International Development Association

Management's Discussion & Analysis
and
Financial Statements
June 30, 2015

INTERNATIONAL DEVELOPMENT ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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Box 1: Five-Year Summary of Selected Financial Data

As of and for the fiscal years ended June 30,

In millions of U.S. dollars, except ratios and data in percentages and months

	2015	2014	2013	2012	2011
Development Operations (Discussed in Section 4)					
Commitments of development credits, grants and guarantees	$18,966	$22,239	$ 16,298	$ 14,753	$ 16,269
Gross disbursements of development credits and grants	12,905	13,432	11,228	11,061	10,282
Net disbursements of development credits and grants	8 ,820	9,878	7,371	7,037	7,781
Balance Sheet (Discussed in Section 3)					
Total assets	$178,685	$183,445	$165,806	$160,028	$162,544
Net investment portfolio	28,418	28,300	27,487	26,333	24,872
of which core liquidity	10,164	9,902	10,079	9,698	11,987
Net development credits outstanding	126,760	132,010	121,157	116,880	118,368
Borrowings	2,150	-	-	-	-
Payable for development grants	6,637	6,983	6,436	6,161	6,830
Total equity	147,149	153,749	143,462	137,546	136,416
Income Statement (Discussed in Section 7)					
Revenue from development credits and guarantees	$1,068	$ 1,015	$ 1,021	$ 914	$ 897
Investment revenue, net	514	631	99	1,006	305
Transfers and grants from affiliated organizations and others	993	881	964	858	991
Development grants	(2,319)	(2,645)	(2,380)	(2,062)	(2,793)
Net loss	(731)	(1,612)	(1,752)	(210)	(2,332)
Statement of Activities (Discussed in Section 3)					
Total sources of funds	$15,472	$12,815	$13,592	$13,105	$11,259
Total application of funds	(12,941)	(13,441)	(11,215)	(11,048)	(10,282)
Results from operating activities	2,471	(741)	2,296	2,088	934
Funding and Liquidity Position (Discussed in Section 6)					
Investment portfolio and unrestricted demand notes as a percentage of undisbursed commitments of development credits and development grants payable	70%	71%	79%	81%	77%
Months of average monthly gross disbursements covered by core liquidity	9	9	11	11	14

This document provides Management's Discussion and Analysis (MD&A) of the financial condition and results of operations for the International Development Association (IDA) for the fiscal year ended June 30, 2015 (FY15). Box 1 summarizes key financial data for IDA as of the end of FY15 and for the previous four years. At the end of this document is a Glossary of Terms and list of Abbreviations and Acronyms. IDA undertakes no obligation to update any forward-looking statements. Certain reclassifications of prior years' information have been made to conform to the current year's presentation.

Section 1: Organizational Overview

Introduction

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

IDA complements the other entities within the World Bank Group (WBG[1]), which share the overarching goals to end extreme poverty and promote shared prosperity. IDA plays a pivotal role in the global aid architecture and pursues these goals by providing concessional development credits, grants and guarantees to the world's poorest countries for programs and operations that help meet their development needs. IDA provides technical assistance through reimbursable advisory services, policy advice and global knowledge services through economic sector work and country studies. It also supports member countries with disaster risk financing and insurance to help increase their financial resilience against natural disasters, as part of their broader disaster risk management agenda. In addition, IDA provides or facilitates financing through trust fund partnerships with bilateral and multilateral donors.

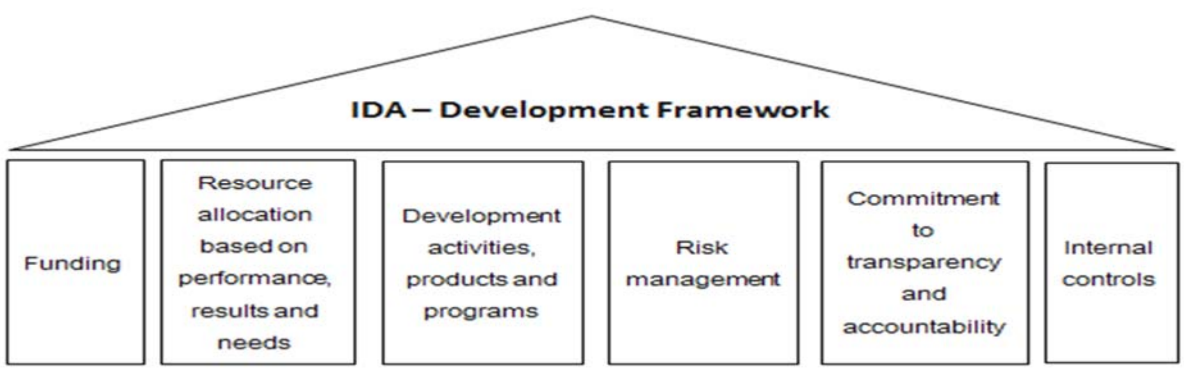
Over the past decades, considerable advancements in poverty reduction have been made globally. A continuation of these advancements offers an opportunity to end extreme poverty. The WBG's two main goals are (1) to end extreme poverty by reducing the percentage of people living with less than $1.25 per day to no more than 3% globally by 2030 and (2) to promote shared prosperity in a sustainable manner by fostering income growth for the bottom 40% of the population in every developing country. To assist in achieving these goals, the new WBG strategy that came into effect in FY15 is aimed at re-aligning its activities and resources, and focusing its client engagement on the most important challenges to achieving these goals through leveraging the strengths of each of the WBG entities. A key organizational change flowing from the new strategy is the implementation of the "Global Practices" and "Cross-Cutting Solution Areas", which seeks to improve the sharing of technical expertise and knowledge within and across the institutions.

IDA is currently in its Seventeenth Replenishment of resources (IDA17), which commenced on July 1, 2014, with a revised lending envelope of Special Drawing Rights (SDR) 33.7 billion (U.S. dollar equivalent 50.8 billion) following the completion of IDA17 foreign exchange hedges. IDA's partners selected "maximizing development impact" as the overarching theme for IDA17. Inclusive growth, gender equality, climate change, and fragile and conflict affected states (FCS's) were selected as IDA 17's special themes. These themes will receive extra attention during IDA17 and support the WBG's goals, additionally, they will support the global agenda to end extreme poverty and deliver on the post-2015 agenda, including the forthcoming Sustainable Development Goals.

Development Framework

IDA's support for the world's poorest countries targets scarce concessional financing where it is most effective, based on performance-based allocations and country-driven strategies. Throughout its operational cycle – from the allocation of resources, project preparation and implementation through to completion and impact assessment – IDA uses a robust framework to maximize the development impact of the programs and activities it supports and to affirm its development framework as an effective and efficient development assistance delivery mechanism.

Figure 1: IDA's Development Framework



For details on the key pillars of IDA's development framework, see Section 2: Funding and Resource Allocation, Section 4: Development Activities, Products and Programs, Section 6: Risk Management and Section 9: Governance, Transparency, Accountability and Internal Controls.

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

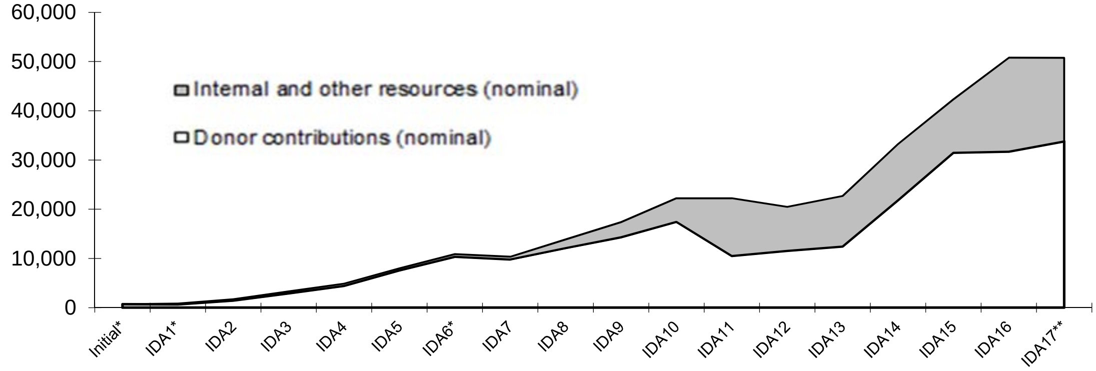
Section 2: Funding and Resource Allocation

Funding and Application of IDA's Resources

IDA is funded largely by contributions from developed and middle income partner countries and provides credits, grants and guarantees to the least developed countries. IDA's global coalition of contributing partners has grown from 18 contributing partners at inception to 50 partners in IDA17, and IDA Resources have grown from $690 million for the initial replenishment to $50.8 billion in IDA17. Additional funding comes from internal resources (primarily repayments of earlier IDA credits by recipient countries), as well as transfers from IBRD and IFC.

Figure 2: IDA's Resources by Replenishment

In millions of U.S. dollar equivalent



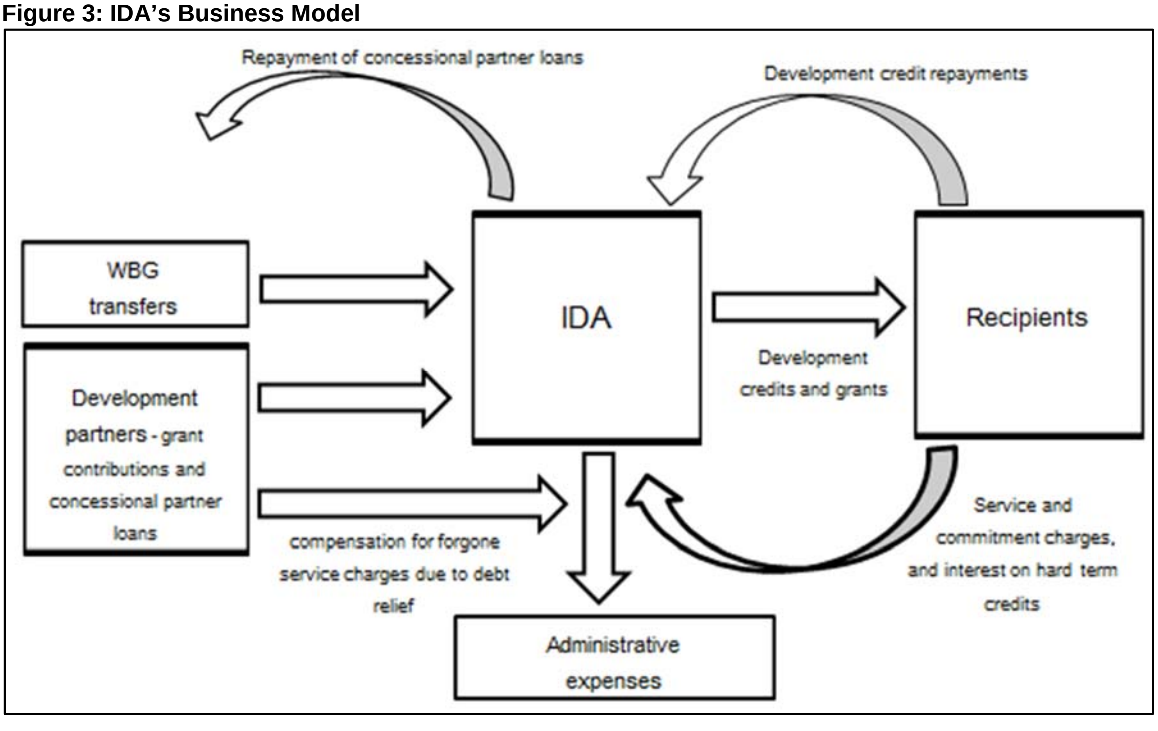
* *Replenishment size has been rescaled to three years (actual replenishment covered four years)*

** *Contributions include Concessional Partner Loans*

The resources available to IDA for funding its activities constitute its commitment authority. Since IDA's lending is highly concessional, partners meet every three years to replenish IDA's resources and review its policies. The three-year replenishment process allows IDA to be responsive to changes in the needs of its borrowers and the development environment.

The commitment authority ensures that IDA provides lending commitments over a three year period to recipient countries based only on firm commitments from contributing partners, as well as available future reflows (see Internal Resources below for the components of reflows) and transfers. Given that the disbursements of IDA's credits and grants take place over several years, they do not have to be fully funded at the time of approval and this allows partner contributions to be encashed over several years, and internal resources to be committed in advance of their expected receipt.

Figure 3: IDA's Business Model



The Seventeenth Replenishment of IDA's Resources – IDA17

The IDA17 commitment authority which is used to fund IDA's lending, grant financing and guarantee activities, is comprised of the following sources of funding (Table 1):

Table 1: Sources of Funds for IDA17

Source in billions	*SDR*	*U.S. dollar equivalent* [a]	*IDA17 % of envelope*	*Released / Available as of June 30, 2015 U.S .dollar*	*IDA16 % of envelope* [b]
Partner Contributions					
- Partner Grant Contributions [c]	17.2	26.0	51	8.2	54
- Partner Contributions for the MDRI	3.0	4.5	9	4.2	11
- Concessional Partner Loans [d]	2.2	3.3	7	1.1	--
Sub total [e]	22.4	33.8	67	13.5	64
Internal Resources	9.2	13.9	27	13.9	30
Transfers and Grants from Affiliated organizations					
- IBRD	1.4	2.0	4	0.6	4
- IFC	0.7	1.1	2	0.4	2
Sub total [e]	2.1	3.1	6	1.0	6
Total Sources of Funds [e]	**33.7**	**50.8**	**100**	**28.4**	**100**

a. U.S. dollar amounts are based on IDA 17 foreign exchange reference rate of U.S. dollar/SDR 1.50718. The U.S. dollar amounts are provided for illustrative purposes only, as IDA's commitment authority is managed in SDR.
b. percentages based on the initial IDA16 Commitment Authority
c includes the grant-element of the concessional loans (SDR 0.7 billion or U.S. dollar equivalent 1.1 billion)
d. excludes the grant-element of the concessional loans (total concessional loans are SDR 2.9 billion or U.S. dollar equivalent 4.4 billion).
e. amounts may not add up due to rounding.

Sources of Funds

Partner Contributions*:* Partner contributions which convey voting rights, constitute the principal component of IDA's financial resources, at 67% for IDA17 (64% for IDA16). There are three main types of partner contributions:

I. **Partner Grant Contributions**: Grant contributions from partners are typically made in cash or non-interest bearing promissory notes, either in SDR's or in a freely convertible currency, in three equal installments. Interest bearing notes are encashed on a pro-rata basis in accordance with an agreed upon schedule. IDA17 has a nine-year standard encashment schedule; however, partners may pay faster and either receive discounts and pay amounts less than their contribution amount, or receive acceleration credits and pay the full contribution amount, but receive additional voting rights.

In IDA17 partners have agreed to provide SDR 17.2 billion (U.S. dollar equivalent 26.0 billion) in grant equivalent contributions (IDA16 SDR17.6 billion / U.S. dollar equivalent 26.4 billion). As of June 30, 2015, SDR 5.4 billion (U.S. dollar equivalent 8.2 billion) of partner contributions had been made available under the IDA17 Commitment Authority.

II. **Partner Contributions for the Multilateral Debt Relief Initiative (MDRI):** Partners have agreed to compensate IDA on a dollar for dollar basis for forgone credit reflows (principal and service charge repayments) due to debt cancellation under the MDRI, see Section 4: Development Activities, Products and Programs. The value of the compensation is reassessed every three years, normally at the time of regular IDA replenishments. Partners are expected to provide IDA with additional resources of SDR 3 billion (U.S. dollar equivalent 4.5 billion) to cover debt relief costs due to MDRI during the IDA17 disbursement period (IDA16 SDR 3.5 billion /U.S. dollar equivalent 5.3 billion). As of June 30, 2015, SDR 2.8 billion (U.S. dollar equivalent 4.2 billion) in partner contributions for MDRI had been made available under the IDA17 Commitment Authority.

III. **Concessional Partner Loans**: IDA17 is the first time in IDA's history that replenishment includes concessional partner loans as a source of funding. Special circumstances, including the current low interest rate environment, resource constraints for a number of contributing partners and the transitional support for eligible new graduating countries during IDA17, have created a case for using concessional debt funding. As a result, while underscoring that grant contributions remain at the core of IDA's financing, IDA's Board approved the concessional partner loans as an additional contribution mechanism for IDA17. As of June 30, 2015, agreements for $4.4 billion have been signed, of which loan proceeds of $2.1 billion have been received. $1.1 billion of the proceeds have been made available under the IDA17 Commitment Authority. See Section 5: Investment and Funding Activities for further details.

Partner Participation: On June 22, 2015, the Board approved the introduction under IDA17 of a pilot program for partner participation in existing IDA development credits and grants, for up to twenty agreements or a total of SDR 700 million, whichever occurs first. Participation agreements signed during the IDA17 period, would increase the overall IDA17 commitment authority. Under this program, participants would effectively replace IDA as financier for portion of the project being financed, but the underlying development credit or grant agreement between IDA and the recipient would remain unchanged. No voting rights or burden share would be allocated to partners participating under this program. As of June 30, 2015, there had been no partner participations in IDA development credits or grants.

Internal Resources: These primarily comprise contractual principal repayments (including any contractually accelerated repayments and voluntary prepayments), interest income on blend term credits, income from the investment portfolio and any carryover of residual resources from previous replenishments. Internal resources contribute 27% of the total IDA17 envelope

Transfers from IBRD and Grants from IFC: The transfers from IBRD's net income and grants from IFC's retained earnings represent 6% of the IDA17 envelope (6% for IDA16).

The IDA17 financing framework includes an indicative amount of IBRD transfers of $2.0 billion ($2.0 billion in IDA16), inclusive of expected investment income associated with the transfers. Dependent on IBRD fulfilling its reserve retention needs, it is expected that this amount will be allocated in three installments during fiscal years 2015, 2016 and 2017. Each installment is required to be approved annually by IBRD's Board of Governors. As of June 30, 2015, IDA had received cumulative transfers of $14 billion from IBRD.

The IDA17 financing framework includes an indicative amount of $1.1 billion ($1 billion in IDA16), inclusive of expected investment income, as designations out of IFC's retained earnings for grants to IDA. These grants are to be used by IDA for sectors and themes that contribute significantly to private sector growth and economic development in countries that are members of both IFC and IDA. These grants will be spread across three installments for fiscal years 2015, 2016 and 2017. The installments are subject to availability of funds and annual approval by the IFC Board of Governors, and are recognized upon IDA and IFC signing the respective grant agreements. As of June 30, 2015, IDA had received cumulative transfers of $3.2 billion from IFC.

Applications of Funds

Disbursement of development credits and grants: Through its development operations, IDA's development credits, development grants and guarantees, benefit the poorest and least creditworthy countries. See Section 4: Development Activities, Products and Programs for further details on IDA's lending products and activities.

Administrative Expenses: IDA's policy is to maintain its service and commitment charges at a level that will cover its administrative expenses. Commitment charges are set annually and take into account the extent to which service and certain interest charges, and partner compensation for development grant financing and forgone charges on development credits forgiven under the Heavily Indebted Poor Country Initiative (HIPC) and the MDRI, cover administrative expenses. Currently commitment charges are set at nil.

Figure 4 provides a breakdown of the principal sources making up the total lending envelope under IDA17 and the extent to which these sources have been used for commitments of development credits, grants and guarantees through June 30, 2015.

Figure 4: IDA17 Commitment Authority Status

In billions of U.S. dollars equivalent [a.]

a. Commitment Authority is measured and monitored in SDR. The chart represents the U.S. dollar equivalent amounts for presentational purposes only, based on the IDA17 foreign exchange reference rate of U.S. dollar/SDR 1.50718. Actual commitments are recorded based on historical U.S. dollar rates.
b. Amounts may not add due to rounding.
c. Includes U.S.dollar equivalent 4.5 billion of partner commitments for compensation of debt relief provided under the MDRI.

Performance Based Allocation (PBA) System

A key concern for IDA is the potential for inequitable allocation of resources to recipients. One country's gain in terms of more allocations would result in fewer resources available for others for a given level of the resource envelope. This risk of inequitable allocation is managed using the PBA system. The system has evolved over time with modifications and enhancements being incorporated at successive replenishments, to more effectively respond to challenges faced by borrowing members.

Under the PBA system, individual country allocations are derived substantially from the annual Country Performance Ratings (CPR), population and, to a lesser extent Gross National Income (GNI) per capita. Before arriving at a country's final allocation, reductions are made for any grant allocations to that country, as well as any debt relief provided.

Following a review of IDA's resource allocation framework under IDA17, the base allocation per country was increased to SDR 12 million per replenishment or SDR 4 million annually, in order to ensure a meaningful engagement at the country level and enhanced financing for FCS's. In comparison, the IDA16 base allocation per country was SDR 9 million per replenishment or SDR 3 million annually.

Transitional Support for Graduating Countries: During the IDA17 replenishment discussions, it was noted that graduation from IDA represents an important milestone of progress in a country's development path. However, in some cases, graduation could adversely impact a country's capacity to maintain development momentum, if it leads to a significant decline in available financing for that country. Accordingly, it was agreed that in IDA17, transitional support would be given to new graduates where (i) the country's GNI per capita is below the historical cut-off at the time of graduation; (ii) there would be a significant reduction in new commitments/net flows from the World Bank after graduation; and (iii) poverty remains a significant issue, as measured by poverty levels and other social indicators. India, which graduated from IDA on June 30, 2014, is the only country that meets these three criteria, and accordingly, transitional support will be provided to India during IDA17. As of June 30, 2015, transitional support commitments of $1,687 million have been made to India.

Section 3: Results For FY15

Basis of Reporting

IDA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), referred to in this document as the "reported basis". The financial statements provide a basis upon which users are able to analyze IDA's sources and uses of resources. Under the reported basis, IDA's Statement of Income alone does not reflect the true economic results of IDA due to a number of asymmetries, which are explained in detail in Section 7: Reported Basis Results.

Statement of Activities

The Statement of Activities (Table 2) is designed to reflect how IDA manages its sources and applications of funds in executing its operating activities. The Statement of Activities presents the flows associated with IDA's operating activities and the impact of these activities on the net asset value of IDA's investment portfolio. This presentation addresses the majority of the asymmetries embedded in IDA's reported basis results.

Table 2: Statement of Activities for the Fiscal Years Ended June 30, 2015 and June 30, 2014

In millions of U.S. dollars

	FY 15	FY 14	Variance
Sources of Funds			
Partner Resources			
Members' subscriptions and contributions	$7,753	$7,888	$ (135)
Borrowings from partners	2,145	-	2,145
Transfers and Grants from Affiliated Organizations	975	872	103
Internal Resources			
Principal repayments and prepayments	4,085	3,462	623
Proceeds from buy-down of development credits	-	92	(92)
Transfers from Trust Funds and Others	18	9	9
Interest on credits with blend terms, and guarantee income	85	34	51
Investment interest income, net	411	458	(47)
	4,599	4,055	544
Total Sources of Funds	15,472	12,815	2,657
Application of Funds			
Disbursements			
Development credit disbursements	(10,860)	(11,168)	308
Development grant disbursements (including PPA grant activity)	(2,040)	(2,273)	233
Borrowings expense	(41)	-	(41)
Total Application of Funds	(12,941)	(13,441)	500
Administrative Activities			
Administrative expenses, net	(1,294)	(1,369)	75
Service charges and interest on credits with hard terms	983	981	2
Partner compensation for forgone charges	251	273	(22)
	(60)	(115)	55
Results from Operating Activities	$2,471	$ (741)	$3,212
Net Asset Value of Investment Portfolio, at beginning of fiscal year	$28,300	$27,487	
Results from Operating Activities	2,471	(741)	
Effects of exchange rates	(2,292)	668	
Net movement in non-operating activities	(61)	886	
Net Asset Value of Investment Portfolio, at end of fiscal year	$28,418	$28,300	

Results from Operating Activities

IDA's operating activities resulted in a net inflow of $2,471 million for FY15. This primarily reflects the $7,753 million of cash receipts relating to members' subscriptions and contributions, $4,085 million of cash receipts relating to principal repayments and prepayments, $2,145 million of cash proceeds of borrowings from partners and $975 million of transfers and grants from affiliated organizations, partially offset by $12,900 million of outflows for disbursements of development credits and grants.

The main drivers of the $3,212 million variance in FY15 as compared to FY14 are the $2,145 million in borrowings from partners and $623 million increase in principal repayments and prepayments.

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

Members' Subscriptions and Contributions

The subscriptions and contributions of $7,753 million represent the cash contributions received from members and the encashment of demand notes. This excludes $251 million of member contributions received to finance forgone charges for debt relief and development grant financing, which is shown as part of administrative activities.

The decrease of $135 million as compared to FY14 is primarily due to a decrease in note encashments, the timing of which is driven by the schedule agreed upon for each replenishment. See Section 2, Funding and Resource Allocation.

Borrowings from Partners

Concessional partner loans were introduced in IDA17 to increase the lending envelope available to recipient countries by incorporating a limited amount of debt funding into the financing framework in a sustainable manner.

As of June 30, 2015, IDA had signed loan agreements totaling $4.4 billion with all five partners that had pledged to provide partner loans during the IDA17 replenishment, and had received loan proceeds of $2,145 million under those agreements. One agreement comprises a loan of $1 billion and a grant of $179 million. As part of the overall arrangement, the proceeds of this agreement have been invested in a fixed rate instrument with the IFC.

Principal Repayments and Prepayments

Principal repayments and prepayments in FY15 were $4,085 million, an increase of $623 million from FY14. In FY15, India accounted for 34% of repayments ($1,394 million) followed by China, 19% ($790 million) and Bangladesh, 7% ($293 million). In addition, voluntary prepayments by IDA graduate members increase the resources that IDA can redistribute to countries most in need of concessional funding. IDA received $28 million in prepayments in FY15 (nil in FY14).

Development Credit and Grant Disbursements

Gross disbursements of development credits in FY15 were $10,860 million, a decrease of $308 million (3%) as compared to FY14. In terms of regional focus, disbursements to South Asia and Europe and Central Asia decreased by $197 million and $187 million respectively. Africa and South Asia together accounted for 81% of the total gross disbursements during FY15.

Of the $10,860 million in development credit disbursements, 13% related to commitments made under IDA17, 50% under IDA16, 30% under IDA15 and 7% related to commitments made under earlier replenishments.

The majority of the $233 million decrease in development grants disbursed in FY15 as compared to FY14 was attributable to the Latin America and Caribbean and the South Asia regions. This decrease corresponds with a $326 million decrease in grant commitments in FY15 as compared to FY14.

Administrative Activities

Administrative expenses, net, declined by $75 million in FY15 as compared to FY14.This is primarily due the decline in administrative expenses directly attributable to IDA. See Table 14: Net Administrative Expenses for the fiscal years ended June 30, 2015 and June 30, 2014.

Table 3, provides a reconciliation of the results from operating activities as presented in Table 2, Statement of Activities to the reported basis, net loss. The reconciling items are presented as either (i) items in the reported basis results, but not included in the Statement of Activities, or (ii) items included in the Statement of Activities, but not in the reported basis results. These are further classified as: addressing asymmetries, adjustments to reflect cash and non-cash operating activities, and adjustments for non-operating activities.

Table 3: Reconciliation of Results from Operating Activities to Reported Basis, Net Loss
In millions of U.S. dollars

	FY 15	FY 14
Results from Operating Activities	**$ 2,471**	**$ (741)**
(i) Items in reported basis results, not included in Statement of Activities		
Adjustments to reflect non-cash operating activities:		
- Development grant expense	(2,319)	(2,645)
- Provision for debt relief and losses on development credits and other exposures, net	(370)	(39)
- PPA grants and other	(13)	-
- Discount on prepaid development credits	(2)	-
Adjustments for non-operating activities:		
- Non-functional currency translation adjustment gains (losses)	912	(51)
- Unrealized mark-to-market losses on non-trading portfolios, net	(179)	(35)
- Unrealized mark-to-market gains on Investment portfolio	103	173
(ii) Items included in Statement of Activities, not in reported basis results		
Adjustments addressing asymmetries:		
- Members' subscriptions and contributions	(7,753)	(7,888)
- Borrowings from partners	(2,145)	-
- Partner compensation for forgone charges	(251)	(273)
Adjustments to reflect cash operating activities:		
- Development credit disbursements	10,860	11,168
- Development grant disbursements	2,040	2,273
- Principal repayments and prepayments	(4,085)	(3,462)
- Proceeds from buy-down of development credits	-	(92)
Reported Basis, Net Income (Loss)	**$ (731)**	**$ (1,612)**

Liquidity and Funding Ratios

Following the results of operating activities, IDA's core liquidity position as of June 30, 2015 is sufficient to cover approximately 9 months of average monthly gross disbursements, which is consistent with the historical range of 9 to 14 months for FY11 through FY14. The negative impact on IDA's liquidity position as a result of the depreciation of the non U.S. dollar component currencies of the SDR against the U.S. dollar has been offset by the positive impact of note encashments, which usually occur in the second six months of the fiscal year. See Section 6: Risk Management for more details on IDA's core liquidity position.

IDA's funding position, the extent to which IDA's investment portfolio and unrestricted demand notes cover any undisbursed development credits and development grants, stood at 70% at June 30, 2015, as compared to 71% at June 30, 2014. The remaining funding gap will be primarily covered by future receipts of cash and demand notes already committed by partners, as well as through repayments on existing credits. At all times, IDA enters into new commitments based on the commitment authority available. See Section 2: Funding and Resource Allocation for further details on IDA's commitment authority and See Section 6: Risk Management for more details on IDA's core liquidity position.

Balance Sheet Analysis

The principal components of IDA's balance sheet are development credits outstanding, investment assets- net of related liabilities, and subscriptions and contributions paid-in. Movements in these principal components between June 30, 2015 and June 30, 2014 are discussed further below.

Table 4: Condensed Balance Sheet
In millions of U.S. dollars

As of June 30,	2015	2014	Variance
Assets			
Investment assets, including related derivative assets	$ 41,174	$ 37,548	$ 3,626
Derivatives relating to asset-liability management	8,914	12,102	(3,188)
Receivables and other assets, including non-investment cash	1,863	1,811	52
Development credits outstanding	130,878	136,011	(5,133)
Accumulated provision for debt relief and losses on development credits	(4,144)	(4,027)	(117)
Total assets	**$178,685**	**$183,445**	**(4,760)**
Liabilities and equity			
Liabilities and derivatives relating to investments	$ 12,756	$ 9,248	$ 3,508
Derivatives relating to asset-liability management	8,963	12,222	(3,259)
Payables and other liabilities, including maintenance of value	7,425	7,990	(565)
Borrowings from partners	2,150	-	2,150
Subscriptions and contributions paid-in	201,045	193,747	7,298
Demand obligations	(9,378)	(10,089)	711
Accumulated deficit	(43,401)	(42,670)	(731)
Accumulated other comprehensive income	(875)	12,997	(13,872)
Total liabilities and equity	**$178,685**	**$183,445**	**$(4,760)**

Development Credits Outstanding

Development credits outstanding decreased by $5,133 million during FY15, primarily due to negative translation adjustments of $11,891 million resulting from the 9.0% depreciation of the SDR against U.S. dollar. This was partially offset by positive net disbursements of $6,775 million. See Section 4: Development Activities, Products and Programs.

Investment Assets-net of Related Liabilities

The net investment portfolio increased from $28,300 million as of June 30, 2014 to $28,418 million as of June 30, 2015, an increase of $118 million. The main driver for the increase was the net result of IDA's operating activities, $2,471 million, as reflected in the Statement of Activities (Table 2). This was partially offset by the $2,292 million negative impact of exchange rate movements, reflecting the depreciation of the non U.S. dollar component currencies of the SDR against the U.S. dollar. See Statement of Activities for the variance analysis of operating activities.

Derivatives Relating to Asset-Liability Management

Forward contracts that economically hedge donor pledges are reflected in the Balance Sheet in the Derivatives line item relating to asset-liability management for both assets and liabilities. The decreases in both Derivatives assets and Derivatives liabilities reflect primarily the maturing forward contracts during the year related to partner contributions. The net liability position of these derivatives declined from $120 million as of June 30, 2014 to $49 million as of June 30, 2015.

This decrease was primarily due to the positive translation adjustment resulting from the impact of the depreciation of currencies associated with the partner contributions which are economically hedged. See Section 6, Risk Management.

Subscriptions and Contributions

The $7,298 million increase in subscriptions and contributions paid-in is primarily attributable to the receipt from members of $4,702 million of demand notes and $3,863 million of cash contributions. This was partially offset by a negative translation adjustment of $1,267 million.

Accumulated Other Comprehensive Income

The $13,872 million decrease in accumulated other comprehensive income is due to translation adjustment losses, $11,891 million of which relates to translation adjustment losses on development credits outstanding resulting from the 9.0% depreciation of the SDR against the U.S. dollar.

SECTION 4: Development ACTIVITIES, PRODUCTS AND PROGRAMS

Lending Framework

IDA has a common framework which extends across all of its development activities. The main elements of this framework are eligibility criteria, financing principles, financing cycles and financing categories.

Eligibility Criteria

Two criteria govern a country's eligibility for IDA resources, namely:

(i) relative poverty defined as GNI per capita below an established threshold (updated annually), for FY16 the threshold is a GNI in 2014 of $1,215, unchanged from FY15;

(ii) lack of creditworthiness to borrow from both commercial sources and IBRD, and therefore a need for concessional resources.

As of July 1, 2015, 78 countries are eligible to borrow from IDA. These are as follows:

- 59 countries are not considered sufficiently creditworthy to borrow from IBRD and are referred to as "IDA only" countries. However, for 11 of these 59 countries, the GNI per capita have been above the operational cut off for IDA eligibility for more than two consecutive years; therefore, these borrowers will be subject to IDA lending on blend terms. The remaining 48 countries are subject to IDA lending on regular IDA terms.
- 18 countries are deemed to have limited IBRD creditworthiness and may receive both IDA and IBRD financing. These countries are referred to as "blend" countries. However, of these 18 countries, 5 are eligible for the small island economy exception and receive funding under regular IDA credit terms. The remaining 13 countries are subject to IDA lending on blend terms.
- 1 country is classified as "IBRD only". However, it is eligible to receive exceptional transitional support from IDA.

Financing Principles

IDA's operations are required to conform to the general principles derived from its Articles of Agreement. These principles are described in **Box 2**. Within the scope permitted by the Articles of Agreement, application of these financing principles must be developed and adjusted in light of experience and changing conditions.

Box 2: Financing Principles

(i) IDA may provide financing for its development operations in the form of development credits, development 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 macro-economic 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 development credits 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, and environmental and social safeguard systems in selected operations where these systems are assessed by IDA as being equivalent to IDA's systems and where the recipient's policies and procedures, implementation practices, track record, fiduciary and safeguard risks and capacity are considered acceptable to IDA.

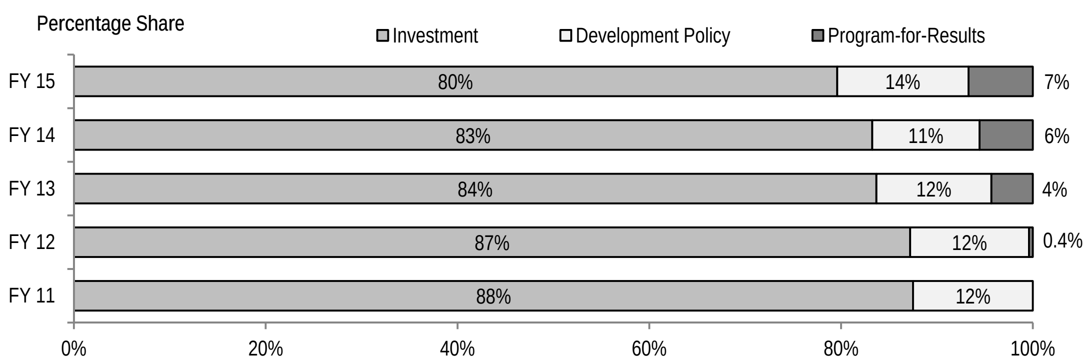
Financing Cycles

The process of identifying and appraising a project and approving and disbursing the funds often extends over several years. However, in response to emergency situations, such as natural disasters and financial crises, IDA is able to accelerate the preparation and approval cycle. After appraisal of a project by staff, with certain exceptions, IDA's Executive Directors must approve each development credit, development grant and guarantee. Disbursements are subject to the fulfillment of conditions set out in the credit or grant agreement. During implementation of IDA-supported operations, staff review progress, monitor compliance with IDA 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 Executive Directors.

Financing Categories

Most of IDA's lending is of three types: investment project financing, development policy financing, and program-for-results. **Figure 5** shows the percentage of IDA credits approved for investment lending, development policy operations and Program-for-Results over the past five years.

Figure 5: Share of Financing Categories



Investment Project Financing (IPF)

IPF is used in all sectors, with a concentration in the infrastructure, human development, agriculture, and public administration sectors. It supports a wide range of activities including capital-intensive investments, agricultural development, service delivery, credit and grant delivery, community-based development, and institution building. IPF is usually disbursed over the long-term (5 to 10 year horizon).

FY15 commitments under IPF amounted to $15.1 billion, compared with $18.5 billion in FY14. The share of investment financing has remained stable over the last five years, ranging from 80% to 88%.

Development Policy Financing (DPF)

DPF provides rapidly-disbursing financing (1 to 3 years) to help a borrower address actual or anticipated development financing requirements. DPF aims to support the borrower in achieving sustainable development through a program of policy and institutional actions, for example, 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 that is subject to the borrower's own implementation processes and systems.

FY15 commitments under DPF totaled $2.6 billion, compared with $2.5 billion in FY14.

Program-for-Results (PforR)

PforR links disbursement of funds directly to the delivery of defined results, helping countries improve the design and implementation of their own development programs and achieve lasting results by strengthening institutions and building capacity.

FY15 commitments under PforR totaled $1.3 billion, compared with $1.2 billion in FY14.

These three complementary categories support the policy and institutional changes needed to create an environment conducive to sustained and equitable growth.

Financial Terms

The currency of commitment for IDA grants and credits is the SDR. In response to client needs to reduce currency exposure and simplify debt management, IDA introduced a Single Currency Lending pilot program in 2012. This pilot program, expanding borrowing options beyond the standard SDR credits, has allowed IDA recipients to denominate new IDA credits in one of the four constituent currencies of the SDR basket (U.S. dollars, euro, Japanese yen, and British pound). In April 2015, IDA's Executive Directors extended the pilot program for a three-year period or to a limit of SDR 3 billion, whichever comes first. Under this extension, for the first time, new credits offered under transitional or hard terms will be available at floating interest rates. As of June 30, 2015, development credits of $107 million in U.S. dollar equivalent were outstanding under the terms of the pilot program.

Charges on development credits

IDA's policy is to maintain its service and commitment charges at a level that will cover its administrative expenses.

Service Charge. A service charge is levied on the principal amount disbursed and outstanding on all development credits, regardless of repayment terms, at 0.75% per annum.

Commitment Charge. A commitment charge, which is payable on the undisbursed amount of the development credit, is set by the Executive Directors at the beginning of each fiscal year. From FY09 to FY16, IDA's Executive Directors have maintained the commitment charge on undisbursed development credits at nil. As noted previously, commitment charges are set at a level to ensure that service charges (adjusted to include income forgone from development credits forgiven under HIPC and MDRI and from providing development grant financing) cover administrative expenses.

Interest. Interest is charged on all new development credits subject to blend terms approved under IDA16 and IDA17, all hard-term credits, and transitional support lending. The interest charged is more concessional than the fixed-rate equivalent of IBRD's lending rate after taking into account the repayment terms, including the grace period and maturity. The rate is determined annually prior to the start of each fiscal year and is applicable to all eligible development credits approved during a fiscal year. Table 5 shows the applicable rates effective July 1, 2015.

Repayment Terms

Development credits approved through June 30, 1987 have a final maturity of 50 years, including a grace period of 10 years. More recently, differentiation in IDA's lending terms has been introduced to recognize the variation in economic development of broad categories of IDA recipients. Table 5 provides a summary of the repayment terms of new development credits based on eligibility, effective July 1, 2015.

Table 5: Summary of Repayment Terms for New Development Credits, Effective July 1, 2015

Terms	Eligibility Criteria	Repayment Terms	Service Charge	Interest
IDA Only	Not considered sufficiently creditworthy to borrow from IBRD (or a small island nation). For FY16, "IDA-only" recipients with a 2014 GNI per capita of $1,215 or less (the 'operational' cut off).	38 years including a grace period of 6 years.[a]	75 basis points	Nil
Blend	Blend terms apply to both blend borrowers and IDA countries with Gross National Income per capita above the operational cut-off for more than two consecutive years, known previously as "gap" or "hardened term" countries.	25 years including a grace period of 5 years.[b]	75 basis points	1.25%
Hard-terms	A blend borrower will be eligible for an additional window of IDA lending at hard-terms (excluding small island nations receiving credits on IDA-only terms).	25 years including a grace period of 5 years.	75 basis points	1.08%
Transitional support	New IDA graduates will be eligible for transitional support where the GNI per capita is below the cut off at the time of graduation, there would be a significant reduction in new commitments from the World Bank after graduation and poverty levels remain high.	25 years including a grace period of 5 years.	75 basis points	Rate reset quarterly (2.3% for first quarter of FY16)

a. For credits approved during IDA16, as well as countries eligible for the small island state exception during IDA17, 40-year maturity, including a grace period of 10 years.
b. Repayment terms remain unchanged from credits approved during IDA16.

In addition, since 1987, IDA has included an accelerated repayment clause in the legal agreements of regular, blend and hard-term credits that allows IDA to double the principal repayments of the credit, if the borrower's GNI per capita exceeds a specific threshold and the borrower is IBRD creditworthy. Implementation is subject to approval by IDA's Executive Directors after considering a borrower's economic development. The borrower would have a choice to either (a) shorten the credit'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, 2015, the acceleration clause has been implemented for the qualifying IDA credits of 14 borrowers that have graduated from IDA since the introduction of the accelerated repayment clause. Of these 14 borrowers, 9 borrowers selected the principal option, 4 borrowers selected the interest option, and 1 borrower selected a combination of the two options.

Development Credits and Development Grants Activity

Commitments of Development Credits

Commitments of development credits in FY15 were $15,948 million, a decrease of $2,594 million (14%) over FY14. In terms of regional focus, South Asia accounted for $1,617 million of the decrease. Africa and South Asia together accounted for 86% of the FY15 commitments (see Figure 7). The largest commitments in FY15 were made to Bangladesh, (see Table 6). The FY15 commitments of $15,948 million is the largest amount of commitments made in the first year of all IDA replenishments.

Table 6: Top 10 Commitments of Development Credits and Grants to Member Countries
In millions of U.S. dollars, or as otherwise indicated

Member	Development Credits	FY15% of total	FY14 % of total	Member	Development Grants	FY15 % of total	FY14 % of total
Bangladesh	$ 1,924	12	10	D.R. Congo	$ 319	13	13
India	1,687	11	17	Mozambique	196	8	3
Ethiopia	1,395	9	9	Yemen	193	8	7
Pakistan	1,351	8	9	Burkina-Faso	191	8	4
Kenya	1,105	7	3	Liberia	177	7	0
Nigeria	975	6	9	Guinea	159	7	1
Tanzania	883	6	4	Sierra Leone	156	6	2
Vietnam	784	5	7	Malawi	108	4	0
Myanmar	700	4	2	Niger	94	4	4
Uganda	590	4	3	Chad	90	4	1
Other	4,554	28	27	Other	735	31	65
Total	**$15,948**	**100**	**100**	**Total**	**$2,418**	**100**	**100**

Gross Disbursements of Development Credits

Gross disbursements of development credits in FY15 reached $10,860 million, a decrease of $308 million (3%) from FY14. Africa and South Asia together accounted for 81% of the total FY15 gross disbursements (see Figure 8).

Development Credits Outstanding

Development credits outstanding as of June 30, 2015 were $130,878 million. Figure 6 shows the breakdown by term. For both FY15 and FY14, 61% are on IDA only terms and 39% are on blend terms. See Table 5 for details of IDA's terms.

Table 7 provides details of the top five borrowers with the largest development credits outstanding as of June 30, 2015. These borrowers represented 50% of total development credits outstanding as of that date.

Figure 6: Development Credits Outstanding by Term

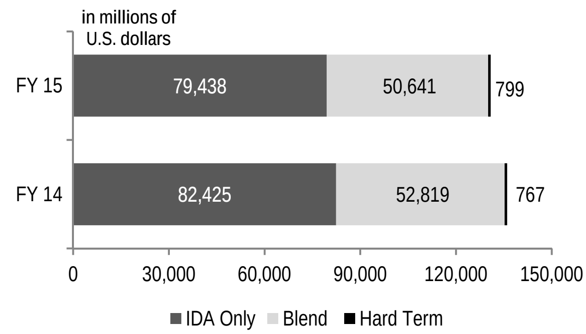


Table 7: Top Five Borrowers with the Largest Development Credits Outstanding Balance
In millions of U.S. dollars, or as otherwise indicated

Country	India	Pakistan	Bangladesh	Vietnam	Nigeria	Others	Total
Development Credits Outstanding	24,848	12,331	11,489	10,986	6,127	65,097	130,878
% of Total Development Credits Outstanding	19%	9%	9%	8%	5%	50%	100%
Weighted Average Maturity (Years)	7.2	13.5	14.2	15.6	16.2	13.8	12.8
Credits outstanding by terms							
IDA only	6,100	1,133	11,489	7,897	4,014	48,805	79,438
Blend	18,627	10,870	-	2,861	2,113	12,482	46,953
Hard terms	121	328	-	228	-	122	799
Hardened	-	-	-	-	-	3,688	3,688
Undisbursed balance	7,212	2,259	5,218	4,175	4,032	24,392	47,288

Charges on Development Grants

Commitment charges on the undisbursed balances of development grants are set annually by the Executive Directors of IDA. From FY03 through FY16, IDA's commitment charge on the undisbursed balances of development grants has been set at nil.

Allocation of Development Grants

Development grants under IDA17 are available solely for IDA-only countries. The amount available for each country is a function of the country's performance-based IDA allocation (see Section 2: Funding and Resource Allocation), and its eligibility for development grants is based on an assessment of the risk of debt distress. Countries with a high risk of debt distress receive 100% of their IDA allocation as development grants; however the initial allocation of resources is reduced by 20% as a volume discount. The 20% is then returned to the performance based allocation calculation and is used in part to fund hard term credits. Countries with a medium risk of debt distress receive 50% of their IDA allocation as development grants, and the remaining as development credits. Countries with a low risk of debt distress will receive 100 % of their allocation in the form of development credits.

Commitments of Development Grants

Commitments of development grants in FY15 were $2,418 million, a decrease of $342 million (12%) over FY14. In terms of regional focus, South Asia accounted for $513 million of the decrease. Africa and South Asia together accounted for 77% of the total FY15 commitments (see Figure 7). The largest commitments in FY15 were made to the Democratic Republic of Congo, (see Table 6).

Gross Disbursements of Development Grants

Gross disbursements of development grants in FY15 were $2,045 million, a decrease of $219 million (10%) from FY14. In terms of regional focus, South Asia accounted for $155 million of the decrease. Africa and South Asia together accounted for 82% of the total FY15 gross disbursements (see Figure 8).

Figure 7: Commitments of Development Credits and Grants by Region
In millions of U.S. dollars

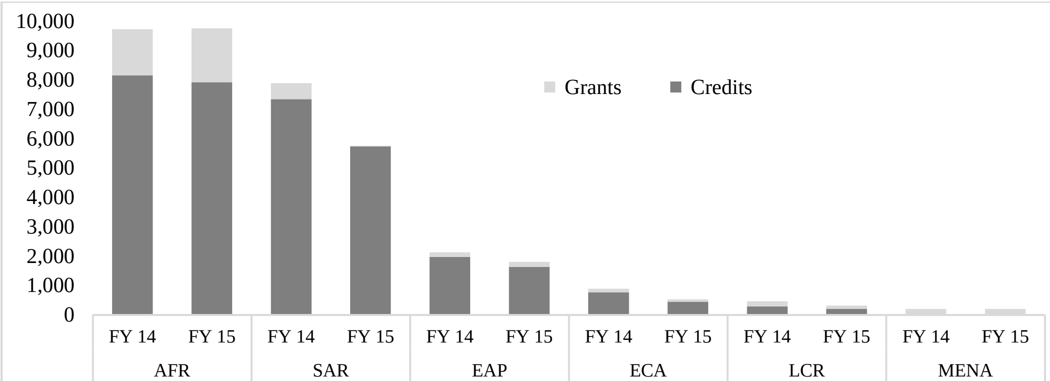
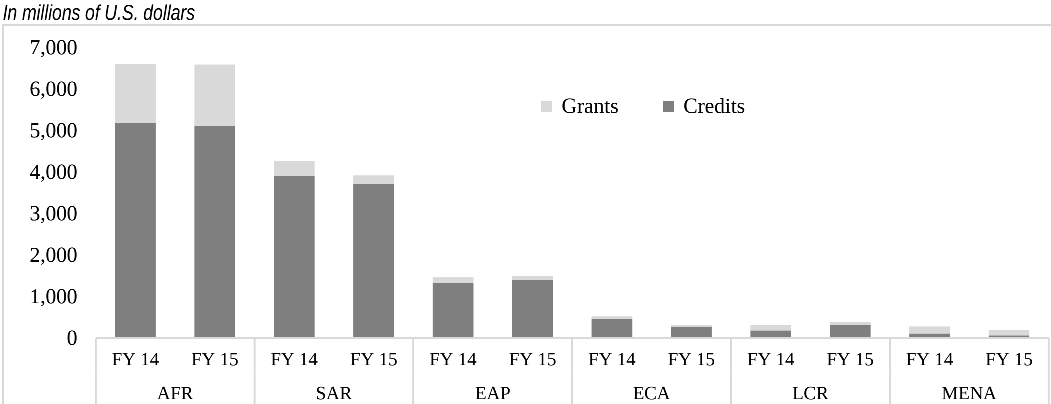


Figure 8: Gross Disbursements of Development Credits and Grants by Region
In millions of U.S. dollars



Regions:		
AFR Africa	EAP East Asia and Pacific	ECA Europe and Central Asia
LCR Latin America and Caribbean	MENA Middle East and North Africa	SAR South Asia

Crisis Response Window

The primary objective of the Crisis Response Window (CRW) is to provide IDA countries with additional resources that will help countries to respond to severe economic crises and major natural disasters and return to their long-term development paths.

The WBG has mobilized $1.62 billion in financing for the countries hardest hit by the Ebola crisis, this includes $1.17 billion from IDA. Of the $1.17 billion, $518 million in emergency funding has already been committed, primarily through grants from IDA's CRW, of which $384 million has already been disbursed to Guinea, Liberia and Sierra Leone.

On June 16, 2015, the Executive Directors endorsed the use of the CRW to provide up to $300 million in earthquake recovery financing to Nepal. CRW resources have also been allocated for emergencies in the Solomon Islands, Malawi, Vanuatu and Tuvalu. As a result, the SDR 594 million (U.S. dollar equivalent 895 million) allocated for CRW in IDA17 has been nearly fully utilized.

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's guarantees facilitate the mobilization of private financing for projects in developing countries. These guarantees are available to IDA-only countries, as well as to blend countries where IBRD resources are not available.

IDA's guarantees are partial so that risks covered are shared between IDA and private lenders. When IDA issues a guarantee, it obtains an indemnity agreement from the host government. In December 2013, IDA's Executive Directors approved a series of changes to IDA's guarantees that became effective from July 1, 2014.

As a result of these changes, IDA now offers both Project-based and Policy-based Guarantees. See Table 8 for the types of guarantees that IDA provides.

Table 8: Types of Guarantees

Project based guarantees	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	To 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.

Guarantee Exposure

IDA's exposure on its guarantees (measured by discounting each guaranteed amount from its next call date) was $393 million as of June 30, 2015 ($408 million—June 30, 2014). For additional information see the Notes to Financial Statements–Note F–Development Credits and Other Exposures.

Assisting Borrowing Members Manage Risk

IDA facilitates access to risk management solutions to mitigate the financial effects of natural disasters for borrowing members. Financial solutions can include disaster risk financing through catastrophe swaps, insurance and reinsurance contracts, and regional pooling facilities. In FY15, IDA renewed coverage of the Pacific Disaster Insurance Program, a $43 million transaction that provides protection against earthquakes, tsunamis and tropical cyclones to certain Pacific Island countries. IDA acts as the intermediary between the members and reinsurers. As an intermediary, IDA entered into swap contracts with the members as well as the insurance companies. As a result, all of the catastrophe risk was passed to the reinsurance markets through these contracts, thereby facilitating access to reinsurance markets for the members.

Debt Relief

Except for debt relief provided under the HIPC Debt Initiative, MDRI and any provision for losses under the buy down mechanism, it is IDA's practice not to write off its development credits. To date, no development credits have been written off, other than under the three debt relief initiatives outlined below. Both HIPC and MDRI were implemented as a part of a global agreement focused on heavily indebted poor countries. In addition, to avoid future build-up of unsustainable debt, countries at risk of debt distress receive assistance in the form of grants.

Heavily Indebted Poor Countries Debt Initiative

The HIPC Debt Initiative is a comprehensive approach to reduce the external debt of the world's poorest, most heavily indebted countries, and it represented an important step forward in placing debt relief within an overall framework of poverty reduction.

The countries that qualified for HIPC assistance are the poorest countries that were eligible for highly concessional assistance from IDA and from the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility

During FY15, $14 million of development credits and $1 million of charges were written off as debt relief under the partial forgiveness of debt service as it came due. During FY14, the comparable amounts were $8 million and $1 million, respectively. On a cumulative basis, $2,109 million of development credits and $333 million of charges had been written off as of June 30, 2015.

Multilateral Debt Relief Initiative

The MDRI provides additional debt relief through 100 percent cancellation of eligible debt owed to IDA, the African Development Bank and the IMF, by countries that reached the HIPC Completion Point.

The objectives of MDRI are twofold: deepening debt relief to HIPC countries while safeguarding the long-term financial capacity of IDA and other participating multilateral institutions; and encouraging the best use of additional partner resources for development, by allocating these resources to low-income countries on the basis of policy performance.

Following the Executive Directors' approval of IDA's participation in the MDRI in June 2006, IDA fully provided for the estimated probable 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. When a country reaches its Completion Point, the applicable development credits are written off at the beginning of the subsequent quarterly period.

During the fiscal year ended June 30, 2015, there was no cancellation of eligible development credits under the MDRI. On a cumulative basis, $39,640 million of development credits have been written off under the MDRI as of June 30, 2015. On July 1, 2015, development credits totaling $525 million were written off as a result of Chad reaching the Completion Point under the HIPC Debt Initiative on April 28, 2015.

Buy-down of Development Credits

The Investment Partnership for Polio program to fund the immunization of children in high-risk polio countries has a funding mechanism that allows the purchase of oral vaccines from the proceeds of development credits. These development credits are subsequently converted to grant terms under the "buy-down mechanism", upon attainment of agreed performance goals.

IDA enters into an arrangement 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 credits for an amount equivalent to the present value of the remaining cash flows of the related credits, ensuring IDA incurs no economic loss. The trust fund subsequently cancels the purchased credits, converting them to grant terms.

During the fiscal year ended June 30, 2015, there were no development credits purchased under the buy-down mechanism. During FY14, three development credits were purchased under the buy-down mechanism; they had a carrying value of $174 million, and were purchased for a present value equivalent of $92 million.

Trust Funds Administration

Trust Funds are an integral part of the WBG 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 partners can draw on the WBG's diverse technical and financial resources to achieve development goals that cannot be addressed effectively by any single partner, 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's Trust Funds:

- IDA-Executed Trust Funds (BETF's): IDA, alone or jointly with one or more of its affiliated organizations, implements or supervises the activities financed by trust funds. These trust funds support IDA's work program.
- Recipient-Executed Trust Funds (RETF's) are provided to a third party, normally in the form of project financing, and are supervised by IDA.
- Financial Intermediary Funds (FIFs): IDA, as a trustee, provides financial management services such as receiving, holding and transferring funds to multiple implementing entities.

During FY15, IDA recorded $45 million (versus $65 million in FY14) as revenue for the administration of its trust fund portfolio. IDA, as an executing agency, disbursed $326 million ($354 million in FY14) of trust fund program funds.

The cash and investment assets held in trust by IDA as administrator and trustee as of June 30, 2015 and June 30, 2014 are summarized in **Table 9.** IDA's contribution to these trust funds for the year ended June 30, 2015 and June 30, 2014 was nil. For additional information, see the Notes to Financial Statements-Note H-Trust Funds Administration.

Table 9: Cash and Investment Assets Held in Trust by IDA
In millions of U.S. dollars

	Total fiduciary assets	
	June 30, 2015	*June 30, 2014*
IDA-executed	$ 53	$ 83
Jointly administered with affiliated organizations	783	679
Recipient-executed	2,210	2,555
Financial intermediary funds	356	459
Execution not yet assigned[a]	3,226	3,186
Total	$6,628	$6,962

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

Externally funded Reimbursable Advisory Services

IDA provides technical assistance to its member countries, both in connection with, and independent of, lending operations. There is a growing demand from borrowers for strategic advice, knowledge transfer, and capacity building. Such assistance includes assigning qualified professionals to survey developmental opportunities in member countries, analyzing their fiscal, economic and developmental environment, assisting member countries in devising coordinated development programs, appraising projects suitable for investment, and assisting member countries in improving their asset and liability management techniques.

While most of IDA's advisory services are financed by its own budget or donor contributions (Trust Funds), clients may also pay for such services themselves through Reimbursable Advisory Services (RAS). RAS allow IDA to provide advisory services that the clients demand, but that IDA cannot fund in full within the existing budget envelope. In FY15, income relating to reimbursable advisory services was $47 million (FY14 - $46 million).

SECTION 5: INVESTMENT AND FUNDING ACTIVITIES

Investment Activities

IDA's primary objective in the management of its investment portfolio is to ensure that funds will be available on a timely basis in the amount needed to meet future cash flow requirements, including disbursements for development credits, grants and administrative expenses. Consistent with the primary objective, IDA also seeks to maximize returns, subject to loss constraints, on investments, which can be added to IDA's internal resources.

IDA faces timing mismatches between cash receipts from partners and recipients and disbursements of new development credits and development grants. To manage these timing mismatches between cash inflows and outflows, and to ensure optimal use of development resources, IDA employs a number of financial practices, namely:

- Use of hedging strategies to minimize currency mismatches of cash flows.
- Encashment of partner contributions over time so as to match the eleven year average disbursement profile of development credits and development grants during a given replenishment. For IDA15, IDA16 and IDA17, partners have agreed to a nine year standard encashment period, which is an acceleration of the 11-year disbursement profile in order for IDA to generate additional investment income.
- Provision of incentives in the form of discounts or acceleration credits to partners for early encashments, provided that the present value of their contributions remains intact.
- A portion of expected principal repayments on disbursed and outstanding credits are committed in advance so that resulting disbursements match the time profile of credit reflows.

Additionally, IDA needs to be able to address any unexpected demands on its core liquidity by maintaining a sufficient level of liquid assets.

Minimum Liquidity

Minimum liquidity represents the liquidity that IDA holds against cash flow volatility, it serves the dual purpose of cushioning against expected future cash flow volatility and meeting unexpected liquidity demands. Minimum liquidity is held in IDA's core liquidity component.

For FY15, IDA's minimum liquidity was targeted at 33 percent of a three-year annual moving average of gross disbursements; at June 30, 2015, it amounted to $4.1 billion.

General Investment Authorization

The General Investment Authorization for IDA, approved by the Executive Directors, provides the basic authority under which the investment portfolio of IDA can be invested. Further, all investment activities are conducted in accordance with a more detailed set of Investment Guidelines. The Investment Guidelines are approved by the Managing Director and Chief Financial Officer (MDCFO) and implemented by the Treasurer. These Investment Guidelines provide detailed trading and operational rules including: criteria for eligible instruments for investment, establishing risk parameters relative to benchmarks, such as an overall consultative loss limit and duration deviation, specifying concentration limits on counterparties and instrument classes, as well as establishing clear lines of responsibility for risk monitoring and compliance.

See Box 4 for the range of instruments permitted for investments under the existing General Investment Authorization for IDA.

The overall market risk of the investment portfolio is constrained by a consultative loss limit, which is intended to reflect a level of tolerance for risk of underperforming the benchmark in any fiscal year.
IDA has procedures in place to monitor performance against this limit and potential risks, and to take appropriate actions if the limit is reached.

Investment Portfolios

IDA's investments are held in both a trading portfolio and a non-trading portfolio.

Non-Trading Portfolio

During FY15, with the proceeds of a concessional partner loan, IDA purchased a debt security issued by the IFC. While IDA expects to hold the security to maturity, IDA elected to measure the security at fair value, so that the measurement method (fair value) could be consistently applied to all its investments. The changes in fair value for this security are reflected in the Statement of Income. As of June 30, 2015, the non-trading portfolio had a fair value of $1,142 million. See Notes to Financial Statements–Note C–Investments.

Trading Portfolio

The trading portfolio is invested in three separate tranches, which allows for better tailoring of investment objectives, risk tolerances and investment horizon, to the purpose of holding the investments. See Figure 9 for the breakup of investments held by tranche.

Partner Asset and Liability Management

Tranche 1 – This tranche primarily consists of accelerated encashments of partner contributions, transfers and grants from IBRD and IFC, and voluntary credit prepayments. It is managed under an immunization strategy, whereby the tranche duration benchmark is aligned with the weighted average duration of future net cash outflows, such that the variation in investment earnings is largely matched by equivalent changes in the present value of future net cash outflows. The duration is periodically reviewed and reset at least annually to reflect prevailing conditions.

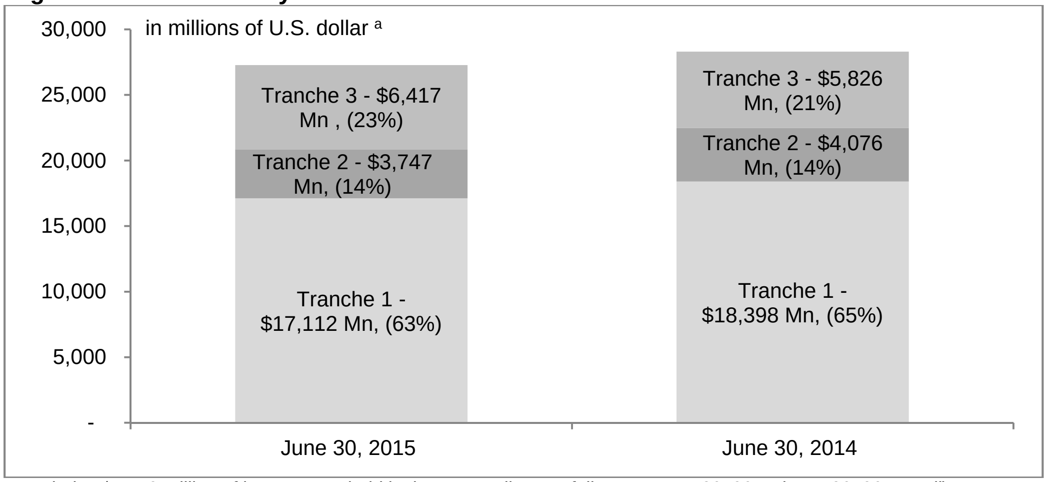
Core Liquidity

Tranches 2 and 3 constitute IDA's core liquidity to meet working capital requirements, as well as expected and unexpected cash flow volatility. Core liquidity as a proportion of IDA's total liquidity holding at June 30, 2015 was 37% (June 30, 2014 – 35%).

Tranche 2 – Medium-term Investment tranche. This tranche includes the core liquidity of IDA which is expected to be available over at least a three year horizon. The tranche is managed in accordance with a return maximization strategy subject to pre-specified risk constraints over a medium-term (three years) investment horizon.

Tranche 3 – Short-term Investment tranche. This tranche is used for managing the operational liquidity for IDA. The investment objective of this tranche is to ensure liquidity and timely availability of the investment balances when needed, with investment returns being a secondary consideration. The tranche is invested in overnight and very short-term cash investments.

Figure 9: Investments by Tranche



a. excludes $1,142 million of investments held in the non-trading portfolio as at June 30, 2015 (June 30, 2014 - Nil)

Table 10 provides a breakdown of the average balances of IDA's liquidity portfolio for FY15 and FY14 by tranche. For an explanation of the increase in financial returns of the total portfolio, refer to Section 7: Reported Basis Results.

Table 10: Average Balances and Returns by Tranche

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

	FY 15		*FY 14*	
Tranches	*Average Balance*	*Financial Return*	*Average Balance*	*Financial Return*
1	$17,523	2.51%	$17,898	2.92%
2	3,837	0.99%	4,005	1.53%
3	6,292	0.17%	6,346	0.18%
Total	$27,652	1.77%	$28,249	2.11%

Funding Activities

IDA17 Concessional Partner Loans

IDA has not borrowed long-term from capital markets, but it is allowed to do so under its Articles. For IDA17, IDA's Executive Directors approved the use of a limited amount of concessional debt funding.

In order for debt funding to be sustainably incorporated into IDA17's financing framework, the borrowing terms of the concessional partner loans aim to match the concessional features of IDA's credits. The prudential debt limit has been set at SDR6.1 billion ($9.2 billion) and was based on the overall concessionality of IDA's lending terms during IDA17 and the terms on which IDA borrows. Liquidity and currency risks are being managed within the existing risk management framework.

Voting rights are allocated to providers of the concessional partner loans based on the grant element of the loan. The grant element is a function of the terms of the loan and the discount rate agreed upon during the replenishment discussions. The grant element is effectively the ratio for the present value of the debt service payments to the present value of the loan disbursements. The voting rights associated with the grant element are allocated following the drawdowns by IDA.

The maturities of the loans are either 25 or 40 years to match the terms of IDA's credits, with a grace period of 5 years for a 25 year loan and 10 years for a 40 year loan. The loans have an all-in SDR equivalent coupon of up to one percent. Partners that provide concessional loans receive voting rights (recorded as IDA's equity) based on the grant element of the loan, which is effectively the difference between the all-in cost of the concessional loan to IDA, and the discount rate of 2.65% SDR equivalent, agreed during IDA17 negotiations.

As of June 30, 2015, IDA had received proceeds of $ 2,145 million in concessional partner loans, and paid interest of $21 million.

Short Term Borrowings

Under its Investment Guidelines, IDA is allowed to enter into short term borrowings in the form of securities sold under repurchase agreements and securities lent under securities lending agreements. These agreements are secured predominantly by high quality collateral, including government issued debt, and are used both to enhance returns and for liquidity management purposes.

As of June 30, 2015, securities lent or sold under repurchase agreements totaled $4,860 million, a decrease of $151 million over June 30, 2014. Table 11 provides data on short-term borrowing activities.

Table 11: Short-Term Borrowings

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

	June 30, 2015	June 30, 2014	June 30, 2013
Securities sold under repurchase agreements and securities lent under securities lending agreements,			
Balance at year-end	$4,860	$5,011	$3,613
Average monthly balance during the year	$4,544	$4,265	$3,920
Maximum month-end balance	$5,621	$5,257	$5,154
Weighted-average rate at end of fiscal year	0.20 %	0.14%	0.14%
Weighted-average rate during the fiscal year	0.14%	0.10%	0.15%

SECTION 6: RISK MANAGEMENT

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

Governance Structure

Management believes that effective financial risk management is critical for its overall operations. Accordingly, the risk management governance structure is designed to manage the principal risks IDA assumes in its activities. The risk management governance structure 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.

Organizational Structure

The office of the Chief Risk Officer (CRO) is responsible for leading the risk management function at IDA. In addition, the CRO works closely with IFC, MIGA, and IBRD's management to review, measure, aggregate, and report on risks and share best practices. The CRO also helps enhance cooperation between the entities and increase knowledge sharing in the risk management function. The following three departments report directly to the CRO:

- The *Credit Risk Department* 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 *Market and Counterparty Risk Department* is responsible for counterparty credit risk oversight, assessment, and reporting. The department is also responsible for ensuring effective oversight, which includes: i) maintaining sound credit assessments, ii) monitoring counterparty risk in the investment portfolio, and iii) implementing the model risk governance framework.
- The *Operational Risk Department* provides direction and oversight for operational risk activities by business unit partners in Finance and Technology and collaborates closely on such issues with Legal and Human Resources. The department's 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 providing direction to business unit partners to ensure consistent application (iii) assisting and guiding business unit partners in identifying and prioritizing significant operational risks and enabling monitoring and reporting of risks through suitable metrics (or risk indicators) and (iv) helping identify emerging risks and trends through monitoring of internal and external risk events. The department is also responsible for business continuity management, and enterprise risk management functions.

Risk Committees

The financial risk governance structure comprises the following committees.

The Finance and Risk Committee (FRC), which became operational in FY15, provides a governance structure for decisions that may have credit, financial or operational risks implications. The FRC was established under the authority of the Managing Director and WBG Chief Financial Officer (MDCFO) to approve, clear, or discuss: (a) Policy and Procedure Documents related to financial integrity, income sustainability and balance sheet strength, and (b) issues and new business with policy implications related to IDA's financial and operational risks in the areas of finance, which include credit, market, liquidity, model and operational risks, as well as information technology, information security, corporate security and business continuity. 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. Depending upon the particular topic or policy considered, the Committee's decisions are (i) implemented, (ii) sent to the President or Senior Management Team as a recommendation, or (iii) sent through the President to the Executive Directors as a recommendation. The FRC, which is chaired by the MDCFO, meets at least quarterly and more often when needed. .

In addition to the FRC, several risk-related committees work under the authority of the MDCFO and the CRO, which provide technical expertise and guidance on new initiatives and operational risk issues:

- *New Business Committee* provides advice, guidance and recommendations to the FRC, by performing adequate due diligence prior to introducing a new product or service to ensure that Management has a comprehensive understanding of the rationale, costs, risks and rewards of the product or service being considered. The committee which is a standing Committee of the FRC, will be operational in FY16.
- *Country 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 non-accrual portfolios.
- *Operational Risk Committee* provides a mechanism for integrated review and response across the finance and technology functions 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 IDA's overall operational risk profile.

Risk-Bearing Capacity

The risk in IDA's lending operations is managed by Operations Policy and Country Services. This covers risk of non-compliance with its policies, safeguards as well as risk of mis-procurement on behalf of clients, and fraud and corruption in its financed projects.

The Development Finance Resource Mobilization Department which reports to the Vice President of Development Finance, manages IDA's replenishments. This department discusses policy and funding frameworks with partners, and allocates concessional resources between borrowing member countries based on the agreed performance based allocation system. Responsibility for financial management, including asset-liability management and the management of funding, liquidity, currency, interest rate and credit risk, also lies with this department. The risk bearing capacity of IDA falls under four main categories.

(i) Funding risk - the extent to which IDA can commit to new financing of development credits, grants and guarantees given its financial position at any point in time and whether there are sufficient resources to meet undisbursed commitments of credits and grants.

(ii) Liquidity risk - whether IDA has sufficient core liquidity to meet disbursements of approved credits and grants.

(iii) Credit risk - the risk of default by recipient countries and market counterparties.

(iv) Market risk - the exposure to currency and interest rate risks.

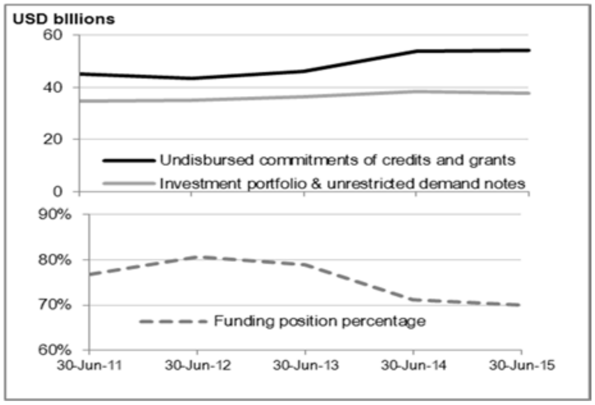
Funding Risk

IDA's capacity to commit to new financing of credits, grants and guarantees at any point in time is defined by the Commitment Authority Framework of the particular replenishment which is effective at that time. See Section 2: Funding and Resource Allocation for further details.

Management monitors IDA's funding position as a key indicator to assess IDA's ability to conduct its operations. Funding risk relates to whether there are sufficient resources (investment portfolio and demand notes) to meet undisbursed commitments of credits and grants.

Further details on IDA's funding risk management, including details of the three tranches which comprise IDA's investment portfolio, together with a description of the General Investment Authorization are provided in Section 5: Investment and Funding Activities.

Figure 10: Funding Position



As of June 30, 2015, the investment portfolio and unrestricted demand notes covered 70% of all undisbursed commitments of development credits and grants, compared with 71% as of June 30, 2014. The gap in funding will be met by future inflows.

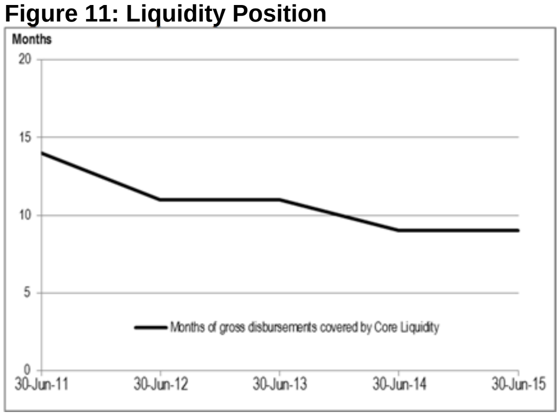
In the last 5 years IDA's funding position has ranged from 70% to 81%.

Liquidity Risk

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

Further details on IDA's liquidity risk management, including details of the three tranches which comprise IDA's investment portfolio, together with a description of the General Investment Authorization, are provided in Section 5: Investment and Funding Activities

Figure 11: Liquidity Position



As of June 30, 2015, core liquidity amounted to $10,164 million (June 30, 2014 - $9,902 million), comprising short-term and medium-term investments. IDA's liquidity position was sufficient to cover approximately 9 months of average monthly gross disbursements based on FY15 volume (9 months in FY14).

In the last 5 years IDA's liquidity position has ranged from 9 to 14 months of average monthly gross disbursements.

Credit Risk

IDA has two types of credit risk: country credit risk and commercial credit risk. Country credit risk is the risk of loss due to a country not meeting its contractual obligations and commercial credit risk is the risk of loss due to a counterparty not honoring its contractual obligations.

Country Credit Risk

Country credit risk is managed by the Development Finance Resource Mobilization Department, which regularly reviews the credit risk of its recipient countries in terms of the country's debt sustaining capacity. These reviews provide an input into the composition of development credits versus grants for new operations. Section 4: Development Activities, Products and Programs describes how funds are allocated for development grants based on a country's risk of debt distress.

Overdue and Non-Performing Development Credits

When a borrower fails to make a payment on any principal, interest or other charges, IDA has the contractual right to suspend disbursements immediately on all credits and grants. IDA's current policy however, is to exercise this right through a graduated approach as summarized in Box 3. These policies also apply to those member countries who are eligible to borrow from both IBRD and IDA, and whose payments on IBRD loans may become overdue. For borrowers with IDA development credits who become overdue in their debt service payments on IBRD loans, IDA also applies the treatment described in Box 3.

As of June 30, 2015, IDA had $130,878 million of development credits outstanding, of which credits in non-accrual status represent 2%. For a summary of countries with development credits or guarantees in nonaccrual status at June 30, 2015, see Notes to Financial Statements–Note F–Development Credits and Other Exposures.

Box 3: Treatment of Overdue Payments

Overdue by 30 days	Where the borrower is the member country, no new development credits or grants to the member country, or to any other borrower in the country, will be presented to the Executive Directors for approval; nor will any previously approved credits 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 credits 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 development credits 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 development credits or grants and signing of previously approved credits or grants, disbursements on all grants or credits to or guaranteed by the member country are suspended until all overdue amounts have been paid. This policy applies even when the borrower is not the member country. Under exceptional circumstances, disbursements could be made to a member country upon approval by the Executive Directors.
Overdue by more than six months	All development credits made to or guaranteed by a member of IDA are placed in nonaccrual status, unless IDA determines that the overdue amount will be collected in the immediate future. Unpaid service charges and other charges not yet paid on development credits outstanding are deducted from the income of the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, a decision is made on the restoration of accrual status on a case-by-case basis; in certain cases that decision may be deferred until after a suitable period of payment performance has passed.

Commercial Credit Risk

In the normal course of its business, IDA utilizes various derivatives to manage its exposure to fluctuations in interest and currency rates. Derivative and foreign exchange transactions also involve credit risk. The effective management of credit risk is vital to the success of IDA's investment and asset/liability management activities. The monitoring and managing of these risks is a continuous process due to changing market environments.

IDA mitigates the counterparty credit risk arising from investments, derivatives and asset/liability management activities through its credit approval process and monitoring procedures. The credit approval process involves evaluating counterparty creditworthiness, assigning credit limits and determining the risk profile of specific transactions. Credit limits are calculated and monitored on the basis of potential exposures taking into consideration current market values and estimates of potential future movements in those values, and collateral agreements with counterparties. If there is a collateral agreement with the counterparty to reduce credit risk, then the amount of collateral obtained is based on the credit rating of the counterparty. Collateral held includes cash and highly liquid investment securities.

For derivative products, IDA uses the estimated replacement cost of the derivative as the measure of credit exposure. While the contractual principal amount of derivatives is the most commonly used volume measure in the derivative markets, it is not a measure of credit or market risk. For all securities, IDA limits trading to a list of authorized dealers and counterparties. With the exception of transactions with IBRD, credit risk is managed through application of eligibility criteria, (see Box 4) volume limits and through the use of mark-to-market collateral arrangements for swap transactions. Under the mark-to-market collateral arrangements, when IDA is in a net receivable position higher than the agreed upon collateral threshold allocated to the counterparty, counterparties are required to post collateral with IDA. During FY15, IDA received cash collateral of $44 million.

With respect to futures and options, IDA generally closes out most open positions prior to expiration. Futures are settled on a daily basis.

Box 4: Eligibility Criteria for IDA's Investment Securities

Instrument Securities	*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, if government obligations are denominated in the national currency of the issuer, no rating is required.
Agencies	IDA may only invest 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 (ABS)	IDA may only invest in securities with a AAA credit rating.
Commercial Paper	IDA may only invest in short-term borrowings (less than 190 days) from commercial banks, corporates and financial institutions.
Time deposits[a]	IDA may only invest in time deposits issued or guaranteed by financial institutions, whose senior debt securities are rated at least A-.

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

IDA's commercial counterparty credit risk exposure is concentrated in investments in debt instruments issued by sovereign governments, agencies, corporate entities and banks, as shown in table 12.

The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 81% of the portfolio rated AA or above as of June 30, 2015, reflecting IDA's continued preference for highly rated securities and counterparties across all categories of financial instruments. Total commercial counterparty credit exposure, net of collateral held, was $31,704 million as of June 30, 2015.

Table 12: Commercial Credit Exposure, Net of Collateral Held, by Counterparty Rating
In millions of U.S. dollars

	At June 30, 2015				*At June 30, 2014*	
Counterparty Rating	*Sovereigns*	*Agencies, ABS, Commercial paper, Swaps, Corporate and Time Deposits*	*Total*	*% of Total*	*Total*	*% of Total*
AAA	$10,906	$4,628	$15,534	49	$16,421	51
AA	6,014	4,153	10,167	32	13,914	43
A	4,929	913	5,842	18	1,699	5
BBB or below	155	6	161	1	227	1
Total	$22,004	$9,700	$31,704	100	$32,261	100

** Denotes less than 0.5%.*

For the contractual value, notional amounts and related credit risk exposure amounts by instrument see the Notes to Financial Statements-Note E- Derivative Instruments.

Market Risk

IDA faces foreign exchange risk with respect to its future partner contributions, which it manages using currency forwards and by rebalancing the currency composition of its investment portfolio, and interest rate risk on its investment portfolio, which is managed by aligning the duration of the investment portfolio with that of the projected net cash requirements. The impact of these strategies is shown on IDA's Statement of Income; however, the economic offset is not reported. Further details on these asymmetries can be seen in Section 7: Reported Basis Results. The analysis below discusses the impact of these activities on IDA's Statement of Income and the corresponding economic offset.

Foreign Exchange Risk

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

IDA uses currency forward contracts to convert partners' encashments provided in national currencies into the four currencies of the SDR basket. These transactions are intermediated by IBRD for efficiency purposes. Under this arrangement, IDA enters into foreign exchange forwards with IBRD, and IBRD simultaneously enters into off-setting foreign exchange forwards with market counterparts. For further details, see Notes to Financial Statements–Note E–Derivative Instruments.

The component currencies of the SDR constitute the functional currencies of IDA, all other currencies are considered non-functional currencies. Any translation adjustments due to exchange rate movements against the U.S. dollar for non-functional currencies and functional currencies are reflected in the Statement of Income and Accumulated Other Comprehensive Income in the Equity section of the Balance Sheet, respectively. For further details, see Notes to Financial Statements – Note A –Summary of Significant Accounting and Related Policies.

The payable leg of the currency forward contracts economically hedging partner pledges are denominated in non-functional currencies. Accordingly, appreciation (depreciation) of these currencies against the U.S. dollar results in exchange rate losses (gains), which are reported in the Statement of Income.

The translation adjustment on future inflows from partners is the economic offset to the translation adjustment on non-functional currencies of currency forward contracts. The translation adjustment gain on non-functional currencies of $912 million in FY15 was due to the depreciation of the non-functional currencies against the U.S. dollar. This was offset by the effect of foreign exchange movements on the economic offset to the currency forward contracts, i.e., the future inflows from partners, which was a loss of $981 million in FY15. In contrast, the translation adjustment loss on non-functional currencies of $51 million in FY14 was due to the appreciation of the majority of the non-functional currencies against the U.S. dollar. This was offset by the effect of foreign exchange movements on the economic offset to the currency forward contracts; i.e., the future inflows from partners, which was a gain of $57 million in FY14. The difference between the reported translation adjustments and the effect of foreign exchange movements on the economic offsets, primarily represent the effect of foreign exchange movements on the partner contributions in non-functional currencies that are not economically hedged through forward contracts due to their relatively small contribution amount or the unpredictability of the expected payment date. These residual partner contributions are hedged using a currency correlation methodology under the overall currency management framework.

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

Interest Rate Risk

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

IDA’s investment portfolio had a duration of approximately three years as of June 30, 2015, and has two components: core liquidity and partner asset and liability management. During FY15, the investment portfolio experienced unrealized mark-to-market gains of $103 million as compared to unrealized mark-to-market gains of $173 million in FY14, as a result of the more pronounced flattening of the yield curves for the major currencies in FY14.

The non-trading portfolios incurred unrealized mark-to-market losses of $179 million during FY15, principally consisting of i) unrealized mark-to-market losses of $160 million on the currency forward contracts during FY15, as compared to unrealized mark-to-market losses of $35 million in FY14, resulting from the more pronounced downward movement of yield curves of the majority of the payable currencies during FY15; and ii) unrealized mark-to-market losses of $19 million during FY15 on investment with IFC, see Section 5: Investment and Funding Activities.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. IDA’s operational risk management framework is built on three key principles: (i) business units are responsible for directly managing operational risks in their respective functional areas, (ii) a dedicated central operational risk team assists business units to anticipate, mitigate, and control operational risk, and (iii) oversight is provided by the operational risk committee and independent control functions.

IDA’s operational risk management framework adopts a structured and uniform approach to identify, assess and monitor key operational risks across business units. A number of tools are used as part of this process including risk assessments, key risk indicators, database of external events and scenario analysis. IDA plans to make use of the operational risk framework to further advance business decision-making.

SECTION 7: REPORTED BASIS RESULTS

As a result of a number of asymmetries arising from the application of U.S. GAAP discussed below, the reported basis results shown in IDA's Statement of Income are limited in their ability to reflect the true economic results of IDA.

Development grants: Development grants are recorded as expenses in the income statement. In contrast, the significant inflows of resources from IDA's partners, which fund these expenses, are recorded as equity through members' subscriptions and contributions and therefore do not flow through the Statement of Income.

Currency forward contracts: As part of its currency risk management strategy, IDA uses currency forward contracts at the start of each replenishment to hedge its exposure to potential changes in the value of partner contributions. The translation adjustment on the non-functional currency forward contracts, together with the related unrealized mark-to-market gains/losses, is reported in the income statement. However, the economic offset represented by the change in value of the related partner contributions are not reported in the Statement of Income, since partner contributions, future non-contractually binding cash flows, do not meet the definition of assets.

Investment Income: The investment portfolio is primarily managed whereby its duration is aligned with the average duration of the future net cash outflows. Accordingly, it has a relatively long duration and is sensitive to interest rate movements. An asymmetry arises due to the fact that the significant unrealized mark-to-market gains or losses are reported in the Statement of Income; however, the economic offset, represented by the change in the present value of the associated future net cash outflows is not reported in IDA's financial statements.

Administrative expenses: IDA's administrative expenses are expected to be covered by service and interest charge income and the partner compensation for forgone charges on cancelled credits under the HIPC Debt Initiative and MDRI, and for development grants provided. The asymmetry arises due to the fact that under the reported basis, IDA's administrative expenses and service and interest charge income are included in the Statement of Income. However, the additional contributions for forgone charges are recorded as equity, as they are received as members' subscriptions and contributions.

The Statement of Activities addresses the asymmetries associated with the development grants and administrative expenses, see Section 3: Results for FY15. The asymmetry related to the currency forward contracts and the economic offset is shown in Section 6: Risk Management.

Condensed Statement of Income Analysis

Table 13: Condensed Statement of Income provides a comparison of the main sources of income and expenses between FY15 and FY14. The net loss of $731 million in FY15 is an $881 million improvement over the net loss of $1,612 million in FY14. The primary factors contributing to the $881 million improvement are detailed below:

Table 13: Condensed Statement of Income for the Fiscal Years Ended June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	FY15	*FY14*	*Variance*
Revenue			
Development credits and guarantees	$1,068	$ 1,015	$ 53
Investments, net	514	631	(117)
Transfers and grants from affiliated organizations and others	993	881	112
Other (see Table 14)	574	635	(61)
Expenses			
Administrative expenses (see Table 14)	(1,868)	(2,004)	136
Development grants	(2,319)	(2,645)	326
Borrowings	(41)	-	(41)
Provision for debt relief and losses on credits and other exposures, net	(370)	(39)	(331)
Non-functional currency translation adjustment (gains) losses, net	912	(51)	963
Unrealized mark-to-market losses on non-trading portfolios, net	(179)	(35)	(144)
Discount on prepaid development credits	(2)	-	(2)
Project preparation advances (PPA) grants and other expenses	(13)	-	(13)
Net Loss	$ (731)	$(1,612)	$881

Table 14: Net Administrative Expenses provides a comparison of the main sources of Administrative expenses and Other income and between FY15 and FY14.

Table 14: Net Administrative Expenses for the Fiscal Years Ended June 30, 2015 and June 30, 2014
Expressed in millions of U.S. dollars

	FY15	*FY14*	*Variance*
Administrative expenses:			
Staff costs	$ 799	$ 847	$ (48)
Operational travel	158	172	(14)
Consultant fees	320	317	3
Pension and other post-retirement benefits	257	296	(39)
Communications and IT	53	53	-
Contractual services	142	154	(12)
Equipment and buildings	134	136	(2)
Other expenses	5	29	(24)
Total administrative expenses	$1,868	$2,004	$ (136)
Revenue from externally funded activities:			
Reimbursable advisory services	$ (47)	$ (46)	$ (1)
Reimbursable revenue - IDA executed trust funds	(326)	(354)	28
Revenue – trust funds administration	(45)	(65)	20
Restricted revenue	(21)	(27)	6
Other revenue	(135)	(143)	8
Total revenue	$ (574)	$ (635)	$ 61
Total Net Administrative Expenses	$1,294	$1,369	$ (75)

Translation adjustment on the non-functional currencies*:* The translation adjustment gain on non-functional currencies of $912 million in FY15 was due to the depreciation of the non-functional currencies against the U.S. dollar. The majority of these translation adjustments arise out of the payable leg of currency forwards used to hedge the SDR value of partner commitments. In contrast in FY14, the translation adjustment loss of $51 million was due to the appreciation of majority of the non-functional currencies against the U.S. dollar.

Development grants: In FY15, the development grants expenditure amounted to $2,319 million, a decrease of $326 million (12%) over FY14. Major grant approvals during the year were primarily related to the African region which constituted 77% of the total development grant approvals in FY15.

Administrative expenses: Administrative expenses in FY15 were lower by 136 million when compared to FY14, primarily due to the decline in administrative costs directly attributable to IDA.

The above were partially offset by:

Provision for debt relief and losses on credits and other exposures, net: During FY15, there was a charge of $370 million as compared to a charge of $39 million during FY14. The $331 million increase in provisioning in FY15 was primarily due to a change in the value of the inputs used in the provisioning methodology, following the outcome of the annual review of the assumptions performed by Management.

Investment revenue, net: The $117 million decrease was primarily due to lower unrealized mark-to-market gains experienced in FY15, as compared to FY14. During FY15, IDA's investment revenue included $103 million of net unrealized gains as compared to $173 million of unrealized gains in FY14, resulting from the more pronounced downward shift of yield curves experienced during FY14. IDA's investment portfolio is sensitive to interest rate movements as a result of having a longer duration to help it immunize interest rate risk. The duration of the portfolio was approximately three years as of June 30, 2015.

Unrealized mark-to-market losses on non-trading portfolios: The negative fair value adjustment of $179 million in FY15 was primarily due to the effect of the downward shift in the yield curve of the currencies constituting the payable leg of the currency forward contracts used to hedge partner commitments of IDA17 and prior replenishments. In FY14, the effect of the downward shift in the euro yield curve resulted in a lower negative fair value adjustment of $35 million.

SECTION 8: CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Note A of IDA's financial statements contains a summary of IDA's significant accounting policies. These policies, as well as significant estimates made by management, are integral to the presentation of IDA's financial position. While all of these policies require a certain level of management judgment and estimates, this section discusses the significant accounting policies that require management to make judgments that are difficult, complex or subjective and relate to matters that are inherently uncertain.

Fair Value of Financial Instruments

All fair value adjustments are recognized through the income statement. The fair values of financial instruments are based on a three level hierarchy.

For financial instruments classified as Level 1 and 2, inputs are based on observable market data and less judgment is applied in arriving at a fair value measurement. For financial instruments classified as Level 3, significant unobservable inputs are used. These inputs require management to make significant assumptions and judgments in arriving at a fair value measurement.

Derivative contracts include currency forward contracts, swaptions, plain vanilla swaps, and structured swaps, and are valued using the standard discounted cash flow methods using market observable 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.

All of IDA's financial instruments are classified as Level 1 and Level 2 as of June 30, 2015, 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 Development Credits and Other Exposures

IDA's accumulated provision for losses on credits and other exposures reflects the probable 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 development credits. The provision required is a function of the expected default frequency and the assumed severity of the loss given default for each of the borrowers.

The expected default frequency is based on the borrower's assigned risk rating. The determination of a borrower's risk rating is based on a quantitative framework which relies primarily on considerations of 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 other vulnerabilities. IDA periodically reassesses the adequacy of the accumulated provision for losses on credits and other exposures.

Adjustments to the accumulated provision are recorded as a charge or a release of provision in the Statement of Income. Actual losses may differ from expected losses due to unforeseen changes in any of the factors that affect borrowers' creditworthiness.

Additional information on IDA's provisioning policy and the status of nonaccrual loans can be found in the Notes to Financial Statements-Note A-Summary of Significant Accounting and Related Policies and Note F-Development Credits and Other Exposures.

Provision for HIPC Debt Initiative and MDRI

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of Decision and Completion Point dates. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI. Adjustments to the accumulated provision are recorded as a charge against or addition to income.

Provision for Losses on Buy-Down of Development Credits

The provision for losses on the buy-down of development credits is equivalent to the difference between the carrying amount of the development credits to be bought down and the estimated amount to be received, when all performance goals as well as conditions necessary to effect the buy-down have been completed. The estimated amount to be received is based on quantitative factors including the discount rate.

SECTION 9: GOVERNANCE, TRANSPARENCY, ACCOUNTABILITY AND INTERNAL CONTROLS

General Governance

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

Board Membership

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 173 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 has established several committees, including:

- Audit Committee
- Budget Committee
- Committee on Development Effectiveness
- Committee on Governance and Executive Directors' Administrative Matters
- Ethics Committee
- Human Resources Committee

The Board and its committees function in continuous session at the principal offices of IDA in Washington DC, as business requires. Each committee's terms of reference establishes 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 Board is required to consider proposals made by the President on IDA credits, 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.

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 Internal Audit Department.
- Adequacy and effectiveness of financial and accounting policies and internal controls and the mechanisms to deter, prevent and penalize fraud and corruption in 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 in executive session at any time, without Management's presence. The 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. The Audit Committee 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.

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 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.

Auditor Independence

The appointment of the external auditor for IDA is governed by a set of Board-approved principles. Key features of these principles include:

- Prohibition of the external auditor from the provision of all non-audit-related services.
- All audit-related services must be pre-approved on a case-by-case basis by the Board, upon recommendation of the Audit Committee.
- Mandatory rebidding of the external audit contract every five years, with a limitation of two consecutive terms and mandatory rotation thereafter, provided however that the Committee may exceptionally recommend that circumstances are such that the incumbent audit firm should be allowed to participate in the re-bidding.

The external auditor is appointed to a five year term of service. This is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Executive Directors. In FY14, KPMG LLP began a second five-year term as IDA's external auditor.

Communication between the external auditor and the Audit Committee is ongoing, as frequently as deemed necessary by either party. The Audit Committee meets periodically with the external auditor and individual members of the Audit Committee have independent access to the external auditor. IDA's external auditors follow the communication requirements with audit committees set out under U.S. generally accepted auditing and attestation standards and International Standards on Auditing.

Internal Controls

Internal Control over Financial Reporting

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued its updated "Internal Control - Integrated Framework (2013)". The 2013 framework, which provides guidance for designing, implementing and conducting internal control and assessing its effectiveness, updates the original COSO framework, which was published in 1992. IDA used the 2013 COSO framework to assess the effectiveness of the internal control over financial reporting as of June 30, 2015.

Concurrently, IDA's external auditor provides a report attesting as to whether Management's assertion statement regarding the effectiveness of internal control over external financial reporting is fairly stated in all material respects. See "Management's report on internal control over external financial reporting" on page [37].

For each fiscal year, Management evaluates the quality of internal controls over external 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 external financial reporting. These controls were determined to be effective, as of June 30, 2015.

Disclosure Control and Procedures

Disclosure control 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, 2015.

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 on the basis of limited creditworthiness. 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 Board of Executive Directors

Commitment Authority: Total value of resources available during a particular **replenishment** including partner contributions, 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.

Committee of Sponsoring Organizations of the Treadway Commission (COSO): Committee of Sponsoring Organizations of the Treadway Commission. COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the causal factors that can lead to fraudulent financial reporting. In 1992, COSO issued its Internal Control-Integrated Framework, which provided a common definition of internal control and guidance on judging its effectiveness.

Consultative Loss Limit: Reflects a level of IDA tolerance for risk of underperforming the benchmark in any fiscal year.

Decision Point: Decision by the Executive Directors of IDA to provide debt relief under the HIPC Initiative.

Development Committee: The Development Committee is a forum of the World Bank Group and the International Monetary Fund that facilitates intergovernmental consensus building on development issues.

Duration: Duration provides an indication of the interest rate sensitivity of a fixed income security to changes in its underlying yield.

Encashment: Draw down (payment in cash) of a promissory note in accordance with a schedule agreed for each replenishment.

Graduate Member: A member country that was once only 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.

Membership votes*:* Voting rights accorded to IDA members and are based on participation in the initial subscription and subsequent replenishments. All members whether they are **Part I** or **Part II** have the same number of membership votes.

Net Disbursements: Development Credit and development grant disbursements net of repayments and prepayments.

Part I and Part II Members: IDA's Articles distinguish between two categories of original members - Part I and Part II - and provide for a different treatment of the initial subscription payments by each group. Part I members were originally those countries, typically developed countries that contribute to the resources of IDA, and whose economic and financial situation justified making the entire amount of their subscriptions available on a freely convertible basis. Part II members are mostly developing countries who subscribe to IDA replenishments for **voting rights**. Some Part II members also contribute to the resources of IDA.

Replenishment: The process of periodic 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 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.

Subscription votes*:* Voting rights accorded to IDA members are based on subscriptions. Subscription votes are calculated at a specific cost per vote for each replenishment and are dependent on each member's subscription amount. Additional subscription votes are provided to members who contribute to the replenishment.

Voting Rights: IDA's voting rights consist of a combination of membership and subscription votes.

World Bank: Refers to IBRD and IDA in this document.

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International Development Association
Financial Statements and Internal Control Reports
June 30, 2015

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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 External Financial Reporting

August 6, 2015

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 attestation of its internal control over external financial reporting was valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external 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 external financial reporting, which is subject to scrutiny by management and the internal auditors, and is revised as considered necessary, 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 external financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2015. This assessment was based on the criteria for effective internal control over external 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 external financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2015. The independent audit firm that audited the financial statements has issued an attestation report on management's assertion on IDA's internal control over external 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 external financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

Jim Yong Kim
President

Bertrand Badré
Managing Director and World Bank Group Chief Financial Officer

Bernard Lauwers
Vice President and World Bank Group Controller

Independent Auditors' Report on Management's Assertion Regarding Effectiveness of Internal Control Over Financial Reporting

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Executive Directors
International Development Association:

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the International Development Association (IDA) maintained effective internal control over financial reporting as of June 30, 2015, based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IDA's management is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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 evaluation 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.

In our opinion, management's assertion that IDA maintained effective internal control over financial reporting as of June 30, 2015 is fairly stated, in all material respects, based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing, the accompanying financial statements of IDA, which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of income, comprehensive income, changes in accumulated deficit and cash flows for each of the years in the three-year period ended June 30, 2015, and our report dated August 6, 2015 expressed an unqualified opinion on those financial statements.

KPMG LLP

Washington, D.C.
August 6, 2015

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

President and Executive Directors
International Development Association:

Report on the Financial Statements

We have audited the accompanying financial statements of the International Development Association (IDA), which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of income, comprehensive income, changes in accumulated deficit and cash flows for each of the years in the three-year period ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IDA as of June 30, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summary statement of development credits and the statement of voting power and subscriptions and contributions as of June 30, 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that IDA maintained effective internal control over financial reporting as of June 30, 2015, based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 6, 2015 expressed an unqualified opinion on management's assertion.

KPMG LLP

Washington, D.C.
August 6, 2015

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2015

BALANCE SHEET

June 30, 2015 and June 30, 2014

Expressed in millions of U.S. dollars

	2015	2014
Assets		
Due from Banks		
Unrestricted cash — *Note C*	$ 328	$ 120
Restricted cash	28	30
	356	150
Investments (including securities transferred under repurchase or securities lending agreements of $4,013 million—June 30, 2015; $4,514 million—June 30, 2014)—Notes C and G	32,574	32,209
Securities Purchased Under Resale Agreements—Note C	599	1,953
Derivative Assets		
Investments—*Notes C and E*	6,619	2,719
Asset-liability management—*Notes E and G*	8,914	12,102
	15,533	14,821
Receivable from Affiliated Organization—Note G	863	877
Other Receivables		
Receivable from investment securities traded—*Note C*	1,142	552
Accrued service and commitment charges	292	280
	1,434	832
Development Credits Outstanding (Summary Statement of Development Credits, Notes F and L)		
Development credits	178,166	182,855
Less: Undisbursed balance	47,288	46,844
Development credits outstanding	130,878	136,011
Less: Accumulated provision for debt relief and losses on development credits	4,144	4,027
Plus: Deferred development credits origination costs	26	26
Net development credits outstanding	126,760	132,010
Other Assets—Notes H	566	593
Total Assets	$ 178,685	$ 183,445

	2015	2014
Liabilities		
Borrowings—Note D	$ 2,150	$ -
Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received—Note C	4,904	5,012
Derivative Liabilities		
Investments—*Notes C and E*	6,507	2,785
Asset-liability management—*Notes E and G*	8,963	12,222
	15,470	15,007
Payable for Development Grants—Note I	6,637	6,983
Payable to Affiliated Organization—Note G	396	440
Other Liabilities		
Payable for investment securities purchased —*Note C*	1,345	1,451
Accounts payable and miscellaneous liabilities—*Notes F and H*	634	803
	1,979	2,254
Total Liabilities	31,536	29,696
Equity		
Members' Subscriptions and Contributions (Statement of Voting Power and Subscriptions and Contributions, and Note B)		
Unrestricted	244,368	225,474
Restricted	326	326
Subscriptions and contributions committed	244,694	225,800
Less:		
Subscriptions and contributions receivable	40,533	29,049
Cumulative discounts/acceleration credits on subscriptions and contributions	3,116	3,004
Subscriptions and contributions paid-in	201,045	193,747
Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and Contributions		
Unrestricted	(9,329)	(10,035)
Restricted	(49)	(54)
	(9,378)	(10,089)
Deferred Amounts to Maintain Value of Currency Holdings	(242)	(236)
Accumulated Deficit (Statement of Changes in Accumulated Deficit)	(43,401)	(42,670)
Accumulated Other Comprehensive Income—Note J	(875)	12,997
Total Equity	147,149	153,749
Total Liabilities and Equity	$ 178,685	$ 183,445

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

STATEMENT OF INCOME

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2015	*2014*	*2013*
Revenue			
Development credits and guarantees—Note F			
Service and interest charges	$ 1,065	$ 1,012	$ 1,019
Guarantee fee revenue	3	3	2
	1,068	1,015	1,021
Investments, net—Notes C, E and G	522	634	105
Transfers and grants from affiliated organizations and others —Notes G and H	993	881	964
Other—Notes G and H	574	635	566
Total Revenue	3,157	3,165	2,656
Expenses			
Administrative expenses—Notes G, H and K	1,868	2,004	1,936
Development grants—Note I	2,319	2,645	2,380
Borrowings—Notes C and D	49	3	6
Provision for debt relief and for losses on development credits and other exposures, net charge (release)—Note F	370	39	(53)
Non-functional currency translation adjustment (gains) losses, net	(912)	51	(1)
Discount on prepaid development credits—Note F	2	-	12
Write-off on buy-down of development credits—Note F	-	-	26
Unrealized mark-to-market losses on non-trading portfolios, net —Notes C, E and L	179	35	102
Project Preparation Advances (PPA) grants and other Expenses	13	-	-
Total Expenses	3,888	4,777	4,408
Net Loss	$ (731)	$ (1,612)	$ (1,752)

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

STATEMENT OF COMPREHENSVE INCOME

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2015	*2014*	*2013*
Net Loss	$ (731)	$ (1,612)	$ (1,752)
Other Comprehensive (Loss) Income—Note J			
Currency translation adjustments on functional Currencies	(13,872)	3,739	(919)
Comprehensive (Loss) Income	$ (14,603)	$ 2,127	$ (2,671)

STATEMENT OF CHANGES IN ACCUMULATED DEFICIT

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2015	*2014*	*2013*
Accumulated Deficit at beginning of the fiscal year	$ (42,670)	$ (41,058)	$ (39,306)
Net loss for the year	(731)	(1,612)	(1,752)
Accumulated Deficit at end of the fiscal year	$ (43,401)	$ (42,670)	$ (41,058)

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

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2015	*2014*	*2013*
Cash flows from investing activities			
Development credits			
Disbursements	$ (10,860)	$ (11,168)	$ (9,161)
Principal repayments	4,057	3,462	3,524
Principal prepayments	28	-	298
Proceeds from buy-down of development credits	-	92	23
Non-trading securities—Investments			
Purchases	(1,179)	-	-
Repayments	25	-	-
Net cash used in investing activities	(7,929)	(7,614)	(5,316)
Cash flows from financing activities			
Members' subscriptions and contributions	8,004	8,161	8,585
Borrowings	2,145	-	-
Net cash provided by financing activities	10,149	8,161	8,585
Cash flows from operating activities			
Net loss	(731)	(1,612)	(1,752)
Adjustments to reconcile net loss to net cash used in operating activities			
Provision for debt relief and for losses on development credits and other exposures, net—charge (release)	370	39	(53)
Non-functional currency translation adjustment (gains) losses, net	(912)	51	(1)
Discount on prepaid development credits	2	-	12
Write off on buy-down of development credits	-	-	26
Unrealized mark-to-market losses on non-trading portfolios, net	179	35	102
PPA grants and other expenses	13	-	-
Amortization of discount on Borrowings	8	-	-
Changes in:			
Investments — Trading, net	(1,924)	(1,155)	(309)
Net investment securities traded/purchased	(724)	1,193	(990)
Net derivatives — Investments	227	(47)	(38)
Net derivatives — Asset-liability management	140	88	(85)
Net securities purchased/sold under resale/repurchase agreements and payable for cash collateral received	1,303	(139)	(159)
Net receivable from affiliated organizations	(36)	45	149
Payable for development grants	279	372	326
Accrued service and commitment charges	(38)	(26)	(17)
Other assets	8	(132)	(77)
Accounts payable and miscellaneous liabilities	(151)	288	74
Net cash used in operating activities	(1,987)	(1,000)	(2,792)
Effect of exchange rate changes on unrestricted cash	(25)	8	10
Net increase (decrease) in unrestricted cash	208	(445)	487
Unrestricted cash at beginning of the fiscal year	120	565	78
Unrestricted cash at end of the fiscal year	$ 328	$ 120	$ 565

STATEMENT OF CASH FLOWS

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013

Expressed in millions of U.S. dollars

	2015	*2014*	*2013*
Supplemental disclosure			
(Decrease) increase in ending balances resulting from exchange rate fluctuations:			
Development credits outstanding	$ (11,891)	$ 3,351	$ (1,067)
Investment portfolio	(2,292)	668	(389)
Derivatives — Asset-liability management	372	(62)	468
Borrowings	(3)	-	-
Principal repayments written off under Heavily Indebted Poor Countries (HIPC) Debt Initiative	(14)	(7)	(5)
Development credits written off under Multilateral Debt Relief Initiative (MDRI)	-	-	(2,647)
Development credits prepaid — carrying value	30	-	310
Buy-down of development credits — carrying value	-	174	49
Interest paid on borrowings	21	-	-

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

SUMMARY STATEMENT OF DEVELOPMENT CREDITS
June 30, 2015

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits[a]*	*Development credits outstanding*	*Percentage of development credits Outstanding[c]*
Afghanistan	$ 379	$ -	$ 379	0.29 %
Albania	790	12	778	0.59
Angola	707	219	488	0.37
Armenia	1,238	80	1,158	0.89
Azerbaijan	635	91	544	0.42
Bangladesh	16,707	5,218	11,489	8.78
Benin	916	271	645	0.49
Bhutan	208	43	165	0.13
Bolivia	862	260	602	0.46
Bosnia and Herzegovina	1,279	193	1,086	0.83
Botswana	2	-	2	*
Burkina Faso	1,368	426	942	0.72
Burundi	154	-	154	0.12
Cabo Verde, Republic of	329	20	309	0.24
Cambodia	561	5	556	0.43
Cameroon	1,371	594	777	0.59
Central African Republic	169	112	57	0.04
Chad	736	20	716	0.55
China	4,375	-	4,375	3.34
Comoros	14	-	14	0.01
Congo, Democratic Republic of	1,123	264	859	0.66
Congo, Republic of	171	64	107	0.08
Côte d'Ivoire	474	233	241	0.18
Djibouti	153	21	132	0.10
Dominica	40	15	25	0.02
Dominican Republic	4	-	4	*
Ecuador	5	-	5	*
Egypt, Arab Republic of	984	-	984	0.75
El Salvador	5	-	5	*
Equatorial Guinea	31	-	31	0.02
Eritrea	439	-	439	0.34
Ethiopia	8,025	3,510	4,515	3.45
Gambia, The	112	56	56	0.04
Georgia	1,321	84	1,237	0.95
Ghana	4,066	1,005	3,061	2.34
Grenada	82	15	67	0.05
Guinea	275	85	190	0.15
Guinea-Bissau	152	100	52	0.04
Guyana	41	23	18	0.01
Honduras	1,040	119	921	0.70
India	32,060	7,212	24,848	18.99
Indonesia	1,753	5	1,748	1.34
Iraq	411	82	329	0.25
Jordan	21	-	21	0.02
Kenya	7,603	3,335	4,268	3.26
Kosovo	95	68	27	0.02
Kyrgyz Republic	790	137	653	0.50
Lao People's Democratic Republic	640	111	529	0.40
Lesotho	334	52	282	0.22
Liberia	475	328	147	0.11
Macedonia, former Yugoslav Republic of	288	-	288	0.22
Madagascar	1,531	180	1,351	1.03
Malawi	905	372	533	0.41
Maldives	95	-	95	0.07
Mali	1,737	451	1,286	0.98
Mauritania	468	96	372	0.28

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits*[a]	*Development credits outstanding*	*Percentage of development credits Outstanding*[c]
Mauritius	$ 5	$ -	$ 5	*%
Moldova	638	114	524	0.40
Mongolia	552	114	438	0.34
Montenegro	69	-	69	0.05
Morocco	7	-	7	0.01
Mozambique	3,109	764	2,345	1.79
Myanmar	1,706	911	795	0.61
Nepal	2,475	929	1,546	1.18
Nicaragua	612	87	525	0.40
Niger	1,173	576	597	0.46
Nigeria	10,159	4,032	6,127	4.68
Pakistan	14,590	2,259	12,331	9.42
Papua New Guinea	378	206	172	0.13
Paraguay	8	-	8	0.01
Philippines	120	-	120	0.09
Rwanda	1,053	365	688	0.53
Samoa	105	8	97	0.07
São Tomé and Príncipe	13	-	13	0.01
Senegal	2,199	670	1,529	1.17
Serbia	553	-	553	0.42
Sierra Leone	290	55	235	0.18
Solomon Islands	52	18	34	0.03
Somalia	416	-	416	0.32
South Sudan	157	143	14	0.01
Sri Lanka	3,523	776	2,747	2.10
St. Kitts and Nevis	1	-	1	*
St. Lucia	113	41	72	0.06
St. Vincent and the Grenadines	71	43	28	0.02
Sudan	1,215	-	1,215	0.93
Swaziland	1	-	1	*
Syrian Arab Republic	14	-	14	0.01
Tajikistan	393	69	324	0.25
Tanzania	7,228	1,969	5,259	4.02
Timor-Leste	25	19	6	0.01
Togo	73	44	29	0.02
Tonga	39	14	25	0.02
Tunisia	9	-	9	0.01
Turkey	19	-	19	0.02
Uganda	4,156	1,705	2,451	1.87
Uzbekistan	1,290	931	359	0.27
Vanuatu	69	61	8	0.01
Vietnam	15,161	4,175	10,986	8.39
Yemen, Republic of	1,861	26	1,835	1.40
Zambia	1,251	566	685	0.52
Zimbabwe	468	-	468	0.36
Subtotal – Members[c]	177,968	47,277	130,691	99.86

SUMMARY STATEMENT OF DEVELOPMENT CREDITS

June 30, 2015

Expressed in millions of U.S. dollars

Borrower or guarantor	*Total development credits*	*Undisbursed development credits*[a]	*Development credits outstanding*	*Percentage of development credits Outstanding*[c]
African Trade Insurance Agency[b]	$ 10	$ -	$ 10	0.01 %
Bank Of The States Of Central Africa[b]	44	11	33	0.03
Caribbean Development Bank[b]	16	-	16	0.01
West African Development Bank[b]	128	-	128	0.10
Subtotal— Regional development banks	198	11	187	0.14
Total—June 30, 2015[c]	$ 178,166	$ 47,288	$ 130,878	100.00 %
Total—June 30, 2014	$ 182,855	$ 46,844	$ 136,011	

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

NOTES

a. Of the undisbursed balance at June 30, 2015, IDA has entered into irrevocable commitments to disburse $364 million ($543 million —June 30, 2014).

b. These development credits to these regional development banks and agencies are for the benefit of members of IDA or territories of members of IDA.

c. 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, 2015

Expressed in millions of U.S. dollars

Member[a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*[b]
Part I Members			
Australia	312,566	1.24 %	$ 4,533.41
Austria	207,122	0.82	2,922.96
Belgium	275,958	1.10	4,468.75
Canada	659,785	2.63	11,190.18
Denmark	232,492	0.93	3,602.21
Estonia	48,117	0.19	12.87
Finland	159,872	0.64	1,925.20
France	960,668	3.82	17,264.28
Germany	1,371,924	5.46	25,611.35
Greece	53,146	0.21	195.78
Iceland	58,871	0.23	68.49
Ireland	93,310	0.37	709.24
Italy	573,858	2.28	9,255.25
Japan	2,123,311	8.45	43,158.01
Kuwait	111,474	0.44	999.08
Latvia	54,720	0.22	12.83
Lithuania	48,064	0.19	10.89
Luxembourg	63,411	0.25	273.30
Netherlands	491,112	1.96	8,750.73
New Zealand	72,086	0.29	345.73
Norway	259,974	1.03	3,900.20
Portugal	55,993	0.22	276.23
Russian Federation	82,896	0.33	752.50
Slovenia	56,628	0.23	39.53
South Africa	69,690	0.28	226.81
Spain	206,661	0.82	3,086.46
Sweden	495,401	1.97	8,002.54
Switzerland	284,044	1.13	5,062.20
United Arab Emirates	1,367	0.01	5.58
United Kingdom	1,517,718	6.04	29,915.50
United States	2,630,631	10.47	50,415.04
Subtotal Part I Members[b]	13,632,870	54.27 %	$ 236,993.13
Part II Members			
Afghanistan	54,983	0.22 %	$ 1.48
Albania	58,180	0.23	0.35
Algeria	96,693	0.38	5.53
Angola	153,438	0.61	8.92
Argentina	134,439	0.54	69.71
Armenia	54,615	0.22	0.67
Azerbaijan	65,915	0.26	1.16
Bahamas, The	58,766	0.23	8.54
Bangladesh	138,893	0.55	8.08
Barbados	59,098	0.24	2.36
Belize	19,834	0.08	0.27
Benin	60,511	0.24	0.77
Bhutan	43,467	0.17	0.07
Bolivia, Plurinational State of	71,089	0.28	1.63
Bosnia and Herzegovina	51,994	0.21	2.48
Botswana	51,149	0.20	1.63
Brazil	395,580	1.57	868.38
Burkina Faso	60,510	0.24	0.78
Burundi	52,038	0.21	1.09
Cabo Verde, Republic of	43,840	0.17	0.13
Cambodia	66,849	0.27	1.58
Cameroon	60,782	0.24	1.61
Central African Republic	48,910	0.19	0.77
Chad	48,910	0.19	0.77
Chile	58,505	0.23	39.12
China	532,536	2.12	536.55
Colombia	92,384	0.37	24.92
Comoros	43,840	0.17	0.13
Congo, Democratic Republic of	79,399	0.32	0.73
Congo, Republic of	48,910	0.19	4.59

Expressed in millions of U.S. dollars

Member[a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*[b]
Costa Rica	24,489	0.10 %	$ 0.27
Côte d'Ivoire	62,550	0.25	1.53
Croatia	73,491	0.29	5.81
Cyprus	64,553	0.26	18.91
Czech Republic	113,190	0.45	120.43
Djibouti	44,816	0.18	0.26
Dominica	55,440	0.22	0.14
Dominican Republic	27,780	0.11	0.58
Ecuador	50,151	0.20	0.94
Egypt, Arab Republic of	108,081	0.43	11.27
El Salvador	46,464	0.18	0.49
Equatorial Guinea	6,167	0.02	0.41
Eritrea	43,969	0.18	0.14
Ethiopia	48,923	0.19	0.71
Fiji	19,462	0.08	0.76
Gabon	2,093	0.01	0.63
Gambia, The	51,908	0.21	0.42
Georgia	58,401	0.23	0.99
Ghana	77,136	0.31	3.07
Grenada	26,427	0.11	0.13
Guatemala	37,396	0.15	0.55
Guinea	33,987	0.14	1.31
Guinea-Bissau	44,500	0.18	0.22
Guyana	60,035	0.24	1.21
Haiti	52,038	0.21	1.11
Honduras	52,855	0.21	0.43
Hungary	175,434	0.70	133.27
India	743,566	2.96	259.78
Indonesia	203,606	0.81	17.32
Iran, Islamic Republic of	113,182	0.45	24.26
Iraq	59,301	0.24	1.08
Israel	67,473	0.27	70.28
Jordan	24,865	0.10	0.41
Kazakhstan	20,383	0.08	8.35
Kenya	72,127	0.29	2.40
Kiribati	43,592	0.17	0.10
Korea, Republic of	210,524	0.84	1,965.43
Kosovo, Republic of	48,357	0.19	0.84
Kyrgyz Republic	54,311	0.22	0.56
Lao People's Democratic Republic	48,910	0.19	0.73
Lebanon	8,562	0.03	0.56
Lesotho	50,932	0.20	0.23
Liberia	52,038	0.21	1.12
Libya	44,771	0.18	1.41
Macedonia, former Yugoslav Republic of	46,885	0.19	1.09
Madagascar	60,782	0.24	1.38
Malawi	52,038	0.21	0.98
Malaysia	91,778	0.37	32.87
Maldives	55,016	0.22	0.05
Mali	59,145	0.24	1.34
Marshall Islands	4,902	0.02	0.01
Mauritania	48,910	0.19	0.77
Mauritius	68,113	0.27	1.33
Mexico	142,236	0.57	168.34
Micronesia, Federated States of	18,424	0.07	0.03
Moldova	56,582	0.23	0.88
Mongolia	45,667	0.18	0.31
Montenegro	52,896	0.21	0.74
Morocco	98,017	0.39	5.46
Mozambique	59,370	0.24	2.04
Myanmar	76,958	0.31	2.54
Nepal	54,710	0.22	0.73
Nicaragua	46,457	0.18	0.42
Niger	48,910	0.19	0.75
Nigeria	95,536	0.38	4.64

STATEMENT OF VOTING POWER AND SUBSCRIPTIONS AND CONTRIBUTIONS
June 30, 2015

Expressed in millions of U.S. dollars

Member[a]	*Number of votes*	*Percentage of total votes*	*Subscriptions and contributions committed*[b]
Oman	52,997	0.21 %	$ 1.41
Pakistan	218,506	0.87	26.52
Palau	3,804	0.02	0.03
Panama	10,185	0.04	0.03
Papua New Guinea	63,134	0.25	1.30
Paraguay	29,968	0.12	0.42
Peru	83,437	0.33	18.07
Philippines	134,587	0.54	23.86
Poland	499,534	1.99	107.17
Romania	94,036	0.37	5.24
Rwanda	52,038	0.21	1.13
St. Kitts and Nevis	13,778	0.05	0.17
St. Lucia	30,532	0.12	0.23
St. Vincent and the Grenadines	46,546	0.19	0.12
Samoa	43,901	0.17	0.14
São Tomé and Principe	49,519	0.20	0.12
Saudi Arabia	813,491	3.24	2,634.57
Senegal	68,943	0.27	2.60
Serbia	79,477	0.32	7.04
Sierra Leone	63,638	0.25	1.09
Singapore	25,551	0.10	109.73
Slovak Republic	83,216	0.33	28.16
Solomon Islands	43,901	0.17	0.13
Somalia	10,506	0.04	0.95
South Sudan	52,447	0.21	0.56
Sri Lanka	96,296	0.38	4.46
Sudan	60,782	0.24	1.54
Swaziland	19,022	0.08	0.41
Syrian Arab Republic	11,027	0.04	1.19
Tajikistan	53,918	0.21	0.54
Tanzania	68,943	0.27	2.34
Thailand	98,596	0.39	9.23
Timor-Leste	45,123	0.18	0.44
Togo	57,838	0.23	1.17
Tonga	49,514	0.20	0.11
Trinidad and Tobago	75,722	0.30	2.13
Tunisia	2,793	0.01	1.89
Turkey	151,314	0.60	195.03
Tuvalu	6,338	0.03	0.02
Uganda	47,092	0.19	2.30
Ukraine	115,569	0.46	8.09
Uzbekistan	73,936	0.29	1.98
Vanuatu	50,952	0.20	0.31
Vietnam	61,168	0.24	2.23
Yemen, Republic of	68,976	0.27	2.23
Zambia	81,227	0.32	3.67
Zimbabwe	105,982	0.42	6.41
Subtotal Part II Members[b]	11,487,425	45.73 %	$ 7,700.86
Total—June 30, 2015[b]	25,120,295	100.00 %	$ 244,694
Total—June 30, 2014	23,804,709		$ 225,800

* *Indicates less than 0.005 percent.*

NOTES

a. See Notes to Financial Statements—Note A for an explanation of the two categories of membership.
b. May differ from the calculated amounts or sum of individual figures shown due to rounding.

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

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 financing in the form of grants, development credits 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. 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. IFC's purpose is to encourage the growth of productive private enterprises in its member countries through loans and equity investments in such enterprises without a member's guarantee. MIGA's purpose is to encourage the flow of investments for productive purposes between member countries and, in particular, to developing member countries by providing guarantees against noncommercial risks for foreign investment in its developing member countries.

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 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 disclosure 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 development credits and other exposures (irrevocable commitments, guarantees and repaying project preparation facilities).

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

On August [6], 2015, the Executive Directors approved these financial statements for issue, which was also the date through which IDA's Management evaluated subsequent events.

Translation of Currencies

IDA's financial statements are expressed in terms of U.S. dollars for the purpose of summarizing its financial position and the results of its operations for the convenience of its members and other users.

IDA conducts its operations in Special Drawing Rights (SDR) and its component currencies of U.S. dollar, euro, Japanese yen and pound sterling. These constitute the functional currencies of IDA.

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 exchange rates in effect during each month. Translation adjustments relating to the revaluation of development credits, development grants payable and all other assets and liabilities denominated in either SDR or the component currencies of SDR, are reflected in Accumulated Other Comprehensive Income. Translation adjustments relating to non-functional currencies are reported in the Statement of Income.

Members' Subscriptions and Contributions

Recognition

Members' Subscriptions and contributions committed for each IDA replenishment are initially recorded both as 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 development credits, grants, and guarantees by IDA for a particular replenishment in accordance with the IDA commitment authority framework as approved by the Executive Directors.

A replenishment becomes effective when IDA receives IoCs from members whose subscriptions and contributions aggregate to a specified portion of the full replenishment. Amounts not yet paid in at the date of effectiveness, are recorded as Subscriptions and contributions receivable and shown as a reduction of Subscriptions and contributions committed. These receivables become due throughout the replenishment period, generally three years, in accordance with an agreed payment schedule. The actual payment of receivables when they become due may be subject to the budgetary appropriation processes for certain members.

The Subscriptions and contributions receivable are settled through payment of cash or deposit of nonnegotiable, noninterest-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 development credits and grants committed under the replenishment, or as needed.

In certain replenishments, donors receive discounts when they pay amounts less than their contribution amount before the due date, and receive acceleration credits when they pay their full contribution amount before the due date. IDA retains the related revenue on these early payments, with subscriptions and contributions committed being recorded at contribution amounts received grossed up for discounts and acceleration credits. 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), IDA's Executive Directors approved the use of a limited amount of concessional debt funding, referred to as concessional partner loans. The borrowing terms of this concessional debt funding aim to match the concessional features of IDA's development credits. 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 concessional partner loans. The borrowing component of the concessional partner loans is recognized and reported at amortized cost (see borrowings section for more details). The grant component is 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 based on the proceeds received.

For the purposes of its financial resources, 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 Non-negotiable, Noninterest-bearing Demand Obligations on Account of Member Subscriptions and Contributions.

Following adoption by the Board of Governors on April 21, 2006 of a resolution authorizing additions to IDA's resources to finance the MDRI, 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.

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 development credits 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 accounting period.

Maintenance of Value

Article IV, Section 2(a) and (b) of IDA's Articles of Agreement provides for maintenance of value payments on account of the local currency portion of the initial subscription whenever the par value of the member's currency or its foreign exchange value has depreciated or appreciated to a significant extent, so long as, and to the extent that, such currency shall not have been initially disbursed or exchanged for the currency of another member. The provisions of Article IV, Section 2(a) and (b) have by agreement been extended to cover additional subscriptions and contributions of IDA through the Third Replenishment, but are not applicable to those of the Fourth and subsequent replenishments.

The Executive Directors decided on June 30, 1987 that settlements of maintenance of value, which would result from the resolution of the valuation issue on the basis of the 1974 SDR, would be deferred until the Executive Directors decide to resume such settlements. These amounts are shown as Deferred Amounts to Maintain Value of Currency Holdings and deducted from equity; any changes relate solely to translation adjustments.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Members' Subscriptions and contributions

Payments on these instruments are due to IDA upon demand and these instruments are held in bank accounts in IDA's name. These instruments are carried and reported at face value as a reduction to equity on the Balance Sheet.

Development Credits and other exposures

In fulfilling its mission, IDA makes concessional development credits to the poorest countries. These development credits and other exposures (exposures) are made to, or guaranteed by, member governments or to the government of a territory of a member (except for development credits, 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 cut-off level ($1,215 for the fiscal year ended June 30, 2015 and $1,205 for the fiscal year ended June 30, 2014) and the country may have only limited or no creditworthiness for IBRD lending.

Development credits are carried in the financial statements at amortized cost, less an accumulated provision for debt relief and development credit losses, plus the deferred development credits origination costs.

Commitment charges on the undisbursed balance of development credits, when applicable, are recognized in revenue as accrued.

Incremental direct costs associated with originating development credits are capitalized and amortized over the life of the development credits.

It is IDA's practice not to reschedule service charge, interest or principal payments on its development credits or participate in debt rescheduling agreements with respect to its development credits.

IDA considers all exposures in nonaccrual status to be impaired. It is the policy of IDA to place in nonaccrual status all development credits 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 development credit 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 in nonaccrual status, all development credits and other exposures to that member will also be placed in nonaccrual status by IDA. On the date a member's development credits and other exposures are placed in nonaccrual status, unpaid charges that had been accrued on development credits are deducted from the revenue from development credits of the current period. Revenue on nonaccrual development credits is included in the Statement of Income only to the extent that payments have actually been received by IDA. If collectability risk is considered to be particularly high at the time of arrears clearance, the member's development credits and other exposures may not automatically emerge from nonaccrual status, even though the member's eligibility for new credits may have been restored. In such instances, a decision on the restoration of accrual status is made on a case-by-case basis after a suitable period of payment or policy performance has passed from the time of arrears clearance.

The repayment obligations of development credits funded from resources through the Fifth Replenishment are expressed in the development credit agreements in terms of 1960 dollars. In June 1987, the Executive Directors decided to value those development credits at the rate of $1.20635 per 1960 dollar on a permanent basis. Development credits funded from resources provided under the Sixth Replenishment and thereafter are denominated in SDRs, with the exception of development credits provided under the Single Currency Lending pilot program.

During the fiscal year-ended June 30, 2012, IDA introduced a Single Currency Lending pilot program. This pilot program, which expands borrowing options beyond the standard SDR credits, has allowed IDA recipients to denominate new IDA credits in one of the four constituent currencies of the SDR basket. In April 2015, IDA's executive Directors extended the pilot program for a three-year period or to a limit of SDR 3 billion, whichever comes first.

Buy-down of Development Credits

The Investment Partnership for Polio program to fund the immunization of children in high-risk polio countries has a funding mechanism that allows the purchase of oral vaccines from the proceeds of development credits, which are subsequently converted to grant terms under the "buy-down mechanism", upon attainment of agreed performance goals.

Pursuant to the applicable buy-down terms, IDA enters into an arrangement 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. At that time, the trust fund buys down the related credits for an amount equivalent to the present value of the remaining cash flows of the related credits, based on appropriate discount rates. The trust fund subsequently cancels the purchased credits, thereby converting them to grant terms.

IDA records a provision for losses on development credits equivalent to the difference between the carrying amount of the development credits to be bought down and the estimated amount to be received, when all performance goals as well as conditions necessary to effect the buy-down have been completed. The provision is recorded as a reduction of disbursed and outstanding development credits under the accumulated provision for losses on development credits and other exposures, and as a corresponding expense. Upon purchase of the development credits, the applicable portion of the development credits will be written-off and the related accumulated provision for losses on credits and other exposures will be reduced accordingly.

Development Grants

Development grants are recorded as an expense, and a liability is recognized, upon approval by the Executive Directors.

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 charged to expenses upon approval by Management. To the extent there are follow-on development credits or grants, these PPAs are refinanced out of the proceeds of the development credits and grants. Accordingly, the PPA grant expenses initially charged to expense are reversed upon approval of the follow-on development grants or development credits.

Guarantees

IDA provides guarantees for credits issued in support of projects located within a member country that are undertaken by private entities. These financial guarantees are commitments issued by IDA to guarantee payment performance by a borrowing member country to a third party in the event that a member government (or government-owned entity) fails to perform its contractual obligations with respect to a private project.

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 asset, included in Accounts payable and miscellaneous liabilities and Other Assets, respectively, on the Balance Sheet.

In the event that a guarantee is called, IDA has the contractual right to require payment from the member country that has provided the counter guarantee to IDA, on demand, or as IDA may otherwise direct.

Up front guarantee fees received are deferred and amortized over the life of the guarantee.

IDA records a contingent liability for the probable losses related to guarantees outstanding. 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 Accounts payable and miscellaneous liabilities on the Balance Sheet.

HIPC Debt Initiative

The 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 refinancing with IDA resources (excluding transfers from IBRD) of outstanding IBRD debt.

Upon signature by IDA of the country specific legal notification, immediately following the decision by the Executive Directors of IDA to provide debt relief to the country (the Decision Point), the country becomes eligible for debt relief up to the nominal value equivalent of one third of the net present value of the total HIPC debt relief committed to the specific country. A Completion Point is reached when the conditions specified in the legal notification are met and the country's other creditors have confirmed their full participation in the debt relief initiative. When the country reaches its Completion Point, IDA's commitment to provide the total debt relief for which the country is eligible, becomes irrevocable. IDA's provisioning policy for the HIPC Debt Initiative is discussed below.

Donors compensate IDA on a "pay-as-you-go" basis to finance IDA's forgone credit 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.

MDRI

Debt relief provided under the MDRI, which is characterized by the write-off of eligible development credits upon qualifying borrowers reaching the HIPC Completion Point date, 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 development credits are written off. This write off occurs at the beginning of the quarterly period following the data 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 subscriptions and contributions.

Accumulated Provision for Debt Relief and Losses on Development Credits and Other Exposures

Accumulated Provision for HIPC Debt Initiative and MDRI

The adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI is based on both quantitative and qualitative analyses of various factors, including estimates of decision and completion point dates. IDA periodically reviews these factors and reassesses the adequacy of the accumulated provision for the HIPC Debt Initiative and MDRI. Adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income.

Upon approval by the Executive Directors of IDA of debt relief for a country under the Enhanced HIPC Initiative, the principal component of the estimated debt relief costs is recorded as a reduction of the disbursed and outstanding development credits under the accumulated provision for debt relief, and as a charge to the Statement of Income. This estimate is subject to periodic revision. The accumulated provision for HIPC Debt Initiative is written off as and when debt relief is provided.

Following the Executive Directors' approval of IDA's participation in the MDRI in June 2006, IDA fully provided for the estimated probable 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.

The provision is recorded as a reduction of the disbursed and outstanding development credits under the accumulated provision for debt relief and as a charge to expenses. The applicable development credits are written off when the country reaches the Completion Point and the related provision reduced accordingly.

Accumulated Provision for Losses on Development Credits and Other Exposures

Delays in receiving development credit payments result in present value losses since IDA does not charge fees or additional interest on any overdue service charges or interest. These present value losses are equal to the difference between the present value of payments of service charges, interest and other charges made according to the related development credit's contractual terms and the present value of its expected future cash flows. Except for debt relief provided under the HIPC Debt Initiative and MDRI, and any provision for losses under the mechanism to buy-down development credits, it is IDA's practice not to write off its development credits. To date, no development credits have been written off, other than under the HIPC Debt Initiative, MDRI and the buy-down mechanism. Notwithstanding IDA's historical experience, the risk of losses associated with nonpayment of principal amounts due is included in the accumulated provision for losses on development credits and other exposures. Other exposures include irrevocable commitments, guarantees and repaying project preparation facilities.

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA's exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses due to delay in receiving payments when compared to the schedule of payments.

Several steps are taken to determine the appropriate level of provision. First, the exposures are disaggregated into two groups: exposures in accrual status and exposures in nonaccrual status. In each group, the net exposures for each borrower (defined as the nominal amount of development credits disbursed and outstanding less the accumulated provision for debt relief under the HIPC Debt Relief Initiative, MDRI and the buy-down mechanism, plus other applicable exposures) are then assigned the credit risk rating of that borrower. With respect to countries with exposures in accrual status, these exposures are grouped according to the assigned borrower risk rating. The determination of borrowers' ratings is based on both quantitative and qualitative factors. Second, each risk rating is mapped to an expected default frequency (probability of default) based on historical experience. Finally, the provision required is calculated by multiplying the net exposures by the expected default frequency and by the assumed severity of loss given default. The severity of loss given default, which is assessed periodically, is dependent on the borrower's eligibility, namely: IDA, Blend (IBRD and IDA) and IBRD, with the highest severity associated with IDA. Borrower's eligibility is assessed at least annually. IDA reassesses the adequacy of the accumulated provision and the reasonableness of the inputs used, on a periodic basis, at least annually, and adjustments to the accumulated provision are recorded as a charge to or release of provision in the Statement of Income. This methodology is also applied to countries with exposures in nonaccrual status, however, at times, to reflect certain distinguishing circumstances of a particular nonaccrual situation, Management may use different input assumptions for a particular country. Generally, all exposures in nonaccrual status have the same risk rating.

Statement of Cash Flows

For the purpose of IDA's Statement of Cash Flows, cash is defined as the amount of unrestricted cash Due from Banks.

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. At June 30, 2014, all investment securities were held in the trading portfolio. During the year ended June 30, 2015, IDA also purchased a security from IFC which is held in a non-trading portfolio. While IDA does not plan to sell the security, IDA elected to measure it at fair value, so that all its investment securities would be 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 and futures contracts. For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Where applicable, unobservable inputs such as constant prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits are reported at face value, which approximates fair value, as they are short term in nature. 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. Unrealized mark-to-market gains and losses for investment securities and related financial instruments held in the investment portfolio are included in the Statement of Income. Interest revenue, including amortization of the premium and discount arising at acquisition, are included in the Statement of Income.

IDA 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, IDA records the cash and a corresponding obligation to return the cash. Collateral received in the form of liquid securities is only recorded on IDA's Balance Sheet to the extent that it has been transferred under securities lending agreements in return for cash. IDA does not offset the fair value amounts recognized for derivative instruments that have been executed with the same counterparty under master netting agreements; as a result, the fair value amounts recognized for the obligation to return cash collateral received from counterparties are not offset with the fair value amounts recognized for the related derivative instruments.

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, and securities sold under repurchase agreements are recorded at face value, which approximates fair value, as they are short term in nature. IDA receives securities purchased under resale agreements, monitors the fair value of the securities and, if necessary, closes out transactions and enters into new repriced transactions. The securities transferred to counterparties under the repurchase and security lending arrangements and the securities transferred to IDA under the resale agreements have not met the accounting criteria for treatment as a sale. Therefore, securities transferred under repurchase agreements and security lending arrangements are retained as assets on the Balance Sheet, and securities received under resale agreements are not recorded on the Balance Sheet. Securities lent under securities lending agreements and sold under securities repurchase agreements as well as securities purchased under resale agreements are presented on a gross basis, which is consistent with the manner in which these instruments are settled.

Borrowings

IDA introduced long term borrowings through concessional partner loans for the first time under IDA17, which commenced on July 1, 2014. The borrowing terms of the concessional partner loans aim to match the concessional features of IDA's credits. These borrowings are unsecured and unsubordinated fixed rate debt in SDR component currencies. IDA may prepay some or the entire outstanding amounts without penalty. These borrowings are carried and reported at amortized cost.

Interest expense and amortization of discounts and premiums relating to borrowings are reported as part of Borrowing expenses in the Statement of Income.

Accounting for Derivatives

IDA has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value on the Balance Sheet, with changes in fair value accounted for through the Statement of Income. The presentation of derivative instruments is consistent with the manner in which these instruments are settled. Currency swaps are settled on a gross basis, while interest rate swaps are settled on a net basis.

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

Valuation of Financial Instruments

Derivative financial instruments and investment securities are recorded in the financial statements at fair value.

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.

To ensure that the valuations are appropriate where internally-developed models are used, IDA has various internal controls in place.

As of June 30, 2015 and June 30, 2014, IDA had no financial assets or liabilities measured at fair value on a non-recurring basis.

Fair Value Hierarchy

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

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

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

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

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

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

Transfers and Grants

Transfers from IBRD's net income and grants made from the retained earnings of IFC to IDA are recorded through the Statement of Income and are receivable upon approval by the Board of Governors of IBRD and upon execution of a grant agreement between IFC and IDA, respectively. In addition, IDA periodically receives transfers from trust funds and private institutions. IDA does not assign any voting rights for these transfers and grants.

Temporary restrictions relating to these transfers may arise from the timing of receipt of cash, or donor imposed restrictions as to use. When the cash is received and any other restrictions on the transfers and grants are complied with, the temporary restrictions are removed.

Donor Contributions to Trust Funds:

To the extent that IDA acts as an intermediary agent for certain trust funds, assets held on behalf of specified beneficiaries are recorded on IDA's Balance Sheet, along with the corresponding liabilities.

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. For those IDA-executed trust funds where IDA acts as an intermediary agent, undisbursed third party donor contributions are recorded as assets held on behalf of the specified beneficiaries, with corresponding liabilities. Amounts disbursed from these trust funds are recorded as expenses with the corresponding amounts recognized as revenue.

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 and Recipient-executed trust funds, since IDA acts as a trustee, no assets or liabilities relating to these activities are recorded on the Balance Sheet.

Accounting and Reporting Developments

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act seeks to reform the U.S. financial regulatory system by introducing new regulators and extending regulation over new markets, entities, and activities. The implementation of the Act is dependent on the development of various rules to clarify and interpret its requirements. As the rules are being developed, IDA continues to assess the impact on its business. As of June 30, 2015, IDA believes that the Act has not had any significant effect on its business.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860) - *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The ASU requires repurchase-to-maturity transactions and some repurchase financing arrangements to be accounted for as secured borrowings. It also requires additional disclosures about certain transactions accounted for as sales and about the nature of collateral pledged for transactions accounted for as secured borrowings. IDA elected to adopt the ASU from the quarter ended March 31, 2015, as permitted by the ASU. The ASU did not have an impact on IDA's accounting for repurchase agreements, since these agreements are already accounted for as secured borrowings. IDA has included additional disclosures required by the ASU in the financial statements for the year ended June 30, 2015 in Note C – Investments.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements (Subtopic 2015-40): Going Concern – Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* The ASU provides guidance on Management's responsibilities in evaluating the entity's ability to continue as a going concern and for the related financial statement disclosures. Until now, guidance related to this topic was provided under U.S auditing standards, which do not govern Management's disclosures. Under this ASU, each reporting period, Management would be required to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued (or available to be issued). For IDA, the ASU will be effective beginning with the fiscal year ending June 30, 2017. IDA is currently evaluating the impact of this ASU on its financial statements, but does not expect the ASU to have a significant impact.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This ASU makes amendments to the current consolidation guidance focusing on targeted areas for certain legal entities. For IDA, the ASU will be effective beginning with the fiscal year ending June 30, 2018, with early adoption permitted. IDA is currently evaluating the impact of this ASU on its financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Cost.* To simplify the presentation of debt issuance costs, the ASU requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt premiums and discounts. The recognition and measurement of debt issuance costs are not affected. For IDA, the ASU will be effective during the fiscal year ending June 30, 2017. IDA is currently evaluating this ASU, but does not expect it to have a significant impact on its financial statements.

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* The ASU provides guidance to help customers determine whether fees paid for cloud computing arrangements include a software license or should be accounted for as a service contract. For IDA, the ASU is effective during the fiscal year ending June 30, 2017. IDA is currently evaluating the impact of this ASU on its financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent).* The ASU eliminates the requirement to categorize within the fair value hierarchy investments for which fair values are measured at net asset value (NAV) using the practical expedient included in the guidance for fair value measurements of Topic 820. For entities that are not public business entities, the ASU will be effective for fiscal years beginning after December 31, 2016, and interim periods within those fiscal years. IDA has elected to early adopt the ASU from the fiscal year ended June 30, 2015, as permitted by the ASU. The ASU does not have an impact on IDA's financial statements since none of IDA's investments are measured using the NAV practical expedient.

NOTE B—MEMBERS' SUBSCRIPTIONS AND CONTRIBUTIONS

Subscriptions and Contributions Paid-In: The movement in Subscriptions and contributions paid-in during the fiscal years ended June 30, 2015 and June 30, 2014 is summarized below:

In millions of U.S dollars

	June 30, 2015	June 30, 2014
Beginning of the fiscal year	$ 193,747	$ 184,511
Cash contributions received[a]	3,863	3,201
Demand obligations received	4,702	5,605
Translation adjustment	(1,267)	430
End of the fiscal year	$ 201,045	$ 193,747

a. Includes restricted cash subscriptions of $1 million at June 30, 2015 (less than $1 million - June 30, 2014)

During the fiscal year ended June 30, 2015, IDA encashed demand obligations totaling $4,142 million ($4,960 million—fiscal year ended June 30, 2014).

NOTE C—INVESTMENTS

Overview

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

As of August 25, 2014, IDA purchased a debt security issued by the IFC. The changes in fair value are reflected in the Statement of Income. This security is being held in the non-trading investment portfolio. For details regarding this transaction, see Note G – Affiliated Organizations.

As of June 30, 2015, the majority of IDA's Investments comprised government and agency obligations (85%), with all the instruments being classified as either Level 1 or Level 2 within the fair value hierarchy.

In addition, as of June 30, 2015, the majority of the instruments were denominated in U.S. dollars (44%), Euro (27%), Pounds sterling (9%) and Japanese yen (14%). IDA uses derivative instruments to align the currency composition of the investment portfolio to the SDR basket of currencies and to manage other currency and interest rate risks in the portfolio. After considering the effects of these derivatives, the investment portfolio had an average repricing of 4.3 years and the following currency composition: U.S. dollars (54%), Euro (28%), Pounds sterling (10%) and Japanese yen (9%). The credit quality of IDA's investment portfolio remains concentrated in the upper end of the credit spectrum with 81% of the portfolio rated AA or above as of June 30, 2015, reflecting IDA's continued preference for highly rated securities and counterparties across all categories of financial instruments.

Investments

A summary of IDA's Investments and the currency composition as of June 30, 2015 and June 30, 2014 is as follows:

In millions of U.S.dollars

	June 30, 2015	June 30, 2014
Trading		
Government and agency obligations	$ 27,604	$ 27,380
Time deposits	2,519	3,630
Asset-backed securities (ABS)	1,309	1,199
	31,432	32,209
Non-trading (at fair value)		
Debt securities	1,142	-
Total	$ 32,574	$ 32,209

In millions of U.S.dollars

	June 30, 2015		June 30, 2014	
	Carrying value	Average Repricing (years)[a]	Carrying value	Average Repricing (years)[a]
Euro	$ 8,716	3.25	$ 10,044	3.40
Japanese yen	4,513	1.63	3,107	2.15
Pounds sterling	2,939	3.39	3,075	3.27
U.S. dollars	14,210	5.91	14,008	3.71
Other	2,196	2.13	1,975	0.45
Total	$ 32,574	3.97	$ 32,209	3.22

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed.

Net Investment Portfolio

IDA manages its investments on a net portfolio basis. The following tables summarize the net portfolio position and currency composition as of June 30, 2015 and June 30, 2014:

In millions of U.S. dollars

	June 30, 2015	June 30, 2014
Investments		
Trading	$ 31,432	$ 32,209
Non-trading (at fair value)	1,142	-
Total	32,574	32,209
Securities purchased under resale agreements	599	1,953
Securities sold under repurchase agreements, securities lent under securities lending agreements, and payable for cash collateral received	(4,904)	(5,012)
Derivatives Assets		
Currency forward contracts	1,603	254
Currency swaps	5,004	2,461
Interest rate swaps	5	*
Swaptions, exchange traded options and futures contracts	6	2
Other[a]	1	2
Total	6,619	2,719
Derivatives Liabilities		
Currency forward contracts	(1,588)	(253)
Currency swaps	(4,903)	(2,522)
Interest rate swaps	(5)	(5)
Swaptions, exchange traded options and futures contracts	(11)	(5)
Other[a]	(*)	(*)
Total	(6,507)	(2,785)
Cash held in investment portfolio[b]	240	115
Receivable from investment securities traded	1,142	552
Payable for investment securities purchased	(1,345)	(1,451)
Net Investment Portfolio	$ 28,418	$ 28,300

a. These relate to TBA Securities.
b. This amount is included in Unrestricted cash under Due from Banks on the Balance Sheet.
** Indicates amount less than $0.5 million*

In millions of U.S.dollars

	June 30, 2015		June 30, 2014	
	Carrying value	Average Repricing (years)[a]	Carrying value	Average Repricing (years)[a]
Euro	$ 7,842	3.56	$ 9,278	3.18
Japanese yen	2,512	2.53	2,802	2.45
Pounds sterling	2,781	4.16	2,747	4.19
U.S. dollars	15,413	5.14	13,583	3.76
Other	(130)	3.60	(110)	0.13
Total	$ 28,418	4.25	$ 28,300	3.50

a. The average repricing represents the remaining period to the contractual repricing or maturity date, whichever is earlier. This indicates the average length of time for which interest rates are fixed.

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

As of June 30, 2015, there were short sales totaling $395 million ($60 million—June 30, 2014) included in Payable for investment securities purchased on the Balance Sheet. These are reported at fair value on a recurring basis.

For the fiscal year ended June 30, 2015, IDA's investment revenue from the trading portfolio included $103 million of net unrealized mark-to-market gains (net unrealized mark-to-market gains of $173 million—fiscal year ended June 30, 2014 and net unrealized mark-to-market losses of $367 million—fiscal year ended June 30, 2013).

For the fiscal year ended June 30, 2015, IDA's unrealized mark-to-market losses on the non-trading portfolios in the Statement of Income, included net unrealized mark-to-market losses of $19 million (Nil – fiscal years ended June 30, 2014 and June 30, 2013), relating to the investment portfolio.

Fair Value Disclosures

The following tables present IDA's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and June 30, 2014:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2015			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Government and agency obligations	$ 15,642	$ 11,962	$ -	$ 27,604
Time deposits	202	2,317	-	2,519
ABS	-	1,309	-	1,309
Total Investments – Trading	15,844	15,588	-	31,432
Investments – Non-trading (at fair value)	-	1,142	-	1,142
Securities purchased under resale agreements	19	580	-	599
Derivative assets				
Currency forward contracts	-	1,603	-	1,603
Currency swaps	-	5,004	-	5,004
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	-	6	-	6
Other[b]	-	1	-	1
Total Derivative assets – Investments	-	6,619	-	6,619
Total	$ 15,863	$ 23,929	$ -	$ 39,792
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[a]	$ 20	$ 4,840	$ -	$ 4,860
Derivative liabilities				
Currency forward contracts	-	1,588	-	1,588
Currency swaps	-	4,903	-	4,903
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	5	6	-	11
Other[b]	-	*	-	*
Total Derivative liabilities – Investments	5	6,502	-	6,507
Payable for investment securities purchased[c]	337	58	-	395
Total	$ 362	$ 11,400	$ -	$ 11,762

a. Excludes $44 million relating to payable for cash collateral received.
b. These relate to TBA securities.
c. These relate to short sales of investment securities
** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Investments – Trading				
Government and agency obligations	$ 6,634	$ 20,746	$ -	$ 27,380
Time deposits	355	3,275	-	3,630
ABS	-	1,199	-	1,199
Total Investments – Trading	6,989	25,220	-	32,209
Securities purchased under resale agreements	-	1,953	-	1,953
Derivative assets				
Currency forward contracts	-	254	-	254
Currency swaps	-	2,461	-	2,461
Interest rate swaps	-	*	-	*
Swaptions, exchange traded options and futures contracts	-	2	-	2
Other[b]	-	2	-	2
Total Derivative assets – Investments	-	2,719	-	2,719
Total	$ 6,989	$ 29,892	$ -	$ 36,881
Liabilities:				
Securities sold under repurchase agreements and securities lent under security lending agreements[a]	$ 102	$ 4,909	$ -	$ 5,011
Derivative liabilities				
Currency forward contracts	-	253	-	253
Currency swaps	-	2,522	-	2,522
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	3	2	-	5
Other[b]	-	*	-	*
Total Derivative liabilities – Investments	3	2,782	-	2,785
Payable for investment securities purchased[c]	60	-	-	60
Total	$ 165	$ 7,691	$ -	$ 7,856

a. Excludes $1 million relating to payable for cash collateral received.
b. These relate to TBA securities.
c. These relate to short sales of investment securities
** Indicates amount less than $0.5 million.*

As of June 30, 2015, $3,499 million of investments related to non-U.S. government securities were transferred from Level 2 to Level 1 within the fair value hierarchy. This reclassification was based on the annual review of the inputs used to measure fair value.

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

In millions of U.S.dollars

	Fair value	*Principal amount due*	*Difference*
June 30, 2015	$ 1,142	$ 1,154	$ (12)

The maturity structure of IDA's investment in the IFC as of June 30, 2015 and June 30, 2014 was as follows:

In millions of U.S dollars

Period	*June 30, 2015*	*June 30, 2014*
Less than 1 year	$ 72	$ -
Between		
1 - 2 years	113	-
2 - 3 years	127	-
3 - 4 years	122	-
4 - 5 years	124	-
Thereafter	596	-
	$ 1,154	$ -

Commercial Credit Risk

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

Swap Agreements: Credit risk is mitigated through a credit approval process, volume limits, monitoring procedures and the use of mark-to-market collateral arrangements. IDA may require collateral in the form of cash or other approved liquid securities from individual counterparties to mitigate its credit exposure. As of June 30, 2015, IDA had received $44 million of cash collateral related to swap agreements ($1 million – June 30, 2014).

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 E – Derivative Instruments.

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

These transactions have been conducted under legally enforceable master netting agreements, which allow IDA to reduce its gross credit exposure related to these transactions. As of June 30, 2015, amounts which could potentially be offset as a result of legally enforceable master netting arrangements were $457 million ($497 million – June 30, 2014).

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

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:

In millions of U.S. dollars

	June 30, 2015	*June 30, 2014*	*Financial Statement Presentation*
Securities transferred under repurchase or securities lending agreements	$4,013	$4,514	Included under Investments—Trading on the Balance Sheet
Liabilities relating to securities transferred under repurchase or securities lending agreements	$4,779	$4,941	Included under Securities Sold Under Repurchase Agreements, Securities Lent under Securities Lending Agreements, and Payable for Cash Collateral Received on the Balance Sheet.

At June 30, 2015, the liabilities relating to securities transferred under repurchase or securities lending agreements included $765 million ($415 million—June 30, 2014) of repurchase agreement trades that had not settled at that date. Of this amount, $168 million ($159 million—June 30, 2014) represented replacement trades entered into in anticipation of maturing trades of a similar amount.

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

In millions of U.S.dollars

	As of June 30, 2015		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	*Up to 30 days*	*Total*
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 3,261	$ 1,599	$ 4,860
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	**$ 3,261**	**$ 1,599**	**$ 4,860**

In millions of U.S.dollars

	As of June 30, 2014		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	*Up to 30 days*	*Total*
Repurchase or Securities Lending agreements			
Government and agency obligations	$ 2,858	$ 2,153	$ 5,011
Total liabilities for Securities sold under repurchase agreements and Securities Lent under Securities Lending Agreements	$ **2,858**	**$ 2,153**	**$ 5,011**

In the case of resale agreements, IDA received collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded on IDA's balance sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2015, securities purchased under resale agreements included $181 million of securities which had not settled on that date ($1,156 million – June 30, 2014). For the remaining purchases, IDA received securities with a fair value of $418 million ($746 million – June 30, 2014). Out of this amount, $81 million of these securities had been transferred under repurchase or securities lending agreements ($70 million – June 30, 2014).

NOTE D—BORROWINGS

IDA's borrowings comprise concessional partner loans. These borrowings are unsecured and unsubordinated fixed rate debt in SDR component currencies. IDA may prepay some or the entire outstanding amounts without penalty. These borrowings are carried and reported at amortized cost.

As of June 30, 2015, IDA's borrowings outstanding were $2,150 million. The following table summarizes IDA's borrowings as of June 30, 2015. These borrowings have original maturities of 25 and 40 years, with the final maturity being 2054. The weighted average effective interest rate for these borrowings was 2.83% as of June 30, 2015. This does not include the effect of the amounts relating to proceeds received under the grant component of the concessional partner loan agreements, for which voting rights have been received. These amounts are reflected in equity.

In millions of U.S dollars

	June 30, 2015		
	Principal at face value	*Net unamortized premium (discount)*	*Total*
Borrowings outstanding	$ 2,548	$ (398)	$ 2,150

Fair Value Disclosures

The table below presents the fair value of IDA's borrowings for disclosure purposes, along with their respective carrying amounts as of June 30, 2015 and June 30, 2014:

In millions of U.S dollars

	June 30, 2015		*June 30, 2014*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Borrowings outstanding	$ 2,150	$ 2,332	$ -	$ -

As of June 30, 2015, IDA's borrowings were classified as Level 2 within the fair value hierarchy.

The maturity structure of IDA's borrowings outstanding at June 30, 2015 and June 30, 2014 was as follows:

In millions of U.S dollars

Period	*June 30, 2015*	*June 30, 2014*
4 - 5 years	$ 39	$ -
Thereafter	2,509	-
Principal at face value	$ 2,548	$ -

Valuation Methods and Assumptions

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

NOTE E—DERIVATIVE INSTRUMENTS

Overview

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

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

Portfolio	Derivative instruments used	Purpose/Risk being managed
Risk management purposes:		
Investments—Trading	Interest rate swaps, currency forward contracts, currency swaps, options, swaptions, futures contracts, and TBA securities	Manage currency and interest rate risk in the portfolio.
Other assets/liabilities	Currency forward contracts and currency swaps	Manage foreign exchange risks.
Other purposes:		
Client operations	Structured swaps	Assist clients in managing risks.

Under its derivative agreement with IBRD, IDA is not required to post collateral as long as it maintains liquidity holdings at pre-determined levels that are a proxy for a AAA credit rating. As of June 30, 2015, IDA had not posted any collateral with IBRD in accordance with the agreement.

The following tables provide information on the fair value amounts and the location of the derivative instruments on the Balance Sheet, as well as the notional amounts and credit risk exposures of those derivative instruments, as of June 30, 2015 and June 30, 2014:

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

In millions of U.S.dollars

	Balance Sheet Location			
	Derivative assets		*Derivative liabilities*	
	June 30, 2015	*June 30, 2014*	*June 30, 2015*	*June 30, 2014*
Derivatives not designated as hedging instruments				
Currency forward contracts	$ 10,517	$ 12,356	$ 10,551	$ 12,475
Currency swaps	5,004	2,461	4,903	2,522
Swaptions, exchange traded options and futures contracts–Investments	6	2	11	5
Interest rate swaps	5	*	5	5
Other[a]	1	2	*	*
Total Derivatives	$ 15,533	$ 14,821	$ 15,470	$ 15,007

a. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

Notional amounts and credit risk exposure of the derivative instruments:

In millions of U.S.dollars

Type of contract	*June 30, 2015*	*June 30, 2014*
Investments—Trading		
Interest rate swaps		
Notional principal	$ 1,333	$ 379
Credit exposure	5	*
Currency swaps (including currency forward contracts)		
Credit exposure	197	10
Swaptions, exchange traded options, and futures contracts[a]		
Notional long position	19,527	4,086
Notional short position	32,184	14,546
Credit exposure	6	2
Other[b]		
Notional long position	274	287
Notional short position	4	9
Credit exposure	1	2
Asset-liability management		
Currency forward contracts		
Credit exposure	251	106
Client operations		
Structured swaps		
Notional principal	86	135
Credit exposure	-	*

a. Exchange traded instruments are generally subject to daily margin requirements and are deemed to have no material credit risk. All options and futures contracts are interest rate contracts.

b. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

Amounts of gains and losses on the Asset-liability management derivative instruments and their location on the Statement of Income for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013 are as follows:

In millions of U.S. dollars

		Gains (Losses)		
		Fiscal Year Ended June 30,		
	Statement of Income Location	*2015*	*2014*	*2013*
Derivatives not designated as hedging instruments and not held in a trading portfolio[a]				
Currency forwards contracts and currency swaps	Unrealized mark-to-market losses on non-trading portfolios, net	$ (160)	$ (35)	$ (102)

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

The majority of 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 on the Statement of Income for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013:

In millions of U.S. dollars

Statement of Income Location	*Investments, Net Gains (Losses) Fiscal Year Ended June 30,*		
	2015	*2014*	*2013*
Type of instrument			
Fixed income (including related derivatives)	$ 103	$ 173	$ (367)

Offsetting assets and liabilities

IDA enters into International Swaps and Derivatives Association, Inc. master netting agreements with substantially all of its derivative counterparties. These legally enforceable master netting agreements give IDA the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

The following tables summarize information on derivative assets and liabilities (before and after netting adjustments) that are reflected on IDA's Balance Sheet as of June 30, 2015 and June 30, 2014. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements. The net derivative asset positions have been further reduced by the cash and securities collateral received.

In millions of U.S. dollars

	June 30, 2015 — Located on the Balance Sheet					
	Derivative Assets			*Derivative Liabilities*		
	Gross Amounts Recognized	*Gross Amounts Offset*	*Net Amounts Presented*	*Gross Amounts Recognized*	*Gross Amounts Offset*	*Net Amounts Presented*
Interest rate swaps	$ 180	$ (175)	$ 5	$ 254	$ (249)	$ 5
Currency swaps[a]	15,521	-	15,521	15,454	-	15,454
Other[b]	7	-	7	16	(5)	11
Total	$ 15,708	$ (175)	$ 15,533	$ 15,724	$ (254)	$ 15,470
Amounts subject to legally enforcable master netting agreements[c]			$ (15,407)			$ (15,407)
Net derivative positions at counterparty level before collateral			126			63
Less:						
Cash collateral received[d]			44			
Securities collateral received			-			
Net derivative exposure after collateral			$ 82			

a. Includes currency forward contracts.
b. These include swaptions, exchange traded options, futures contracts and TBA securities.
c. Not offset on the Balance Sheet.
d. Does not include excess collateral received.

In millions of U.S. dollars

	June 30, 2014					
	Located on the Balance Sheet					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	$ 2	$ (2)	$ *	$ 101	$ (96)	$ 5
Currency swaps[a]	14,817	-	14,817	14,997	-	14,997
Other[b]	4	-	4	6	(1)	5
Total	$ 14,823	$ (2)	$ 14,821	$ 15,104	$ (97)	$ 15,007
Amounts subject to legally enforcable master netting agreements[c]			$ (14,817)			$ (14,817)
Net derivatives positions at counterparty level before collateral			4			190
Less:						
Cash collateral received[d]			1			
Securities collateral received			-			
Net derivative exposure after collateral			$ 3			

a. Includes currency forward contracts.
b. These include swaptions, exchange traded options, futures contracts and TBA securities.
c. Not offset on the Balance Sheet.
d. Does not include excess collateral received.
** Indicates amount less than $0.5 million.*

Fair Value Disclosures

IDA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and June 30, 2014 is as follows:

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2015			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$ -	$ 1,603	$ -	$ 1,603
Currency swaps	-	5,004	-	5,004
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	-	6	-	6
Other[a]	-	1	-	1
	-	6,619	-	6,619
Asset-liability management				
Currency forward contracts	-	8,914	-	8,914
Total derivative assets	$ -	$ 15,533	$ -	$ 15,533
Derivative liabilities:				
Investments				
Currency forward contracts	$ -	$ 1,588	$ -	$ 1,588
Currency swaps	-	4,903	-	4,903
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	5	6	-	11
Other[a]	-	*	-	*
	5	6,502	-	6,507
Asset-liability management				
Currency forward contracts	-	8,963	-	8,963
Total derivative liabilities	$ 5	$ 15,465	$ -	$ 15,470

a. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative assets:				
Investments				
Currency forward contracts	$ -	$ 254	$ -	$ 254
Currency swaps	-	2,461	-	2,461
Interest rate swaps	-	*	-	*
Swaptions, exchange traded options and futures contracts	-	2	-	2
Other[a]	-	2	-	2
	-	2,719	-	2,719
Asset-liability management				
Currency forward contracts	-	12,102	-	12,102
Total derivative assets	$ -	$ 14,821	$ -	$ 14,821
Derivative liabilities:				
Investments				
Currency forward contracts	$ -	$ 253	$ -	$ 253
Currency swaps	-	2,522	-	2,522
Interest rate swaps	-	5	-	5
Swaptions, exchange traded options and futures contracts	3	2	-	5
Other[a]	-	*	-	*
	3	2,782	-	2,785
Asset-liability management				
Currency forward contracts	-	12,222	-	12,222
Total derivative liabilities	$ 3	$ 15,004	$ -	$ 15,007

a. These relate to TBA securities.

** Indicates amount less than $0.5 million.*

Inter-level transfers

During the fiscal years ended June 30, 2015 and June 30, 2014, there were no inter-level transfers in the derivatives portfolio.

NOTE F—DEVELOPMENT CREDITS AND OTHER EXPOSURES

Overview

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

Development credits are carried and reported at amortized cost. Of the total development credits outstanding as of June 30, 2015, 90% were to the South Asia, Africa, and East Asia and Pacific regions, combined.

Based on IDA's internal credit quality indicators, the majority of the development credits outstanding are in the Medium and High risk classes.

As of June 30, 2015, IDA's development credits are predominantly denominated in SDR (representing about 96% of the portfolio) and carry a service charge of 75 basis points.

As of June 30, 2015, development credits outstanding totaling $2,552 million (representing about 2% of the portfolio) from 5 borrowers were in nonaccrual status.

Maturity Structure

The maturity structure of development credits outstanding at June 30, 2015 and June 30, 2014 was as follows:

In millions of U.S dollars

June 30, 2015		*June 30, 2014*	
July 01, 2015 through June 30, 2016	$ 5,413	July 01, 2014 through June 30, 2015	$ 5,411
July 01, 2016 through June 30, 2020	20,928	July 01, 2015 through June 30, 2019	21,141
July 01, 2020 through June 30, 2025	30,539	July 01, 2019 through June 30, 2024	31,167
Thereafter	73,473	Thereafter	78,292
Total [a]	$ 130,353	Total	$ 136,011

a. Excludes $525 million to be written off effective July 01, 2015 under the MDRI.

Currency Composition

Development credits outstanding had the following currency composition at June 30, 2015 and June 30, 2014:

In millions of U.S dollars

	June 30, 2015	*June 30, 2014*
USD-denominated	$ 5,277	$ 5,660
SDR-denominated	125,601	130,351
	$ 130,878	$ 136,011

Credit Quality of Sovereign Development Credits

Based on an evaluation of IDA's development credits, Management has determined that IDA has one portfolio segment – Sovereign Exposures. Development credits constitute the majority of sovereign exposures.

IDA's country risk ratings are an assessment of its borrowers' ability and willingness to repay IDA on time and in full. These ratings are internal credit quality indicators. Individual country risk ratings are derived on the basis of both quantitative and qualitative factors. For the purpose of analyzing the risk characteristics of IDA's exposures, exposures are grouped into three classes in accordance with assigned borrower risk ratings which relate to the likelihood of loss: Low, Medium and High risk classes, as well as exposures in nonaccrual status.

IDA's borrowers' country risk ratings are key determinants in the provisions for development credit losses.

IDA considers a development credit to be past due when a borrower fails to make payment on any principal, service, interest or other charges due to IDA, on the dates provided in the contractual development credit agreements.

The following tables provide an aging analysis of development credits outstanding as of June 30, 2015 and June 30, 2014:

In millions of U.S. dollars

	June 30, 2015							
Days past due	*Up to 45*	*46-60*	*61-90*	*91-180*	*Over 180*	*Total Past Due*	*Current*	*Total*
Risk Class								
Low	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,393	$ 4,393
Medium	-	-	-	-	-	-	27,270	27,270
High	1	*	-	-	-	1	96,662	96,663
Credits in accrual status	1	*	-	-	-	1	128,325	128,326
Credits in nonaccrual status	12	1	5	21	986	1,025	1,527	2,552
Total	$ 13	$ 1	$ 5	$ 21	$ 986	$ 1,026	$ 129,852	$ 130,878

** Indicates amount less than $0.5 million.*

In millions of U.S. dollars

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

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

Provision for Losses on Development Credits and Other Exposures

Management determines the appropriate level of accumulated provision for losses, which reflects the probable losses inherent in IDA’s exposures. Probable losses comprise estimates of losses arising from default and nonpayment of principal amounts due, as well as present value losses. Management reassesses the adequacy of the accumulated provision and the reasonableness of the inputs used, on a periodic basis, at least annually, and adjustments are recorded as a charge against or addition to revenue. For the fiscal year ended June 30, 2015, one of the key elements of the $370 million provisioning charge on development credits was due to the change in the value of the inputs used, following the outcome of the annual review. This primarily related to the nonaccrual provision.

Provision for Debt Relief

HIPC Debt Initiative and MDRI provisions are based on quantitative and qualitative analyses of various factors, including estimates of Decision Point and Completion Point dates. These factors are reviewed periodically as part of the reassessment of the adequacy of the accumulated provision for debt relief. Provisions are released as qualifying debt service becomes due and is forgiven under the HIPC Debt Initiative, and are reduced by the amount of the eligible development credits written off when the country reaches Completion Point, and becomes eligible for MDRI debt relief.

Changes to the accumulated provision for losses on development credits and other exposures, as well as the debt relief under HIPC Debt Initiative and MDRI for the fiscal years ended June 30, 2015 and June 30, 2014 are summarized below:

In millions of U.S dollars

	June 30, 2015				June 30, 2014			
	Development credits	*Other*	*Debt relief under HIPC/MDRI*	*Total*	*Development credits*	*Other*	*Debt relief under HIPC/MDRI*	*Total*
Accumulated provision, beginning of the fiscal year	$ 1,295	$ 15	$ 2,732	$ 4,042	$ 1,294	$ 16	$ 2,711	$ 4,021
Provision, net – charge (release) [a]	407	(3)	(34)	370	52	(2)	(11)	39
Development credits written off under the buy-down mechanism	-	-	-	-	(82)	-	-	(82)
Development credits written off under HIPC/MDRI	-	-	(14)	(14)	-	-	(7)	(7)
Translation adjustment	(117)	(1)	(125)	(243)	31	1	39	71
Accumulated provision, end of the fiscal year	$ 1,585	$ 11	$ 2,559	$ 4,155	$ 1,295	$ 15	$ 2,732	$ 4,042
Composed of accumulated provision for losses on:								
Development credits in accrual status	$ 1,323				$ 1,239			
Development credits in nonaccrual status	262				56			
Total	$ 1,585				$ 1,295			
Development credits, end of the fiscal year:								
Development credits in accrual status	$128,326				$ 133,262			
Development credits in nonaccrual status	2,552				2,749			
Total	$130,878				$ 136,011			

a. *For the fiscal year ended June 30, 2015, provision for development credits expected to be bought-down - Nil ($52 million - for the fiscal year ended June 30, 2014).*

Accumulated Provision for Losses on:	Reported as Follows: Balance Sheet	Statement of Income
Development Credits	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures, net
Debt Relief under HIPC/MDRI	Accumulated provision for debt relief and losses on development credits	Provision for debt relief and for losses on development credits and other exposures, net
Other Exposures	Other Liabilities-Accounts payable and miscellaneous liabilities	Provision for debt relief and for losses on development credits and other exposures, net

Development credits to be written off under MDRI

On July 1, 2015, development credits totaling $525 million were written off as a result of Chad reaching Completion Point under the HIPC Debt Initiative on April 28, 2015. The accumulated provision for debt relief under HIPC and MDRI of $2,559 million as of June 30, 2015 includes a provision for this amount.

During the fiscal year ended June 30, 2014, there were no eligible development credits written off under the MDRI.

Overdue Amounts

As of June 30, 2015, there were no principal or charges under development credits in accrual status which were overdue by more than three months.

The following tables provide a summary of selected financial information related to development credits in nonaccrual status as of and for the fiscal years ended June 30, 2015 and June 30, 2014:

In millions of U.S dollars

Borrower	*Nonaccrual since*	*Recorded investment*[a]	*Average recorded investment*[b]	*Principal Outstanding*	*Provision for debt relief*	*Provision for credit losses*[c]	*Overdue amounts: Principal*	*Overdue amounts: Charges*
Eritrea	March 2012	$ 439	$ 453	$ 439	$ 310	$ 20	$ 33	$ 13
Somalia	July 1991	416	425	416	401	2	209	77
Sudan	January 1994	1,215	1,240	1,215	1,175	6	607	190
Syrian Arab Republic	June 2012	14	14	14	-	*	5	*
Zimbabwe	October 2000	468	484	468	-	234	171	51
Total - June 30, 2015		$ 2,552	$ 2,616	$ 2,552	$ 1,886	$ 262	$1,025	$ 331
Total - June 30, 2014		$ 2,749	$ 2,733	$ 2,749	$ 1,992	$ 56	$1,001	$ 336

a. A credit loss provision has been recorded against each of the credits in nonaccrual status.
b. Represents the average for the fiscal years. For the fiscal year ended June 30, 2013: $2,714 million.
c. Credit loss provisions are determined after taking into account accumulated provision for debt relief.
** Indicates amount less than $0.5 million.*

In millions of U.S dollars

	Fiscal Year Ended June 30, 2015	*2014*	*2013*
Service charge revenue not recognized as a result of development credits being in nonaccrual status	$ 18	$ 20	$ 20

During the fiscal years ended June 30, 2015 and June 30, 2014, no development credits were placed into nonaccrual status.

During the fiscal year ended June 30, 2015, service charge revenue recognized on development credits in nonaccrual status was $2 million (less than $1 million - fiscal year ended June 30, 2014 and Nil - fiscal year ended June 30, 2013).

Guarantees

Guarantees of $411 million were outstanding at June 30, 2015 ($424 million—June 30, 2014). This amount represents the maximum potential undiscounted future payments that IDA could be required to make under these guarantees, and is not included on the Balance Sheet. The guarantees issued by IDA have original maturities ranging between 9 and 23 years, and expire in decreasing amounts through 2035.

At June 30, 2015, liabilities related to IDA's obligations under guarantees of $33 million (June 30, 2014—$35 million), have been included in Accounts payable and miscellaneous liabilities on the Balance Sheet. These include the accumulated provision for guarantee losses of $6 million (June 30, 2014—$7 million).

During the fiscal years ended June 30, 2015 and June 30, 2014, no guarantees provided by IDA were called.

Segment Reporting

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

Charge revenue comprises service charges and interest charges on outstanding development credit balances and guarantee fee revenue. For the fiscal year ended June 30, 2015, charge revenue from two countries was in excess of ten percent of total charge revenue. The charge revenue totaled $206 million and $120 million for the two countries in the current year.

The following table presents IDA's development credits outstanding and associated charge revenue as of and for the fiscal years ended June 30, 2015 and June 30, 2014, by geographic region.

In millions of U.S. dollars

	June 30, 2015		June 30, 2014	
Region	*Development Credits Outstanding*	*Charge Revenue*	*Development Credits Outstanding*	*Charge Revenue*
Africa	$ 44,140	$ 311	$ 43,430	$ 288
East Asia and Pacific	19,888	176	21,524	177
Europe and Central Asia	7,622	86	8,372	71
Latin America and the Caribbean	2,297	19	2,219	17
Middle East and North Africa	3,331	26	3,714	28
South Asia	53,600	450	56,752	434
Total	$ 130,878	$ 1,068	$ 136,011	$ 1,015

Buy-down of Development Credits

During the fiscal year ended June 30, 2015, there were no development credits purchased under the buy-down mechanism by the Global Program to Eradicate Polimyelitis Trust Fund (buy-down mechanism).

During the fiscal year ended June 30, 2014, three development credits were purchased under the buy-down mechanism. These development credits had a carrying value of $174 million, and were purchased for a present value equivalent of $92 million. For two development credits, a provision of $52 million was recorded as an expense in the Statement of Income during the fiscal year ended June 30, 2014 and for the remaining development credit, a provision of $30 million was recorded during the fiscal year ended June 30, 2013.

Discount on Development Credits prepaid under the Seventeenth Replenishment of IDA's Resources (IDA17)

During the fiscal year ended June 30, 2015, as part of IDA17, one IDA graduate country prepaid development credits with an outstanding carrying value totaling $30 million. The total amount prepaid of $28 million reflected the present value of the development credits as of the date of prepayment, resulting in an aggregate discount of $2 million charge to expenses in the Statement of Income.

During the fiscal year ended June 30, 2014, there were no prepayments of development credits.

Fair Value Disclosures

IDA's development credits are carried and reported at amortized cost. The table below presents the fair value of development credits for disclosure purposes, along with their respective carrying amounts as of June 30, 2015 and June 30, 2014. As of June 30, 2015, IDA's development credits would be classified as Level 3 within the fair value hierarchy.

In millions of U.S dollars

	June 30, 2015		*June 30, 2014*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Net Development Credits Outstanding	$ 126,760	$ 94,276	$ 132,010	$ 95,992

Valuation Methods and Assumptions

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

NOTE G—AFFILIATED ORGANIZATIONS

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

Transfers and Grants

Cumulative transfers and grants made to IDA as of June 30, 2015 were $17,356 million ($16,363 million—June 30, 2014). Details by transferor are as follows;

In millions of U.S dollars

Transfers from	*Beginning of the fiscal year*	*Transfers during the fiscal year*	*End of the fiscal year*
Total	$ 16,363	$ 993	$ 17,356
Of which from:			
IBRD	13,344	635	13,979
IFC	2,821	340	3,161

Receivables and Payables

At June 30, 2015, and June 30, 2014, the total amounts receivable from or (payable to) affiliated organizations comprised:

In millions of U.S dollars

	Receivable From (Payable To) IBRD				
			Derivative transactions		
	Administrative Services[a]	*Pension and Other Postretirement Benefits*	*Receivable*	*Payable*	*Total*
June 30, 2015	$ (364)	$ 831	$ 8,914	$ (8,962)	$ 419
June 30, 2014	$ (416)	$ 854	$ 12,102	$ (12,221)	$ 319

a. Includes $32 million for the fiscal year ended June 30, 2015 ($24 million - June 30, 2014) receivable from IBRD for IDA's share of investments associated with Post-Retirement Contribution Reserve Fund (PCRF), which is a fund established to stabilize contributions made to the pension plans.

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

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

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

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

During the fiscal year ended June 30, 2015, IDA's share of joint administrative expenses totaled $1,542 million ($1,650 million - fiscal year ended June 30, 2014 and $1,620 million - fiscal year ended June 30, 2013).

Other revenue: Includes IDA's share of other revenue jointly earned with IBRD during the fiscal year ended June 30, 2015 totaling $248 million (fiscal year ended June 30, 2014—$281 million and fiscal year ended June 30, 2013—$250 million). The allocation of revenue is based upon an agreed revenue sharing formula, and amounts are settled quarterly.

For the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013, the amount of fee revenue associated with services provided to other affiliated organizations is included in Other revenue on the Statement of Income, as follows:

In millions of U.S dollars

	Fiscal Year Ended June 30,		
	2015	*2014*	*2013*
Fees charged to IFC	$ 64	$ 64	$ 45
Fees charged to MIGA	5	6	6

Pension and Other Postretirement Benefits: The receivable from IBRD represents IDA's net share of prepaid costs for pension and other postretirement benefit plans and Post-Employment Benefits Plan (PEBP) assets. These will be realized over the life of the plan participants.

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

Investments

During the fiscal year ended June 30, 2015, IDA purchased a debt security issued by the IFC for a principal amount of $1,179 million, amortizing over a period of 25 years. The investment carries a fixed interest rate of 1.84% and has a weighted average maturity of 6 years. As of June 30, 2015, the principal amount due on the debt security was $1,154 million, and it had a fair value of $1,142 million. The investment is reported under Investments in the Balance Sheet. During the fiscal year ended June 30, 2015, IDA recognized interest income of $18 million on this debt security.

NOTE H—TRUST FUNDS ADMINISTRATION

IDA, 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 include, for example, 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 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 IDA-executed trust funds during the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013:

In millions of U.S dollars

	Fiscal Year Ended June 30,		
	2015	*2014*	*2013*
IDA-executed trust funds expenses	$ 326	$ 354	$ 316

These amounts are included in Administrative expenses and the corresponding revenue is included in Other revenue in the Statement of Income.

The following table summarizes undisbursed contributions made by third party donors to IDA-executed trust funds, recognized on the Balance Sheet as of June 30, 2015 and June 30, 2014:

In millions of U.S dollars

	June 30, 2015	*June 30, 2014*
IDA-executed trust funds	$ 446	$ 447

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

Revenues

During the fiscal year ended June 30, 2015, June 30, 2014 and June 30, 2013, IDA's revenues for the administration of trust fund operations were as follows:

In millions of U.S dollars

	Fiscal Year Ended June 30,		
	2015	*2014*	*2013*
Revenues	$ 45	$ 65	$ 68

These amounts are included in Other revenue in the Statement of Income.

Revenues collected from donor contributions but not yet earned totaling $67 million at June 30, 2015 ($83 million—June 30, 2014) are included in Other Assets and in Accounts payable and miscellaneous liabilities, correspondingly, on the Balance Sheet.

Transfers Received

Under the agreements governing the administration of certain trust funds, IDA may receive any surplus assets as transfers upon the termination of these trust funds. In addition, as development credits are repaid to trust funds, in certain cases they are transferred to IDA. During the fiscal year ended June 30, 2015, funds recorded as Other revenue under these arrangements totaled $7 million ($9 million – fiscal year ended June 30, 2014 and $15 million – fiscal year ended June 30, 2013).

NOTE I—DEVELOPMENT GRANTS

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

In millions of U.S dollars

	June 30, 2015	*June 30, 2014*
Balance, beginning of the fiscal year	$ 6,983	$ 6,436
Commitments	2,319	2,645
Disbursements (including PPA grant activity)	(2,040)	(2,273)
Translation adjustment	(625)	175
Balance, end of the fiscal year	$ 6,637	$ 6,983

For the fiscal years ended June 30, 2015 and June 30, 2014, the commitment charge rate on the undisbursed balances of IDA's grants was set at nil percent.

NOTE J—ACCUMULATED OTHER COMPREHENSIVE INCOME

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

The following table presents the changes in Accumulated Other Comprehensive Income balances for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013:

In millions of U.S dollars

	June 30,		
	2015	*2014*	*2013*
Balance, beginning of the fiscal year	$ 12,997	$ 9,258	$ 10,177
Currency translation adjustments on functional currencies	(13,872)	3,739	(919)
Balance, end of the fiscal year	$ (875)	$ 12,997	$ 9,258

NOTE K—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 computed every year 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 Staff Retirement Plan and Trust (SRP), a Retired Staff Benefits Plan and Trust (RSBP) and a 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, as part of IBRD's allocation of staff and associated administrative costs to IDA based on an agreed cost sharing ratio. During the fiscal year ended June 30, 2015, IDA's share of IBRD's costs relating to all the three plans totaled $257 million ($296 million - fiscal year ended June 30, 2014 and $327 million - fiscal year ended June 30, 2013).

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, 2015, the SRP and the RSBP were underfunded by $633 million and $299 million, respectively. The PEBP, after reflecting IBRD and IDA's share of assets which are included in IBRD's investment portfolio of $688 million, was underfunded by $452 million.

NOTE L—OTHER FAIR VALUE DISCLOSURES

The table below presents IDA's estimates of fair value of its financial assets and liabilities along with their respective carrying amounts as of June 30, 2015 and June 30, 2014.

In millions of U.S dollars

	June 30, 2015		*June 30, 2014*	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets				
Due from Banks	$ 356	$ 356	$ 150	$ 150
Investments (including Securities Purchased Under Resale Agreements)	33,173	33,173	34,162	34,162
Net Development Credits Outstanding	126,760	94,276	132,010	95,992
Derivative Assets				
Investments	6,619	6,619	2,719	2,719
Other Asset-Liability management	8,914	8,914	12,102	12,102
Liabilities				
Borrowings	2,150	2,332	-	-
Securities sold/lent under repurchase agreements/ securities lending agreements and payable for cash collateral received	4,904	4,904	5,012	5,012
Derivative Liabilities				
Investments	6,507	6,507	2,785	2,785
Other Asset-Liability management	8,963	8,963	12,222	12,222

Valuation Methods and Assumptions

As of June 30, 2015 and June 30, 2014, IDA had no financial assets or liabilities measured at fair value on a non–recurring basis.

For valuation methods and assumptions of the investments and derivative assets and liabilities refer to Note A – Summary of Significant Accounting and Related Policies.

For valuation methods and assumptions of borrowings refer to Note D – Borrowings.

For valuation methods and assumptions of the development credits outstanding refer to Note F – Development credits and other exposures.

For additional fair value disclosures refer to Note C – Investments, Note D – Borrowings, Note E – Derivative Instruments, and Note F – Development credits and other exposures.

Due from Banks

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

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

The following table reflects the components of the unrealized mark-to-market gains or losses on non-trading portfolios, net, for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013.

In millions of U.S dollars

	Unrealized mark-to-market Gains (Losses) Fiscal Year Ended June 30,		
	2015	*2014*	*2013*
Unrealized mark-to-market gains (losses) on non-trading portfolios, net			
Investment portfolio - Note C	$ (19)	$ -	$ -
Asset-liability management - Note E	(160)	(35)	(102)
Total	$ (179)	$ (35)	$ (102)

NOTE M—CONTINGENCIES

From time to time, IDA may be named as a defendant or co-defendant in legal actions on different grounds in various jurisdictions. IDA’s Management does not believe the outcome of any existing legal action as of and for the fiscal year ended June 30, 2015, will have a material adverse effect on IDA's financial position, results of operations or cash flows.