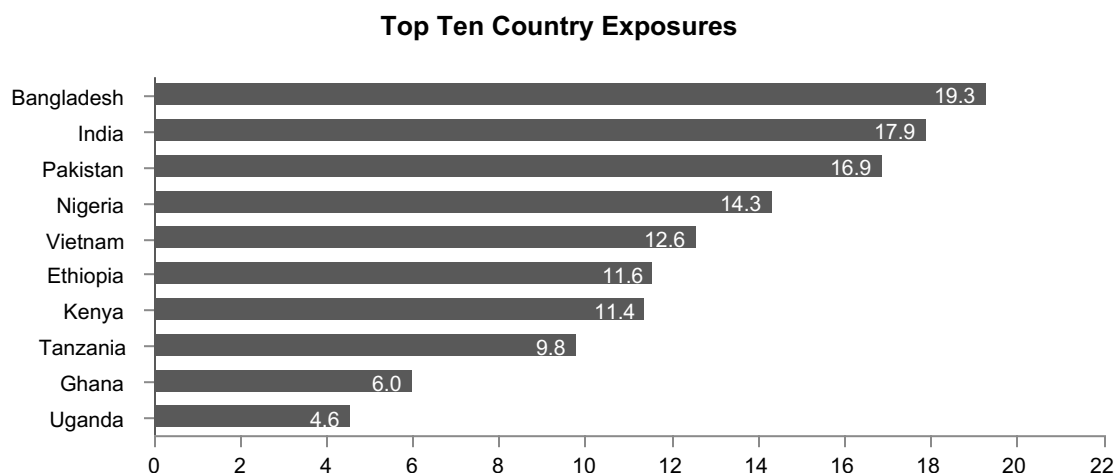
Portfolio concentration risk, which arises when a small group of borrowing countries account for a large share of loans outstanding, is a key consideration for IDA. Concentration risk is managed through the SBL, which caps exposure to any single borrowing country at 25 percent of equity, in line with the Basel-based maximum exposure limit.

For FY24, the SBL has been set at \$46 billion (25 percent of \$185.8 billion of equity as of June 30, 2023), a marginal increase compared to FY23 (\$45 billion). 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 currently not a constraining factor.

As of June 30, 2023, the ten countries with the highest exposures accounted for 64% of IDA's total exposure (Figure 13). 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 13: Country Exposures as of June 30, 2023

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 25). 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, 2023, none of the IDA borrowing countries in the accrual portfolio had overdue payments beyond three months.

Table 25: 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 or to the territory of 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 loan revenue in the current period. To the extent that these payments are received, they are included in loan revenue. 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 or policy performance has passed.

As an exception to the practices set forth in Table 25, 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, 2023, IDA had \$191.7 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 \$5.5 billion, which represents a

provisioning rate of 2.0% of the underlying exposures (\$4.8 billion as of June 30, 2022, 1.9% of the underlying exposures). For a summary of countries with loans or guarantees in nonaccrual status as of June 30, 2023, see Notes to the Financial Statements for the year ended June 30, 2023, 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 counterparts 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.

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, 2023, IDA received \$439 million of cash collateral for its derivative transactions (\$772 million - June 30, 2022).

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, 2023, 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 financial 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 26). 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 26: 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 78% of the portfolio rated AA or above as of June 30, 2023, reflecting IDA's continued preference for highly-rated securities and counterparties across all categories of financial instruments.

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). Total commercial counterparty credit exposure, net of collateral held, was \$32,384 million as of June 30, 2023. (See Table 27).

Table 27: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating

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

Counterparty Rating ^a	As of June 30, 2023				
	Sovereigns	Non-Sovereigns	Net Swap Exposure	Total Exposure	% of Total
AAA	\$ 9,128	\$ 3,021	\$ —	\$ 12,149	38 %
AA	5,563	7,401	148	13,112	40
A	2,353	4,555	215	7,123	22
Total	\$ 17,044	\$ 14,977	\$ 363	\$ 32,384	100 %

Counterparty Rating ^a	As of June 30, 2022				
	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 %

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, 2023, Note F - Derivative Instruments.

Credit and Debit Valuation Adjustments

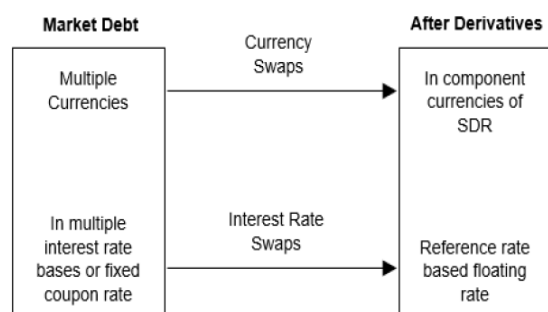
Most outstanding derivative positions are transacted over-the-counter and therefore valued using internally developed valuation models. For commercial and non-commercial counterparties where IDA has a net exposure (net receivable position), IDA calculates a Credit Valuation Adjustment (CVA) to reflect 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 future projected exposures 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, 2023, IDA recorded a CVA on its balance sheet of \$102 million, and a DVA of \$27 million.

Market Risk

IDA is exposed to changes in interest and exchange rates and uses derivatives to manage its exposure to 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 14 below illustrates the use of derivatives for market borrowing portfolios. The loan, investment and borrowing portfolios are largely maintained in SDR and its component currencies.

Figure 14: Use of Derivatives for Market Borrowings at fair value



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. Given IDA's lengthy disbursement profile, the duration of IDA's loans is relatively long (11 years). This long duration, combined with volatility in market interest rates, results in significant year-on-year variability in the fair value of loans. However, since the loan portfolio is not reported at fair value under U.S. GAAP, the impact of this variability on IDA's Balance Sheet is not fully evident. IDA's investment-trading portfolio (liquid asset portfolio) has a relatively low sensitivity to interest rates with a duration of five months as of June 30, 2023.

Under its integrated financial 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

The Financial Conduct Authority (FCA), the regulator of London Interbank Offered Rate (LIBOR), confirmed that effective December 31, 2021, all the LIBOR settings, except for certain USD LIBOR, which were available until June 30, 2023, ceased to be provided by any administrator or were no longer representative. 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 to alternative reference rates. This transition started on January 1, 2022.

Out of the total loans outstanding as of June 30, 2023, 98% were not subject to transition to alternative reference rates as they are on fixed-rate terms. The remaining 2% have either transitioned or will be transitioned as the loans reset by December 31, 2023.

As of June 30, 2023, IDA's borrowing portfolio before associated derivatives carries only fixed interest rates and was not subject to transition to alternative reference rates. Out of the total derivative portfolio notional as of June 30, 2023, 60% of the total derivative portfolio notional were not subject to transition to alternative reference rates, approximately 5% had transitioned, and 35% were subject to transition which started in July 2023, as derivatives reset. 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 exposure 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 from exchange rate movements, as measured by the capital adequacy framework. 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 Statements of Income (see Notes to the Financial Statements for the year ended June 30, 2023, 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.

The payable leg of the currency forward contracts economically hedging member equity contribution pledges is denominated in non-functional currencies. IDA pays the market counterparty in a non-SDR currency. Accordingly, (depreciation) appreciation of the non-SDR currencies against the U.S. dollar results in exchange rate gains or losses, which are reported in the Statements of Income. The translation adjustment on future inflows from members, even though they are not recorded in the balance sheet, is the economic offset to the translation adjustment on nonfunctional currencies of currency forward contracts.

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 FY23, the prudential minimum was \$20.8 billion. For FY24, the prudential minimum has been set at \$24.7 billion. As of June 30, 2023, IDA's liquid assets were \$30.4 billion, 146% of the FY23 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 Statements 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 generally 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.

IDA's financial instruments recorded at fair value are classified as either Level 1 or Level 2 as of June 30, 2023, 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 Statements 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, 2023, Note A - Summary of Significant Accounting and Related Policies and Note D - Loans and Other Exposures.

Section XI: Governance and Internal Controls

Business Conduct

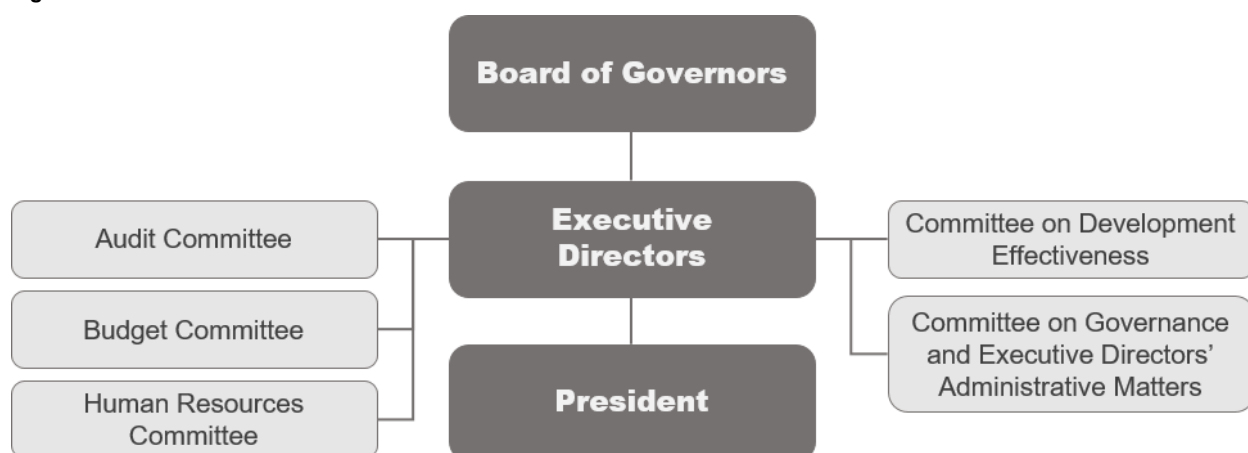
The WBG promotes a positive work environment in which staff members understand their ethical obligations to the institution. In support of this commitment, the institution has a Code of Conduct in place. The WBG has both an Ethics Helpline and a Fraud and Corruption hotline. A third-party service offers 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

Figure 15: Governance Structure



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 IDA's 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.

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 continuous sessions 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 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.

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

Effective June 1, 2023, David Malpass resigned as World Bank Group President. Ajay Banga was appointed as President of the World Bank Group effective June 2, 2023.

On March 1, 2023, Mari Pangestu retired as Managing Director for Development Policy and Partnerships.

Effective April 3, 2023, Axel van Trotsenburg became the Senior Managing Director for the World Bank's Development Policy and Partnerships and Anna Bjerde was appointed Managing Director for Operations, succeeding Axel van Trotsenburg 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, 2023, 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, 2023. 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, 2023.

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 relate 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, 2023

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Management's Report on Effectiveness of Internal Control Over Financial Reporting

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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Management's Report Regarding Effectiveness of Internal Control over Financial Reporting

August 4, 2023

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, 2023. 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, 2023. 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.

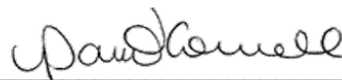
The Executive Directors of IDA have appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of IDA. The Audit Committee is comprised entirely of Executive Directors who are independent of IDA's management. The Audit Committee is responsible for recommending 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.



Ajay Banga
President



Anshula Kant
Managing Director and World Bank Group Chief Financial Officer



Pamela O'Connell
Vice President and World Bank Group Controller

Independent Auditor's Report on Effectiveness of Internal Control Over Financial Reporting



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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, 2023, 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, 2023, 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, 2023, of IDA, and our report dated August 4, 2023, 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 4, 2023



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INDEPENDENT AUDITOR'S REPORT

President and Board of Executive Directors
International Development Association

Opinion

We have audited the financial statements of International Development Association ("IDA"), which comprise the balance sheets as of June 30, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023 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, 2023, 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 4, 2023, 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.

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

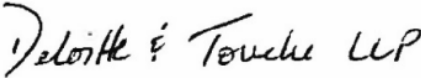
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility 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.

Independent Auditor's Report

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.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

August 4, 2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCIAL STATEMENTS
JUNE 30, 2023

BALANCE SHEETS

June 30, 2023 and June 30, 2022

Expressed in millions of U.S. dollars

	<u>2023</u>	<u>2022</u>
Assets		
Due from banks—Notes C and K		
Unrestricted cash	\$ 665	\$ 662
Restricted cash	24	24
	<u>689</u>	<u>686</u>
 Investments (including securities transferred under repurchase or securities lending agreements of \$217 million - June 30, 2023; Nil - June 30, 2022) —Notes C, G and K	31,822	39,827
 Securities Purchased Under Resale Agreements—Notes C and K	168	—
 Derivative assets, net—Notes C, F, G and K	364	404
 Receivable from affiliated organization—Note G	1,291	1,006
 Other receivables		
Receivable from investment securities traded—Note C	3	9
Accrued interest and commitment charges	669	531
	<u>672</u>	<u>540</u>
 Loans outstanding (Summary statement of loans, Notes D, G and K)		
Total loans approved	269,364	250,300
Less: Undisbursed balance (including signed loan commitments of \$68,542 million—June 30, 2023; \$61,812 million—June 30, 2022)	<u>(77,680)</u>	<u>(72,209)</u>
Loans outstanding	191,684	178,091
Less: Accumulated provision for loan losses	(3,993)	(3,583)
Deferred loan income	<u>(22)</u>	<u>(18)</u>
Net loans outstanding	<u>187,669</u>	<u>174,490</u>
 Other assets—Notes H and I	4,807	3,061
 Total assets	<u>\$ 227,482</u>	<u>\$ 220,014</u>

	2023	2022
Liabilities		
<i>Borrowings—Notes E and K</i>		
Market borrowings, at fair value	\$ 16,786	\$ 19,718
Market borrowings, at amortized cost	8,627	6,201
Concessional partner loans, at amortized cost	7,154	6,980
	32,567	32,899
<i>Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received—Notes C and K</i>	221	—
<i>Derivative liabilities, net—Notes C, F, G and K</i>	1,244	579
<i>Payable for development grants—Note I</i>	3,092	4,615
<i>Payable to affiliated organization—Note G</i>	594	578
<i>Other liabilities</i>		
Payable for investment securities purchased—Note C	1,322	343
Accounts payable and miscellaneous liabilities—Notes D and H	2,660	2,332
	3,982	2,675
Total liabilities	41,700	41,346
Equity		
<i>Members' subscriptions and contributions (Statement of voting power and subscriptions and contributions and Note B)</i>		
Unrestricted	310,351	289,214
Restricted	321	322
Subscriptions and contributions committed	310,672	289,536
Less:		
Subscriptions and contributions receivable	(35,201)	(27,902)
Cumulative discounts/credits on subscriptions and contributions, net	(4,213)	(3,857)
Subscriptions and contributions paid-in	271,258	257,777
<i>Nonnegotiable, noninterest-bearing demand obligations on account of members' subscriptions and contributions</i>		
Unrestricted	(13,431)	(10,120)
Restricted	(46)	(47)
	(13,477)	(10,167)
<i>Deferred amounts to maintain value of currency holdings</i>	(247)	(246)
<i>Accumulated deficit (Statements of changes in accumulated deficit)</i>	(62,806)	(59,544)
<i>Accumulated other comprehensive loss —Note J</i>	(8,946)	(9,152)
Total equity	185,782	178,668
Total liabilities and equity	\$ 227,482	\$ 220,014

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

STATEMENTS OF INCOME

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2023	2022	2021
Interest revenue			
Loans, net— <i>Note D</i>	\$ 2,256	\$ 1,960	\$ 2,050
Investments, net— <i>Notes C, F, G and K</i>	1,053	189	147
Asset-liability management derivatives, net— <i>Notes F and K</i>	15	1	(14)
Borrowing expenses, net—<i>Note E</i>	(957)	(249)	(187)
Interest revenue, net of borrowing expenses	<u>2,367</u>	<u>1,901</u>	<u>1,996</u>
Provision for losses on loans and other exposures, (charge) release—<i>Note D</i>	(688)	(278)	539
Non-interest revenue			
Revenue from externally funded activities— <i>Notes G and H</i>	966	865	814
Commitment charges— <i>Note D</i>	27	24	19
Other	31	22	17
Total	<u>1,024</u>	<u>911</u>	<u>850</u>
Non-interest expenses			
Administrative— <i>Notes G and H</i>	(2,410)	(2,238)	(2,406)
Contribution to special programs— <i>Note G</i>	(20)	(19)	(20)
Other	(3)	(48)	20
Total	<u>(2,433)</u>	<u>(2,305)</u>	<u>(2,406)</u>
Transfers from affiliated organizations and others—<i>Notes G and H</i>	117	274	544
Development grants—<i>Note I</i>	(3,946)	(2,372)	(2,830)
Non-functional currency translation adjustment gains (losses), net	192	511	(372)
Unrealized mark-to-market (losses) gains on Investments-Trading portfolio, net—<i>Notes F and K</i>	(29)	(104)	144
Unrealized mark-to-market gains (losses) on Non-Trading portfolios, net			
Asset-liability management derivatives— <i>Notes F and K</i>	143	1,441	1,080
Other non-trading portfolios— <i>Note K</i>	(9)	33	22
Total	<u>134</u>	<u>1,474</u>	<u>1,102</u>
Net (loss) Income	<u>\$ (3,262)</u>	<u>\$ 12</u>	<u>\$ (433)</u>

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

STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net (loss) income	\$ (3,262)	\$ 12	\$ (433)
Other Comprehensive income (loss)—Note J			
Currency translation adjustments on functional currencies	224	(10,851)	5,647
Net Change in Debit Valuation Adjustment (DVA) on Fair Value option elected liabilities	<u>(18)</u>	<u>43</u>	<u>(64)</u>
Comprehensive (loss) income	<u>\$ (3,056)</u>	<u>\$ (10,796)</u>	<u>\$ 5,150</u>

STATEMENTS OF CHANGES IN ACCUMULATED DEFICIT

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accumulated Deficit at beginning of the fiscal year	\$ (59,544)	\$ (59,556)	\$ (58,321)
Cumulative effect of a change in accounting principle—Note D	<u>—</u>	<u>—</u>	<u>(802)</u>
Adjusted Accumulated Deficit at beginning of the fiscal year	\$ (59,544)	\$ (59,556)	\$ (59,123)
Net (loss) income	<u>(3,262)</u>	<u>12</u>	<u>(433)</u>
Accumulated Deficit at end of the fiscal year	<u>\$ (62,806)</u>	<u>\$ (59,544)</u>	<u>\$ (59,556)</u>

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

STATEMENTS OF CASH FLOWS

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	2023	2022	2021
Cash flows from investing activities			
Loans			
Disbursements	\$ (20,601)	\$ (15,860)	\$ (16,681)
Principal repayments	7,751	6,738	6,457
Non-trading securities—Investments			
Repayments	96	114	125
Net cash used in investing activities	<u>(12,754)</u>	<u>(9,008)</u>	<u>(10,099)</u>
Cash flows from financing activities			
Members' subscriptions and contributions	10,171	8,589	8,355
Medium and long-term borrowings			
New issues	2,276	9,756	9,405
Retirements	(1,606)	(101)	(96)
Short-term borrowings (original maturities greater than 90 days)			
New issues	6,762	5,716	8,219
Retirements	(5,783)	(8,131)	(9,561)
Net short-term borrowings (original maturities less than 90 days)	(2,187)	1,890	120
Net derivatives-borrowings	(7)	8	29
Net cash provided by financing activities	<u>9,626</u>	<u>17,727</u>	<u>16,471</u>
Cash flows from operating activities			
Net (loss) income	(3,262)	12	(433)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Provision for losses on loans and other exposures charge (release)	688	278	(539)
Non-functional currency translation adjustment (gains) losses, net	(192)	(511)	372
Unrealized mark-to-market gains on non-trading portfolios, net	(134)	(1,474)	(1,102)
Other non-interest expenses (income), net	3	48	(20)
Amortization of discount on borrowings	175	105	96
Changes in:			
Investments—Trading	8,651	(5,936)	(2,090)
Net receivable/payable from investment securities traded/purchased	984	299	603
Net derivatives—Investments	(304)	973	160
Net derivatives—Asset-liability management	510	58	19
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	(278)	775	(109)
Net receivable/payable from/to affiliated organizations	(269)	(124)	45
Payable for development grants	(1,526)	(1,808)	(2,652)
Accrued interest and commitment charges	(135)	(55)	(57)
Other assets	(1,873)	(1,171)	(1,367)
Accounts payable and miscellaneous liabilities	100	37	471
Net cash provided by (used in) operating activities	<u>3,138</u>	<u>(8,494)</u>	<u>(6,603)</u>
Effect of exchange rate changes on unrestricted and restricted cash	<u>(7)</u>	<u>(35)</u>	<u>53</u>
Net increase (decrease) in unrestricted and restricted cash	3	190	(178)
Unrestricted cash and restricted cash at beginning of the fiscal year	686	496	674
Unrestricted and restricted cash at end of the fiscal year	<u>\$ 689</u>	<u>\$ 686</u>	<u>\$ 496</u>

STATEMENTS OF CASH FLOWS

For the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021

Expressed in millions of U.S. dollars

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Supplemental disclosure			
Increase (Decrease) in ending balances resulting from exchange rate fluctuations:			
Loans outstanding	\$ 767	\$ (12,505)	\$ 5,909
Investment portfolio	273	(2,205)	1,180
Borrowings	761	(2,950)	627
Derivatives—Borrowings	(26)	446	(173)
Derivatives—Asset-liability management	190	1,253	(880)
Principal repayments written off under Heavily Indebted Poor Countries Debt Initiative	22	30	9
Interest paid on borrowing portfolio	778	119	118

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

SUMMARY STATEMENT OF LOANS

June 30, 2023

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	\$ 301	\$ —	\$ —	\$ 301	0.16 %
Albania	409	—	—	409	0.21
Angola	364	—	—	364	0.19
Armenia	765	—	3	762	0.40
Azerbaijan	167	—	—	167	0.09
Bangladesh	27,548	296	8,002	19,250	10.04
Benin	3,344	148	1,460	1,736	0.90
Bhutan	404	—	18	386	0.20
Bolivia	878	—	157	721	0.37
Bosnia and Herzegovina	694	—	—	694	0.36
Botswana	*	—	—	*	*
Burkina Faso	3,851	—	1,530	2,321	1.21
Burundi	119	—	—	119	0.06
Cabo Verde, Republic of	632	—	105	527	0.28
Cambodia	2,039	—	776	1,263	0.66
Cameroon	4,637	1,113	1,531	1,993	1.04
Central African Republic	123	—	—	123	0.06
Chad	152	—	—	152	0.08
China	181	—	—	181	0.09
Comoros	142	—	101	41	0.02
Congo, Democratic Republic of	6,318	690	2,690	2,938	1.53
Congo, Republic of	749	89	223	437	0.23
Côte d'Ivoire	7,016	203	3,397	3,416	1.78
Djibouti	478	—	223	255	0.13
Dominica	217	—	74	143	0.08
Egypt, Arab Republic of	156	—	—	156	0.08
El Salvador	1	—	—	1	*
Equatorial Guinea	15	—	—	15	0.01
Eritrea	416	—	—	416	0.22
Eswatini	*	—	—	*	*
Ethiopia	14,648	50	3,063	11,535	6.02
Fiji	378	61	26	291	0.15
Gambia, The	140	—	12	128	0.07
Georgia	649	—	—	649	0.34
Ghana	7,784	650	2,034	5,100	2.66
Grenada	296	—	97	199	0.10
Guinea	1,045	—	409	636	0.33
Guinea-Bissau	267	—	67	200	0.10
Guyana	191	—	61	130	0.07
Honduras	1,632	60	653	919	0.48
India	18,243	57	273	17,913	9.35
Indonesia	345	—	—	345	0.18
Iraq	232	—	—	232	0.12
Jordan	201	—	42	159	0.08
Kenya	15,467	1,439	2,836	11,192	5.84
Kosovo	402	20	122	260	0.13
Kyrgyz Republic	1,112	98	348	666	0.35
Lao People's Democratic Republic	1,330	95	430	805	0.42
Lebanon	94	—	10	84	0.04
Lesotho	668	—	219	449	0.23

SUMMARY STATEMENT OF LOANS

June 30, 2023

Amounts expressed in millions of U.S. dollars

Borrower or guarantor	Total loans	Undisbursed balance		Loans outstanding	Percentage total of loans outstanding ^a
		Loans approved but not yet signed	Signed loan commitments		
Liberia	\$ 1,233	\$ —	\$ 505	\$ 728	0.38 %
Madagascar	4,361	—	2,090	2,271	1.19
Malawi	2,064	—	617	1,447	0.76
Maldives	153	—	58	95	0.05
Mali	3,222	—	1,107	2,115	1.10
Mauritania	568	—	154	414	0.22
Mauritius	*	—	—	*	*
Moldova	1,038	—	254	784	0.41
Mongolia	901	10	126	765	0.40
Montenegro	10	—	—	10	0.01
Morocco	*	—	—	*	*
Mozambique	3,564	—	553	3,011	1.57
Myanmar	2,730	—	1,136	1,594	0.83
Nepal	5,970	100	1,549	4,321	2.25
Nicaragua	1,052	—	135	917	0.48
Niger	4,369	227	1,727	2,415	1.26
Nigeria	21,391	798	6,512	14,081	7.34
North Macedonia	148	—	—	148	0.08
Pakistan	22,098	400	5,022	16,676	8.70
Papua New Guinea	888	41	292	555	0.29
Paraguay	1	—	—	1	*
Philippines	12	—	—	12	0.01
Rwanda	3,895	—	892	3,003	1.57
Samoa	97	—	—	97	0.05
São Tomé and Príncipe	10	—	—	10	0.01
Senegal	6,456	397	1,864	4,195	2.19
Serbia	43	—	—	43	0.02
Sierra Leone	491	—	18	473	0.25
Solomon Islands	196	—	126	70	0.04
Somalia	99	—	—	99	0.05
South Sudan	75	—	—	75	0.04
Sri Lanka	4,017	198	641	3,178	1.66
St. Kitts and Nevis	*	—	—	*	*
St. Lucia	284	—	126	158	0.08
St. Vincent and the Grenadines	355	—	135	220	0.12
Sudan	275	—	—	275	0.14
Syrian Arab Republic	14	—	—	14	0.01
Tajikistan	499	—	129	370	0.19
Tanzania	14,656	200	4,652	9,804	5.12
Timor-Leste	316	49	226	41	0.02
Togo	937	99	435	403	0.21
Tonga	45	—	4	41	0.02
Uganda	6,831	824	1,459	4,548	2.37
Ukraine	1,027	—	1	1,026	0.54
Uzbekistan	5,176	—	2,148	3,028	1.58
Vanuatu	167	—	69	98	0.05
Vietnam	14,049	261	1,212	12,576	6.56
Yemen, Republic of	1,210	—	26	1,184	0.62
Zambia	3,468	353	949	2,166	1.13
Zimbabwe	439	—	—	439	0.23
Subtotal—Members ^a	\$ 268,140	\$ 9,026	\$ 67,941	\$ 191,173	99.74 %

SUMMARY STATEMENT OF LOANS

June 30, 2023

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		
African Trade Insurance Agency	\$ 422	\$ —	\$ 334	\$ 88	0.05 %
Bank of the States of Central Africa	54	—	10	44	0.02
Caribbean Development Bank	8	—	—	8	*
West African Development Bank	345	—	76	269	0.14
Subtotal—Regional development banks	\$ 829	\$ —	\$ 420	\$ 409	0.21 %
Private Sector Window (PSW) Loans	395	112	181	102	0.05
Total—June 30, 2023^a	\$ 269,364	\$ 9,138	\$ 68,542	\$ 191,684	100.00 %
Total—June 30, 2022	\$ 250,300	\$ 10,397	\$ 61,812	\$ 178,091	

* 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, 2023

Expressed in millions US Dollars except vote data

Member ^{a, c}	Number of votes	Percentage of total votes	Subscriptions and contributions committed ^b
Non-Recipients			
Albania	61,859	0.20 %	\$ 0.38
Algeria	127,203	0.41	58.57
Argentina	427,350	1.37	161.21
Australia	384,733	1.24	5,776.11
Austria	302,625	0.97	4,586.81
Bahamas, The	59,906	0.19	8.54
Barbados	62,860	0.20	2.36
Belgium	346,034	1.11	5,865.12
Belize	19,834	0.06	0.27
Botswana	53,986	0.17	3.63
Brazil	477,996	1.53	834.53
Bulgaria	113,171	0.36	8.02
Canada	837,069	2.69	14,470.50
Chile	58,505	0.19	39.11
China	781,230	2.51	3,437.26
Colombia	133,290	0.43	25.17
Costa Rica	31,091	0.10	0.28
Croatia	95,847	0.31	8.97
Cyprus	79,580	0.26	37.52
Czechia	139,232	0.45	173.49
Denmark	296,662	0.95	4,621.68
Dominican Republic	27,780	0.09	0.58
Ecuador	50,151	0.16	0.94
Egypt, Arab Republic of	134,452	0.43	18.52
El Salvador	46,516	0.15	0.49
Equatorial Guinea	6,167	0.02	0.41
Estonia	58,533	0.19	27.28
Eswatini	22,322	0.07	0.42
Finland	194,585	0.62	2,386.12
France	1,200,618	3.86	22,043.35
Gabon	2,093	0.01	0.63
Germany	1,655,219	5.31	30,624.96
Greece	60,515	0.19	220.58
Guatemala	41,077	0.13	0.56
Hungary	214,794	0.69	185.37
Iceland	70,287	0.23	116.61
Indonesia	262,094	0.84	168.69
Iran, Islamic Republic of	115,867	0.37	24.18
Iraq	73,274	0.24	1.12
Ireland	119,570	0.38	1,038.13

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2023

Expressed in millions US Dollars except vote data

Member ^{a, c}	Number of votes	Percentage of total votes	Subscriptions and contributions committed ^b
Israel	96,476	0.31 % \$	180.40
Italy	702,983	2.26	11,813.50
Japan	2,601,407	8.35	51,927.09
Jordan	24,865	0.08	0.41
Kazakhstan	23,297	0.07	8.50
Korea, Republic of	337,179	1.08	3,131.05
Kuwait	128,191	0.41	1,185.44
Latvia	65,067	0.21	25.82
Lebanon	8,562	0.03	0.56
Libya	44,771	0.14	1.31
Lithuania	58,437	0.19	26.16
Luxembourg	85,872	0.28	459.29
Malaysia	113,209	0.36	77.74
Mauritius	75,861	0.24	1.31
Mexico	142,236	0.46	168.34
Montenegro	59,680	0.19	0.76
Morocco	115,160	0.37	10.57
Netherlands	639,396	2.06	11,470.93
New Zealand	87,597	0.28	446.88
North Macedonia	47,095	0.15	1.09
Norway	330,435	1.06	4,827.19
Oman	59,388	0.19	1.42
Palau	3,804	0.01	0.03
Panama	10,185	0.03	0.03
Paraguay	46,493	0.15	0.43
Peru	93,174	0.30	18.09
Philippines	155,919	0.50	40.28
Poland	610,208	1.96	166.37
Portugal	81,355	0.26	353.94
Romania	96,010	0.31	5.11
Russian Federation	95,340	0.31	799.81
Saudi Arabia	1,042,180	3.35	3,906.49
Serbia	86,096	0.28	7.09
Singapore	65,695	0.21	386.49
Slovak Republic	99,993	0.32	40.36
Slovenia	63,329	0.20	51.54
South Africa	81,077	0.26	259.26
Spain	344,843	1.11	5,241.78
St. Kitts And Nevis	13,868	0.04	0.17
Sweden	660,445	2.12	10,454.28

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2023

Expressed in millions US Dollars except vote data

Member ^{a, c}	Number of votes	Percentage of total votes	Subscriptions and contributions committed ^b
Switzerland	428,265	1.37 %	\$ 7,339.75
Thailand	119,054	0.38	27.80
Trinidad And Tobago	81,067	0.26	2.13
Tunisia	2,793	0.01	1.89
Türkiye	184,701	0.59	215.23
Ukraine	115,569	0.37	8.01
United Arab Emirates	1,367	*	5.58
United Kingdom	2,152,475	6.91	37,738.83
United States	3,008,614	9.67	59,755.96
Subtotal Non-Recipients	24,837,060	79.73 %	\$ 309,571
Interstitial ^d			
Angola	153,437	0.50 %	\$ 8.24
Armenia	69,842	0.22	1.67
Azerbaijan	73,224	0.24	6.35
Bolivia	79,231	0.25	1.67
Bosnia And Herzegovina	60,630	0.19	5.52
Georgia	70,833	0.23	3.00
India	904,384	2.90	816.96
Moldova	56,582	0.18	0.88
Mongolia	45,818	0.15	0.30
Vietnam	61,168	0.20	2.23
Subtotal Interstitials	1,575,149	5.06 %	\$ 847
Total Non-Recipients	26,412,209	84.79 %	\$ 310,418
Recipients			
Afghanistan	59,204	0.19 %	\$ 1.50
Bangladesh	176,234	0.57	7.95
Benin	69,166	0.22	0.78
Bhutan	66,532	0.21	0.08
Burkina Faso	75,064	0.24	0.81
Burundi	64,460	0.21	1.09
Cabo Verde	43,840	0.14	0.13
Cambodia	71,089	0.23	1.60
Cameroon	60,782	0.20	1.61
Central African Republic	48,910	0.16	0.77
Chad	52,210	0.17	0.78
Comoros	47,140	0.15	0.13
Congo, Democratic Republic of	82,699	0.27	4.59
Congo, Republic of	52,211	0.17	0.74
Cote D'Ivoire	67,377	0.22	1.55
Djibouti	48,116	0.15	0.26
Dominica	58,892	0.19	0.14
Eritrea	46,636	0.15	0.14
Ethiopia	60,179	0.19	0.70
Fiji	19,809	0.06	0.75

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2023

Expressed in millions US Dollars except vote data

Member ^{a, c}	Number of votes	Percentage of total votes	Subscriptions and contributions committed ^b
Gambia, The	55,208	0.18 % \$	0.42
Ghana	86,677	0.28	3.10
Grenada	29,027	0.09	0.14
Guinea	37,287	0.12	1.33
Guinea-Bissau	44,500	0.14	0.22
Guyana	83,979	0.27	1.29
Haiti	54,638	0.18	1.11
Honduras	59,206	0.19	0.44
Kenya	87,732	0.28	2.36
Kiribati	43,592	0.14	0.10
Kosovo	77,778	0.25	0.91
Kyrgyz Republic	64,522	0.21	0.56
Lao People's Democratic Republic	57,255	0.18	0.73
Lesotho	57,106	0.18	0.23
Liberia	52,038	0.17	1.12
Madagascar	70,583	0.23	1.38
Malawi	58,641	0.19	0.98
Maldives	55,046	0.18	0.05
Mali	62,445	0.20	1.36
Marshall Islands	4,902	0.02	0.01
Mauritania	60,555	0.19	0.79
Micronesia, Federated States of	26,189	0.08	0.03
Mozambique	73,310	0.24	2.10
Myanmar	82,096	0.26	2.56
Nepal	54,710	0.18	0.72
Nicaragua	62,982	0.20	0.44
Niger	52,210	0.17	0.76
Nigeria	134,137	0.43	60.40
Pakistan	268,537	0.86	105.84
Papua New Guinea	67,754	0.22	1.27
Rwanda	52,038	0.17	1.12
St. Lucia	30,532	0.10	0.23
St. Vincent And The Grenadines	49,929	0.16	0.12
Samoa	43,901	0.14	0.14
Sao Tome And Principe	49,519	0.16	0.12
Senegal	84,615	0.27	2.70
Sierra Leone	63,638	0.20	1.02
Solomon Islands	43,901	0.14	0.13
Somalia	10,506	0.03	0.95
South Sudan	52,447	0.17	0.45

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS

June 30, 2023

Expressed in millions US Dollars except vote data

Member ^{a, c}	Number of votes	Percentage of total votes	Subscriptions and contributions committed ^b
Sri Lanka	114,721	0.37 %	\$ 4.23
Sudan	65,003	0.20	1.50
Syrian Arab Republic	24,077	0.08	1.22
Tajikistan	53,918	0.17	0.53
Tanzania	78,715	0.25	2.35
Timor-Leste	45,123	0.14	0.44
Togo	61,840	0.20	1.18
Tonga	49,514	0.16	0.11
Tuvalu	8,938	0.03	0.03
Uganda	50,392	0.16	2.31
Uzbekistan	73,936	0.24	1.92
Vanuatu	50,952	0.16	0.31
Yemen, Republic of	78,475	0.25	2.24
Zambia	87,127	0.28	3.66
Zimbabwe	118,693	0.38	6.52
Total Recipients	4,737,642	15.21 %	\$ 254
Total All Members^b	31,149,851	100 %	\$ 310,672
Total—June 30, 2022^b	29,898,233		\$ 289,536

NOTES

- See Notes to Financial Statements—Note A for an explanation of the two categories of membership.
 - May differ from the calculated amounts or sum of individual figures shown due to rounding.
 - Pursuant to the new IDA Voting Rights Framework approved by IDA's Board effective July 1, 2022, for the purposes of additional subscriptions, IDA's membership structure was changed from either Part I or Part II to either Non-Recipient or Recipient, driven by their IDA borrowing eligibility (See Notes to Financial Statements—Note A for Members' Subscriptions and Contributions).
 - If a Non-Recipient member has graduated within the last five replenishments, they are classified as Interstitial Non-Recipient members (See Notes to Financial Statements—Note A for Members' Subscriptions and Contributions).
- * Indicates amounts less than 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 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 concessionary and non-concessionary 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 project preparation facilities.

The Executive Directors approved these financial statements for issuance on August 4, 2023, 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 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 accounting 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 each 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 Statements 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 contributing 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 initial subscriptions and additional subscriptions and contributions up to and including IDA19, 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.

From IDA20 and onwards, under the new Voting Rights Framework, IDA members are classified as either a Non-Recipient, Interstitial Non-Recipient, or Recipient member. The payment terms for Non-Recipient members corresponds to those outlined above for Part I members. Payment terms for Interstitial Non-Recipient and Recipient members follow those outlined above for Part II members.

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 Sheets.

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 (\$1,255 for the fiscal year ended June 30, 2023 and \$1,205 for the fiscal year ended June 30, 2022) and the country may have only limited or no access to IBRD lending.

Loans are carried 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 Sheets 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, a new loan, or as a continuation of the existing loans.

It is the policy of IDA 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 collectibility 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.

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 Sheets. Once the conditions for the grant advances are met, they are expensed. 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 Sheets. 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 under an indemnity agreement. The receivable arising out of the indemnity agreements for amounts paid by IDA are presented as Loans outstanding on the Balance Sheets.

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. 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 write-off 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 write off 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 the 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 Sheets, and as a provision expense in the Statements 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 Statements of Income. The accumulated provision for HIPC Debt Initiative is reduced as debt relief is provided. The accumulated provision for the 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 write-off 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 then 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. 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 Statements 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 Sheets.

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 Sheets.

Statements of Cash Flows: For the purpose of IDA's Statements 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 Sheets.

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. Unless quoted prices are available, time deposits are reported at face value, which approximates fair value, as they are short term in nature. 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 Statements of Income. Unrealized mark-to-market gains and losses for investment trading securities and related financial instruments held in the investment portfolio are included in the Unrealized mark-to-market gains (losses) on Investments-Trading portfolio, net line in the Statements of Income. Realized gains and losses on investment trading securities are recognized in the same line in the Statements 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 Sheets 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 Sheets, and securities received under resale agreements are not recorded on the Balance Sheets. 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 Statements 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 Statements 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 that are reported at either fair value or amortized cost. 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 liquidity 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 (losses) on non-trading portfolios, net, line in the Statements 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.

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 Statements of Income.

Amortization of discounts and premiums is also included in the Borrowing expenses, net line in the Statements of Income.

For the purpose of the Statements 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.

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 Sheets, with changes in fair value accounted for through the Statements of Income.

The presentation of derivative instruments on IDA's Balance Sheets 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 other conditions 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) from these instruments are reflected as part of Investment 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 Statements 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 Statements of Income. Changes in fair values of these derivatives are recorded in the Statements of Income as Unrealized mark-to-market gains and losses on non-trading portfolios, net.

For the purpose of the Statements 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 future projected exposures 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 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, 2023 and June 30, 2022, 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 Sheets 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 Statements 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 Statements of Income 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 Sheets, 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 Sheets.

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 Sheets.

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 December 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2022-06 - *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. The ASU extended the timeline for temporary relief to certain contract modification guidance provided by ASU 2020-04 - *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* from December 31, 2022 to December 31, 2024. ASU 2022-06 was effective upon issuance, and the adoption did not have a material impact on IDA's 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 for creditors and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. This ASU will be effective for IDA from the quarter ending September 30, 2023 (fiscal year 2024), and the adoption of this ASU is not expected to have a material impact on IDA's financial statements.

In November 2021, the FASB issued the ASU 2021-10, *Disclosure by Business Entities about Government Assistance*, which requires entities to make certain annual disclosure about government assistance transactions. This is effective for IDA from the fiscal year ending June 30, 2023 (annual statements of fiscal year 2023). IDA has evaluated the ASU and determined no additional disclosures are required in 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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Beginning of the fiscal year	\$ 257,777	\$ 250,452
Cash contributions received ^a	5,100	3,937
Demand obligations received	8,506	4,668
Translation adjustment	(125)	(1,280)
End of the fiscal year	<u>\$ 271,258</u>	<u>\$ 257,777</u>

a. Includes any restricted cash subscriptions.

During the fiscal year ended June 30, 2023, IDA encashed demand obligations totaling \$5,071 million (\$4,652 million - fiscal year ended June 30, 2022).

NOTE C—INVESTMENTS

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

As of June 30, 2023, IDA’s Investments were mainly comprised of government and agency obligations (62%) and time deposits (37%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy. As of June 30, 2023, the largest holding of Investments-Trading with a single counterparty was German Government instruments (11%).

A summary of IDA’s investments composition is as follows:

Table C1: Investments-composition

In millions of U.S. dollars

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Trading		
Government and agency obligations	\$ 19,770	\$ 23,902
Time deposits	11,703	15,411
Asset-backed securities	105	168
	<u>\$ 31,578</u>	<u>\$ 39,481</u>
Non-trading		
Debt security	244	346
Total	<u>\$ 31,822</u>	<u>\$ 39,827</u>

IDA manages its investments on a net portfolio basis. 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 following table summarizes IDA’s net portfolio position:

Table C2: Net investment portfolio position

In millions of U.S. dollars

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Investments		
Trading	\$ 31,578	\$ 39,481
Non-trading	244	346
Total	<u>31,822</u>	<u>39,827</u>
Securities purchased under resale agreements	168	—
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received ^a	(660)	(772)
Derivative Assets		
Currency swaps and currency forward contracts	135	306
Interest rate swaps	5	2
Total	<u>140</u>	<u>308</u>
Derivative Liabilities		
Currency swaps and currency forward contracts	(49)	(50)
Interest rate swaps	—	(1)
Total	<u>(49)</u>	<u>(51)</u>
Cash held in investment portfolio ^b	570	583
Receivable from investment securities traded ^c	3	9
Payable for investment securities purchased ^d	<u>(1,322)</u>	<u>(343)</u>
Net Investment Portfolio	<u>\$ 30,672</u>	<u>\$ 39,561</u>

a. As of June 30, 2023, this amount includes cash collateral of \$439 million received from counterparties under derivative agreements (\$772 million - June 30, 2022).

b. These amounts are included in Unrestricted cash under Due from Banks on the Balance Sheets.

c. These amounts are included in Other receivables on the Balance Sheets.

d. As of June 30, 2023 \$112 million of liabilities related to short sales (Nil - June 30, 2022).

The maturity structure of IDA’s non-trading investment portfolio (principal amount due on a debt security with IFC) was as follows. For details regarding this instrument, see Note G - Transactions With Affiliated Organizations.

Table C3: Maturity structure of non-trading investment portfolio

In millions of U.S. dollars

<u>Period</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Less than 1 year	\$ 77	\$ 96
Between		
1 - 2 years	62	77
2 - 3 years	34	62
3 - 4 years	12	34
4 - 5 years	11	12
Thereafter (through 2039)	66	77
	<u>\$ 262</u>	<u>\$ 358</u>

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Collateral received		
Cash	\$ 439	\$ 772
Securities	104	—
Total collateral received	<u>\$ 543</u>	<u>\$ 772</u>
Collateral permitted to be repledged	\$ 543	\$ 772
Amount of collateral repledged	—	—
Amount of Cash Collateral invested	\$ 349	\$ 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 have been conducted under legally enforceable master netting arrangements, which allow IDA to reduce its gross credit exposure related to these transactions. IDA presents its securities lending and repurchases, as well as resales, on a gross basis on the Balance Sheets. As of June 30, 2023 and June 30, 2022, there were no amounts that could potentially be offset as a result of legally enforceable master netting arrangements.

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

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

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

Table C5: Amounts related to securities transferred under repurchase or securities lending agreements

In millions of U.S. dollars

	<i>June 30, 2023</i>	<i>June 30, 2022</i>	<i>Financial Statement Presentation</i>
Securities transferred under repurchase or securities lending agreements	\$ 217	\$ —	Included under Investments - Trading on the Balance Sheets
Liabilities relating to securities transferred under repurchase or securities lending agreements	\$ 221	\$ —	Included under Securities Sold under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received on the Balance Sheets

As of June 30, 2023, liabilities relating to securities transferred under repurchase or securities lending agreements amounted to \$221 million (Nil—June 30, 2022) 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, 2022). The remaining contractual maturity of these agreements as of June 30, 2023 was less than 30 days. The securities transferred were mainly comprised of government and agency obligations.

In the case of resale agreements, IDA 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 IDA's Balance Sheets as the accounting criteria for treatment as a sale have not been met. As of June 30, 2023, and June 30, 2022, there were no unsettled trades pertaining to securities purchased under resale agreements. For resale agreements, IDA received securities with a fair value of \$169 million as of June 30, 2023 (Nil—June 30, 2022). As of June 30, 2023, and June 30, 2022, none of these securities had been transferred under repurchase or security lending agreements.

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 carried at amortized cost. 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 of June 30, 2023, accrued interest income and service charges on loans of \$659 million (\$521 million — June 30, 2022) million is presented in Other receivables – Accrued interest and commitment charges on the Balance Sheets.

As of June 30, 2023, 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, 2023.

Maturity Structure

The maturity structure of loans outstanding was as follows:

Table D1: Loans - Maturity structure

In millions of U.S. dollars

<i>June 30, 2023</i>		<i>June 30, 2022</i>	
July 01, 2023 through June 30, 2024	\$ 8,759	July 01, 2022 through June 30, 2023	\$ 8,280
July 01, 2024 through June 30, 2028	38,782	July 01, 2023 through June 30, 2027	36,219
July 01, 2028 through June 30, 2038	85,693	July 01, 2027 through June 30, 2037	78,617
Thereafter	58,450	Thereafter	54,975
Total	<u>\$ 191,684</u>	Total	<u>\$ 178,091</u>

Currency Composition

Loans outstanding had the following currency composition:

Table D2: Loans outstanding- Currency composition

In millions of U.S. dollars

	<i>June 30, 2023</i>	<i>June 30, 2022</i>
SDR	\$ 159,759	\$ 156,527
U.S. dollar	17,139	12,600
Euro	14,571	8,823
Japanese yen	133	64
Pound sterling	82	77
Total	<u>\$ 191,684</u>	<u>\$ 178,091</u>

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 of borrowers in accrual status are grouped in pools with similar credit ratings for the purpose of the calculation of the expected credit losses. 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. All exposures for countries in nonaccrual status are individually assessed. 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, 2023, including consideration of global and macroeconomic 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

Days past due	June 30, 2023					Total Past Due	Current	Total
	Up to 45	46-60	61-90	91-180	Over 180			
Risk Class								
Low	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ *	\$ *
Medium	—	—	—	—	—	—	18,659	18,659
High	22	*	—	—	—	22	172,134 ^a	172,156
Loans in accrual status	22	*	—	—	—	22	190,793	190,815
Loans in nonaccrual status	7	—	3	9	445	464	405	869
Total	\$ 29	\$ *	\$ 3	\$ 9	\$ 445	\$ 486	\$ 191,198	\$ 191,684

Table D3.1

In millions of U.S. dollars

Days past due	June 30, 2022					Total Past Due	Current	Total
	Up to 45	46-60	61-90	91-180	Over 180			
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

a. Includes PSW related loans of \$102 million (\$50 million-June 30, 2022)

** 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*

Risk Class	June 30, 2023						CAT DDOs disbursed and revolving	CAT DDOs Converted to Term Loans	Loans Outstanding as of June 30, 2023
	Fiscal Year of origination					Prior Years			
	2023	2022	2021	2020	2019				
Low	\$ —	\$ —	\$ —	\$ —	\$ —	\$ *	\$ —	\$ —	\$ *
Medium	83	111	394	542	243	17,286	—	—	18,659
High	6,964	7,162	10,338	8,956	10,961	127,408	24	343	172,156
Loans in accrual status	7,047	7,273	10,732	9,498	11,204	144,694	24	343	190,815
Loans in nonaccrual status	—	—	—	—	—	869	—	—	869
Total	<u>\$7,047</u>	<u>\$7,273</u>	<u>\$10,732</u>	<u>\$9,498</u>	<u>\$11,204</u>	<u>\$145,563</u>	<u>\$ 24</u>	<u>\$ 343</u>	<u>\$ 191,684</u>

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

Risk Class	June 30, 2022						CAT DDOs disbursed and revolving	CAT DDOs Converted to Term Loans	Loans Outstanding as of June 30, 2022
	Fiscal Year of origination					Prior Years			
	2022	2021	2020	2019	2018				
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	<u>\$3,789</u>	<u>\$7,903</u>	<u>\$7,775</u>	<u>\$9,608</u>	<u>\$10,119</u>	<u>\$138,538</u>	<u>\$ 182</u>	<u>\$ 177</u>	<u>\$ 178,091</u>

* Indicates amount less than \$0.5 million.

The amount of Catastrophe Deferred Drawdown Option (CAT DDO) outstanding and revolving converted to term loans during the fiscal year ended June 30, 2023 was \$158 million (\$177 million — June 30, 2022).

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 the 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) that increased the accumulated deficit by the same amount. 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, 2023				
	<i>Loans outstanding</i>	<i>Loan commitments</i>	<i>Debt relief under HIPC/MDRI</i>	<i>Other^a</i>	<i>Total</i>
Accumulated provision, beginning of the fiscal year	\$ 2,876	\$ 1,082	\$ 707	\$ 155	\$ 4,820
Provision, net - charge (release)	441	223	(18)	42	688
Loans written off under:					
HIPC/MDRI and other	(3)	—	(22) ^b	—	(25)
Translation adjustment	11	15	1	1	28
Accumulated provision, end of the fiscal year	<u>\$ 3,325</u>	<u>\$ 1,320</u>	<u>\$ 668</u>	<u>\$ 198</u>	<u>\$ 5,511</u>
Including accumulated provision for losses on:					
Loans in accrual status	\$ 3,089		\$ 402		\$ 3,491
Loans in nonaccrual status	236		266		502
Total	<u>\$ 3,325</u>		<u>\$ 668</u>		<u>\$ 3,993</u>
Loans:					
Loans in accrual status					\$ 190,815
Loans in nonaccrual status					869
Loans outstanding					<u>\$ 191,684</u>

Table D5.1:*In millions of U.S. dollars*

	June 30, 2022				
	<i>Loans outstanding</i>	<i>Loan commitments</i>	<i>Debt relief under HIPC/MDRI</i>	<i>Other^a</i>	<i>Total</i>
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	<u>\$ 2,876</u>	<u>\$ 1,082</u>	<u>\$ 707</u>	<u>\$ 155</u>	<u>\$ 4,820</u>
Including accumulated provision for losses on:					
Loans in accrual status	\$ 2,641		\$ 433		\$ 3,074
Loans in nonaccrual status	235		274		509
Total	<u>\$ 2,876</u>		<u>\$ 707</u>		<u>\$ 3,583</u>
Loans:					
Loans in accrual status					\$ 177,224
Loans in nonaccrual status					867
Loans outstanding					<u>\$ 178,091</u>

*a. These amounts primarily relate to outstanding guarantees**b. Represents debt service reduction under HIPC*

	Reported as Follows	
	Balance Sheets	Statements of Income
Accumulated Provision for Losses on:		
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, 2023 and June 30, 2022, 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, 2023, there were no principal or charges under sovereign loans in accrual status which were overdue by more than three months.

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	Average recorded investment	Principal Outstanding	Provision for debt relief	Provision for loan losses ^a	Overdue amounts	
							Principal	Charges
Eritrea	March 2012	\$ 416	\$ 413	\$ 416	\$ 266	\$ 15	\$ 127	\$ 37
Syrian Arab Republic	June 2012	14	14	14	—	1	14	1
Zimbabwe	October 2000	439	436	439	—	220	323	69
Total - June 30, 2023		<u>\$ 869</u>	<u>\$ 863</u>	<u>\$ 869</u>	<u>\$ 266</u>	<u>\$ 236</u>	<u>\$ 464</u>	<u>\$ 107</u>
Total - June 30, 2022		<u>\$ 867</u>	<u>\$ 907</u>	<u>\$ 867</u>	<u>\$ 274</u>	<u>\$ 235</u>	<u>\$ 426</u>	<u>\$ 101</u>

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

During the fiscal years ended June 30, 2023 and June 30, 2022, no new loans were placed into nonaccrual status.

During the fiscal year ended June 30, 2023, service charge revenue not recognized as a result of loans being in nonaccrual status was \$6 million (\$7 million and \$7 million – fiscal years ended June 30, 2022 and June 30, 2021, respectively).

During the fiscal year ended June 30, 2023, service charge revenue recognized on loans in nonaccrual status was \$1 million (less than \$1 million — fiscal year ended June 30, 2022 and Nil —fiscal year ended June 30, 2021).

Guarantees

Guarantees of \$2,558 million were outstanding as of June 30, 2023 (\$2,507 million – June 30, 2022). This amount includes \$795 million relating to the PSW (\$638 million—June 30, 2022). 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 Sheets. 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, 2023, liabilities related to IDA's obligations under guarantees included the obligation to stand ready of \$135 million (\$145 million—June 30, 2022), and the accumulated provision for guarantee losses of \$177 million (\$126 million—June 30, 2022). These have been included in Other liabilities on the Balance Sheets.

During the fiscal year ended June 30, 2023, IDA's partial guarantee of certain Eurobonds that had been issued by the Republic of Ghana (Ghana) was called and in accordance with the terms of the guarantee, IDA made a payment of \$50 million to the guaranteed bondholders out of the total \$372 million Eurobonds guarantee exposure. Pursuant to the terms of the related indemnity agreement between IDA and Ghana, IDA directed Ghana to reimburse IDA for the \$50 million paid in twelve equal semi-annual installments, commencing October 15, 2029, and to repay interest on the outstanding amount at 2.73%. The outstanding amount of \$50 million is included in Loans Outstanding on the balance sheet as of June 30, 2023. No other guarantees provided by IDA to sovereign or sub-sovereign borrowers have been called during the fiscal years ended June 30, 2023 and June 30, 2022.

During the fiscal year ended June 30, 2023, less than \$1 million 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, 2022).

Concentration Risk

Loan revenue comprises service charges, interest and commitment charges, net of waivers. For the fiscal year ended June 30, 2023, loan revenue of \$306 million and \$257 million from two countries, both in the South Asia region, 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 D7: Loan revenue and outstanding balance by geographic region

Region	As of and for the fiscal years ended June 30,			
	2023		2022	
	Service and Interest Charges ^a	Loans Outstanding	Service and Interest Charges ^a	Loans Outstanding
South Asia	\$ 835	\$ 62,121	\$ 733	\$ 61,062
Eastern and Southern Africa	507	54,291	449	48,863
Western and Central Africa	464	41,920	385	36,232
East Asia and Pacific	236	18,734	234	18,912
Europe and Central Asia	150	9,014	115	7,435
Latin America and the Caribbean	59	3,418	48	3,317
Middle East and North Africa	18	2,084	20	2,220
Others ^b	8	102	3	50
Total	<u>\$ 2,277</u>	<u>\$ 191,684</u>	<u>\$ 1,987</u>	<u>\$ 178,091</u>

a. Excludes \$6 million of interest rate swap income related to loan hedges (interest rate swap expense of \$3 million—June 30, 2022). Includes net commitment charges of \$27 million (\$24 million – June 30, 2022).

b. Represents loans under the PSW.

NOTE E—BORROWINGS

IDA's borrowings comprise market borrowings (carried at amortized cost or fair value) and concessional partner loans made by IDA members (carried at amortized cost).

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, 2023, have original contractual maturities of 25 and 40 years, with the final maturity in 2063. 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 fixed rate 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 91 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 borrowings 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, 2023, 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 and borrowing-related derivatives, at fair value

In millions of U.S. dollars

	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Market borrowings	\$ 16,786	\$ 19,718
Currency swaps, net	682	547
Interest rate swaps, net	2,144	1,586
Total	<u>\$ 19,612</u>	<u>\$ 21,851</u>

Table E2: Market borrowings outstanding, at amortized cost

In millions of U.S. dollars

	<i>Principal at face value</i>	<i>Net unamortized premium (discount)</i>	<i>Total</i>
June 30, 2023	\$ 8,682	\$ (55)	\$ 8,627
June 30, 2022	\$ 6,240	\$ (39)	\$ 6,201

Table E3: Concessional partner loans outstanding, at amortized cost

In millions of U.S. dollars

	<i>Principal at face value</i>	<i>Net unamortized discount</i>	<i>Total</i>
June 30, 2023	\$ 8,708	\$ (1,554)	\$ 7,154
June 30, 2022	\$ 8,508	\$ (1,528)	\$ 6,980

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

	<i>June 30, 2023</i>	<i>WAC^a (%)</i>	<i>June 30, 2022</i>	<i>WAC^a (%)</i>
Fixed	\$ 34,996	1.42 %	\$ 34,679	1.17 %
Variable	—	—	—	—
Borrowings ^b	\$ 34,996	1.42 %	\$ 34,679	1.17 %
Fair Value Adjustment	(2,429)		(1,780)	
Total Borrowings	\$ 32,567		\$ 32,899	

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

	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Euro	38 %	30 %
U.S. dollar	32	40
Pound sterling	18	18
Japanese yen	9	9
Others	3	3
	100 %	100 %

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

Table E6: Borrowings-Maturity structure

In millions of U.S. dollars

<i>Period</i>	<i>June 30, 2023</i>	<i>June 30, 2022</i>
Less than 1 year	\$ 3,112	\$ 5,677
1 - 2 years	2,334	135
2 - 3 years	3,794	2,331
3 - 4 years	2,612	3,847
4 - 5 years	1,261	2,667
Thereafter	21,063	19,809
Total ^a	\$ 34,176	\$ 34,466

a. As of June 30, 2023, total includes net unamortized discount of \$1,554 million (\$1,528 million—June 30, 2022) for CPL and \$55 million (\$39 million—June 30, 2022) 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 Statements 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

<i>Reported as</i>	<i>Fiscal Year Ended June 30,</i>		
	<i>2023</i>	<i>2022</i>	<i>2021</i>
Unrealized mark-to-market gains on non-trading portfolios, net	\$ 573	\$ 1,713	\$ 318

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 to-be-announced (TBA) securities	Manage currency and interest rate risks
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 risks
Borrowings	Interest rate swaps and currency swaps	Manage currency and interest rate risks
Other purposes:		
Client operations	Currency 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 Sheets 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 an aggregate basis to the total derivative asset and liability positions and are presented net of any cash collateral received on the Balance Sheets. 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, 2023					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts	Gross Amounts Offset	Net Amounts	Gross Amounts	Gross Amounts Offset	Net Amounts
Interest rate swaps	\$ 3,432	\$ (1,601)	\$ 1,831	\$ 2,763	\$ (620)	\$ 2,143
Currency swaps ^a	13,107	(12,251)	856	10,781	(9,871)	910
Total	<u>\$ 16,539</u>	<u>\$ (13,852)</u>	<u>\$ 2,687</u>	<u>\$ 13,544</u>	<u>\$ (10,491)</u>	<u>\$ 3,053</u>
Less:						
Amounts subject to legally enforceable master netting agreements			\$ 1,884 ^b			\$ 1,809 ^c
Cash collateral received			439			
Net derivative positions on the Balance Sheet			<u>\$ 364</u>			<u>\$ 1,244</u>
Less:						
Securities collateral received			104			
Net derivative exposure after collateral			<u>\$ 260</u>			

Table F2.1*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	<u>\$ 19,891</u>	<u>\$ (17,033)</u>	<u>\$ 2,858</u>	<u>\$ 8,890</u>	<u>\$ (6,645)</u>	<u>\$ 2,245</u>
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			<u>\$ 404</u>			<u>\$ 579</u>
Less:						
Securities collateral received			—			
Net derivative exposure after collateral			<u>\$ 404</u>			

*a. Includes currency forward contracts.**b. Includes \$102 million CVA adjustment (\$35 million-June 30, 2022).**c. Includes \$27 million DVA adjustment (\$19 million-June 30, 2022).*

The following table provides information about the credit risk exposures at fair value, at the instrument level, of IDA's derivative instruments.

Table F3: Credit risk exposure of the derivative instruments:

In millions of U.S. dollars

	<i>June 30, 2023</i>		
	<i>Interest rate swaps</i>	<i>Currency swaps (including currency forward contracts)</i>	<i>Total</i>
Investments - Trading	\$ 5	\$ 135	\$ 140
Asset/liability management	1,715	721	2,436
Borrowings	—	—	—
Other ^a	111	—	111
Total Exposure	\$ 1,831	\$ 856	\$ 2,687

Table F3.1:

In millions of U.S. dollars

	<i>June 30, 2022</i>		
	<i>Interest rate swaps</i>	<i>Currency swaps (including currency forward contracts)</i>	<i>Total</i>
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

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 interim and final payments by IDA on the derivative instrument are determined. As of June 30, 2023, the notional amounts of IDA's derivative contracts outstanding were as follows: interest rate swaps \$30,815 million (\$33,267 million as of June 30, 2022), currency swaps \$24,670 million (\$23,120 million as of June 30, 2022). There were no long or short positions of other derivatives as of June 30, 2023 (Nil as of June 30, 2022).

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, 2023 is \$1,217 million (\$586 million—June 30, 2022). As of June 30, 2023, 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, 2023, the amount of collateral that would need to be posted would be \$349 million (\$41 million—June 30, 2022). Subsequent triggers of contingent features would require posting of additional collateral, up to a maximum of \$1,217 million as of June 30, 2023 (\$586 million—June 30, 2022).

The gains and losses on the non-trading derivatives, by instrument type and their location in the Statements of Income are as follows:

Table F4: Unrealized mark-to-market gains or losses on non-trading derivatives

In millions of U.S. dollars

<i>Type of instrument</i>	<i>Reported as</i>	<i>Fiscal Year Ended June 30,</i>		
		<i>2023</i>	<i>2022</i>	<i>2021</i>
Interest rate swaps	Unrealized mark-to-market			
	(losses) gains on non-trading	\$ (252)	\$ 80	\$ 898
Currency forward contracts and currency swaps	portfolios, net	(182)	(293)	(101)
Total		<u>\$ (434)</u>	<u>\$ (213)</u>	<u>\$ 797</u>

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 Statements of Income:

Table F5: Unrealized mark-to-market gains or losses on Investment-Trading portfolio

In millions of U.S. dollars

<i>Type of instrument</i>	<i>Reported as</i>	<i>Fiscal Year Ended June 30,</i>		
		<i>2023</i>	<i>2022</i>	<i>2021</i>
	Unrealized mark-to-market (losses)			
	gains on Investment-			
Fixed income (including related derivatives)	Trading portfolios, net	<u>\$ (29)</u>	<u>\$ (104)</u>	<u>\$ 144</u>

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, 2022, IBRD's Board of Governors approved a transfer of \$117 million to IDA. This transfer was received on October 20, 2022.

Transfers and Grants

Cumulative transfers and grants made to IDA as of June 30, 2023 were \$20,593 million (\$20,476 million—June 30, 2022). Details by transferor are as follows:

Table G1: Transfers and grants

In millions of U.S. dollars

<i>Transfers from</i>	<i>Beginning of the fiscal year</i>	<i>Transfers during the fiscal year</i>	<i>End of the fiscal year</i>
Total	\$ 20,476	\$ 117	\$ 20,593
Of which transfers from:			
IBRD	16,361	117	16,478
IFC	3,885	—	3,885
Nonaffiliated organizations	230	—	230

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, 2023			June 30, 2022		
	IBRD	IFC	Total	IBRD	IFC	Total
Administrative Services	\$ (594)	\$ —	\$ (594)	\$ (578)	\$ —	\$ (578)
Post-Retirement Contribution Reserve Fund ^a	579	—	579	404	—	404
Pension and Other Postretirement Benefits	712	—	712	602	—	602
Derivative (liabilities)/assets, net	—	(49) ^b	(49)	(8)	(9)	(17)
PSW-Blended Finance Facility ^c	—	96	96	—	54	54
Investments	—	244	244	—	346	346
Total	\$ 697	\$ 291	\$ 988	\$ 420	\$ 391	\$ 811

a. Receivable from IBRD for IDA's share of investments associated with Post-Retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.

b. Includes other receivable of \$4 million related to unsettled Local Currency Facility trades that is included in Other assets on the Balance Sheets.

c. Refer to Table G4: Summary of PSW related transactions.

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

Receivables / Payables related to:	Reported as:
Receivable for pension and other postretirement benefits	Receivable from affiliated organization
Receivable for PCRF	Receivable from affiliated organization
Net receivables (payables) for derivative transactions	Derivative assets/liabilities, net
Payable for administrative services	Payable to affiliated organization
Receivable for PSW - Blended Finance Facility	Other Assets
Receivable for Investments	Investments

Administrative Services

The payable to IBRD represents IDA's share of joint administrative expenses, including contributions to special programs, 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, 2023, IDA's share of joint administrative expenses and contributions to special programs totaled \$1,744 million (\$1,644 million—fiscal year ended June 30, 2022 and \$1,873 million—fiscal year ended June 30, 2021). This amount excludes IDA-executed trust fund expenses of \$686 million (\$613 million—fiscal year ended June 30, 2022 and \$553 million—fiscal year ended June 30, 2021).

Other revenue

IDA's share of other revenue jointly earned with IBRD during the fiscal year ended June 30, 2023 totaled \$280 million (\$252 million—fiscal year ended June 30, 2022 and \$261 million—fiscal year ended June 30, 2021). This amount excludes IDA-executed trust fund revenue of \$686 million (\$613 million—fiscal year ended June 30, 2022 and \$553 million—fiscal year ended June 30, 2021).

The amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue in the Statements of Income, and is summarized as follows:

Table G3: Fee revenue from affiliated organizations

In millions of U.S. dollars

	Fiscal Year Ended June 30,		
	2023	2022	2021
Fees charged to IFC	\$ 93	\$ 84	\$ 77
Fees charged to MIGA	6	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, sponsor 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, 2023, IDA's share of IBRD's costs relating to all three plans totaled \$163 million (\$191 million—fiscal year ended June 30, 2022 and \$494 million—fiscal year ended June 30, 2021).

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, 2023, the SRP and the RSBP were overfunded by \$3,357 million and \$940 million, respectively. The PEBP, after reflecting IBRD and IDA's share of assets which are included in IBRD's investment portfolio of \$1,953 million, was underfunded by \$104 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 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, 2023, the principal amount due on the debt security was \$262 million (\$358 million—June 30, 2022), and it had a fair value of \$244 million (\$346 million—June 30, 2022). The investment is reported under Investments on the Balance Sheets. During the fiscal year ended June 30, 2023, IDA recognized interest income of \$6 million from this investment (\$8 million fiscal year ended June 30, 2022 and \$10 million—fiscal year ended June 30, 2021).

Private Sector Window

The PSW was created under Eighteenth Replenishment of IDA's Resources (IDA18) to mobilize private sector investment in IDA-only countries and IDA-eligible Fragile and Conflict-affected Situations. The PSW continued under IDA's Twentieth Replenishment of Resources (IDA20), which commenced on July 1, 2022 with an initial allocation of \$2.5 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, 2023:

Table G4: Summary of PSW related transactions

In millions of U.S. dollars

<i>Facility</i>	<i>Notional</i>	<i>Net Asset/ (Liability) position</i>	<i>Description</i>	<i>Location on the Balance Sheets</i>	
Local Currency Facility	\$ 233	\$ (53)	Currency swaps with IFC to support local currency denominated loans	Derivative assets/ liabilities, net	

<i>Facility</i>	<i>Exposure</i>		<i>Accumulated Provision</i>	<i>Description</i>	<i>Location on the Balance Sheets</i>	
					<i>Exposure</i>	<i>Accumulated Provision</i>
MIGA Guarantee Facility	\$ 358	\$ 80		Expanding the coverage of MIGA Political Risk Insurance products through shared first-loss or risk participation similar to reinsurance	Off Balance Sheet item	Other liabilities
Blended Finance Facility	\$ 437	\$ 71		Sharing the coverage of IFC programs through shared first loss	Off Balance Sheet item	Other liabilities
		96	Not applicable	Funding for IFC's PSW debt and equity investments recorded at fair value	Other assets	Not applicable
		102	15	Concessional senior and subordinated 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

	<i>Fiscal Year Ended June 30,</i>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
IDA-executed trust funds' expenses	\$ 686	\$ 613	\$ 553

These amounts are included in Administrative expenses and the corresponding revenue is included in Revenue from externally funded activities in the Statements 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 Sheets:

Table H2: Undisbursed contributions made by third party donors to IDA-executed trust funds

In millions of U.S. dollars

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
IDA-executed trust funds	\$ 729	\$ 707

These amounts are included in Other Assets and the corresponding liabilities are included in Accounts payable and miscellaneous liabilities on the Balance Sheets.

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

	<i>Fiscal Year Ended June 30,</i>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues	\$ 57	\$ 43	\$ 38

These amounts are included in Other non-interest revenue in the Statements of Income.

Amounts collected from donor contributions for administration activities, but not yet earned, totaling \$69 million at June 30, 2023 (\$67 million—June 30, 2022) are included in Other Assets and in Accounts payable and miscellaneous liabilities, respectively, on the Balance Sheets.

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, 2023 no funds were recorded as Transfers from affiliated organizations and others under these arrangements (Nil—fiscal year ended June 30, 2022 and Nil — fiscal year ended June 30, 2021).

NOTE I—DEVELOPMENT GRANTS

A summary of changes to the amounts payable for development grants is presented below:

Table I1: Grants payable

In millions of U.S. dollars

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Balance, beginning of the fiscal year	\$ 4,615	\$ 6,820
Disbursements (including PPA grant activity) ^a	(1,385)	(1,659)
Cancellations	(141)	(149)
Translation adjustment	3	(397)
Balance, end of the fiscal year	<u>\$ 3,092</u>	<u>\$ 4,615</u>

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

	<u>Fiscal Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Disbursements for conditional grants ^a	\$ 5,785	\$ 3,736
Disbursements not meeting expense condition ^b	(1,698)	(1,215)
Cancellations of unconditional grants	(141)	(149)
Grant expenses for the year	<u>\$ 3,946</u>	<u>\$ 2,372</u>
Grants approved	<u>\$ 7,263</u>	<u>\$ 13,083</u>

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.

As of June 30, 2023, the cumulative amount of conditional grants approved but not yet expensed since all of the conditions have not been met was \$27,407 million. Out of which, the outstanding amount of conditional grant advances disbursed but not yet expensed, totaling \$3,887 million as of June 30, 2023 (\$2,189 million – June 30, 2022), are included in Other assets on the Balance Sheets.

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 Statements of Comprehensive Income.

The following table presents the changes in Accumulated Other Comprehensive Loss (AOCL) and Accumulated Other Comprehensive Income (AOCI) balances:

Table J1: Changes in AOCL/AOCI

In millions of U.S. dollars

	<u>Fiscal Year Ended June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance, beginning of the fiscal year	\$ (9,152)	\$ 1,656	\$ (3,927)
Currency translation adjustments on functional currencies	224	(10,851)	5,647
DVA on fair value option elected liabilities	(18)	43	(64)
Balance, end of the fiscal year	<u>\$ (8,946)</u>	<u>\$ (9,152)</u>	<u>\$ 1,656</u>

NOTE K—FAIR VALUE DISCLOSURES

Valuation Methods and Assumptions

As of June 30, 2023, and June 30, 2022, 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, 2023 and June 30, 2022. 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. 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, 2023, and June 30, 2022, the fair value of borrowings measured at amortized cost would be calculated using the same methodology as described above for borrowings at fair value and classified as Level 2 within the fair value hierarchy.

Derivative instruments

Derivative contracts include currency forward contracts, TBA securities, swaptions, 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 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

	<i>June 30, 2023</i>		<i>June 30, 2022</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Assets				
Due from banks	\$ 689	\$ 689	\$ 686	\$ 686
Investments (including securities purchased under resale agreements)	31,990	31,990	39,827	39,827
Net loans outstanding	187,669	141,478	174,490	141,193
Derivative assets, net	364	364	404	404
Liabilities				
Borrowings				
Market borrowings, at fair value	16,786	16,786	19,718	19,718
Market borrowings, at amortized cost	8,627	6,938	6,201	5,073
Concessional partner loans	7,154	6,698	6,980	7,123
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	221	221	—	—
Derivative liabilities, net	1,244	1,244	579	579

As of June 30, 2023, IDA's signed loan commitments were \$68.5 billion (\$61.8 billion – June 30, 2022) and had a fair value of \$(9.7) billion (\$(8.2) billion – June 30, 2022).

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

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of June 30, 2023</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments—Trading				
Government and agency obligations	\$ 11,037	\$ 8,733	\$ —	\$ 19,770
Time deposits	792	10,911	—	11,703
ABS	—	105	—	105
Total Investments—Trading	<u>11,829</u>	<u>19,749</u>	<u>—</u>	<u>31,578</u>
Investments—Non-trading	—	244	—	244
Total Investments	<u>\$ 11,829</u>	<u>\$ 19,993</u>	<u>\$ —</u>	<u>\$ 31,822</u>
Securities purchased under resale agreements	\$ —	\$ 168	\$ —	\$ 168
Derivative assets:				
Currency swaps and currency forward contracts	\$ —	\$ 856	\$ —	\$ 856
Interest rate swaps	—	1,831	—	1,831
	<u>\$ —</u>	<u>\$ 2,687</u>	<u>\$ —</u>	<u>\$ 2,687</u>
Less:				
Amounts subject to legally enforceable master netting agreements ^a				1,884
Cash collateral received				439
Derivative assets, net				<u>\$ 364</u>
Liabilities:				
Market Borrowings, at fair value	\$ —	\$ 16,786	\$ —	\$ 16,786
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received ^c	\$ —	\$ 221	\$ —	\$ 221
Derivative liabilities:				
Currency swaps and currency forward contracts	\$ —	\$ 910	\$ —	\$ 910
Interest rate swaps	—	2,143	—	2,143
	<u>\$ —</u>	<u>\$ 3,053</u>	<u>\$ —</u>	<u>\$ 3,053</u>
Less:				
Amounts subject to legally enforceable master netting agreements ^b				1,809
Derivative liabilities, net				<u>\$ 1,244</u>

a. Includes \$102 million CVA.

b. Includes \$27 million DVA.

c. Excludes amount payable for cash collateral received of \$439 million.

Table K2.1*In millions of U.S. dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of June 30, 2022</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>8,268</u>	<u>31,213</u>	<u>—</u>	<u>39,481</u>
Investments—Non-trading	—	346	—	346
Total Investments	<u>\$ 8,268</u>	<u>\$ 31,559</u>	<u>\$ —</u>	<u>\$ 39,827</u>
Securities purchased under resale agreements	\$ —	\$ —	\$ —	\$ —
Derivative assets:				
Currency swaps and currency forward contracts	\$ —	\$ 1,269	\$ —	\$ 1,269
Interest rate swaps	—	1,589	—	1,589
	<u>\$ —</u>	<u>\$ 2,858</u>	<u>\$ —</u>	<u>\$ 2,858</u>
Less:				
Amounts subject to legally enforceable master netting agreements ^a				1,682
Cash collateral received				<u>772</u>
Derivative assets, net				<u>\$ 404</u>
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
	<u>\$ —</u>	<u>\$ 2,245</u>	<u>\$ —</u>	<u>\$ 2,245</u>
Less:				
Amounts subject to legally enforceable master netting agreements ^b				1,666
Derivative liabilities, net				<u>\$ 579</u>

*a. Includes \$35 million CVA.**b. Includes \$19 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 security

In millions of U.S. dollars

	<u>Fair value</u>	<u>Principal Due Upon Maturity</u>	<u>Difference</u>
June 30, 2023	\$ 244	\$ 262	\$ (18)
June 30, 2022	\$ 346	\$ 358	\$ (12)

Presented below is the difference between the aggregate fair value and aggregate contractual principal balance of market borrowings at fair value:

Table K4: Market Borrowings at fair value

In millions of U.S. dollars

	<u>Fair Value</u>	<u>Principal Due Upon Maturity</u>	<u>Difference</u>
June 30, 2023	\$ 16,786	\$ 19,259	\$ (2,473)
June 30, 2022	\$ 19,718	\$ 21,506	\$ (1,788)

The following table provides information on the changes in fair value due to the change in IDA's own credit risk for financial liabilities measured under the fair value option, included in the Statements of Comprehensive Income:

Table K5: Changes in fair value due to IDA's own credit risk

In millions of U.S. dollars

	<u>Fiscal Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<i>Unrealized mark-to-market gains/(losses) due to DVA on fair value option elected liabilities</i>		
DVA on Fair Value Option Elected Liabilities	\$ (18)	\$ 43
Amounts reclassified to net income upon derecognition of a liability	—	—
Net change in DVA on Fair Value Option Elected Liabilities	<u>\$ (18)</u>	<u>\$ 43</u>

As of June 30, 2023, IDA's Balance Sheets included a DVA of \$31 million cumulative loss (\$13 million cumulative loss—June 30, 2022) in Accumulated other comprehensive income, associated with the changes in IDA's own credit for its market borrowings reported at fair value.

The following tables reflects the components of the unrealized mark-to-market gains or losses on IDA's trading and non-trading portfolios, net.

Table K6: Unrealized mark-to-market gains (losses) on trading and non-trading portfolios, net

In millions of U.S. dollars

	<i>Fiscal Year Ended June 30, 2023</i>		
	<i>Realized gains (losses)</i>	<i>Unrealized gains (losses) excluding realized amounts^a</i>	<i>Unrealized gains (losses)</i>
Investments- Trading—Note F	<u>\$ (254)</u>	<u>\$ 225</u>	<u>\$ (29)</u>
Non-trading portfolios, net			
Asset-liability management—Note F	—	143	143
Other Non-trading portfolios			
Investment portfolio—Note C	—	(5)	(5)
Borrowing portfolio—Note E	—	—	—
Other ^b	(1)	(3)	(4)
Total	<u>\$ (1)</u>	<u>\$ 135</u>	<u>\$ 134</u>

Table K6.1:

In millions of U.S. dollars

	<i>Fiscal Year Ended June 30, 2022</i>		
	<i>Realized gains (losses)</i>	<i>Unrealized gains (losses) excluding realized amounts^a</i>	<i>Unrealized gains (losses)</i>
Investments- Trading—Note F	<u>\$ 407</u>	<u>\$ (511)</u>	<u>\$ (104)</u>
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	<u>\$ —</u>	<u>\$ 1,474</u>	<u>\$ 1,474</u>

Table K6.2:*In millions of U.S. dollars*

	<i>Fiscal Year Ended June 30, 2021</i>		
	<i>Realized gains (losses)</i>	<i>Unrealized gains (losses) excluding realized amounts^a</i>	<i>Unrealized gains (losses)</i>
Investments- Trading—Note F	<u>\$ 185</u>	<u>\$ (41)</u>	<u>\$ 144</u>
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	<u>\$ —</u>	<u>\$ 1,102</u>	<u>\$ 1,102</u>

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

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, 2023, is not expected to have a material adverse effect on IDA's financial position, results of operations or cash flows.