Management's Discussion & Analysis
and
Financial Statements

June 30, 2014

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Box 1. Key Financial Indicators, Fiscal Years 2010 - 2014

As of and for the fiscal years ended June 30

US$ millions, unless otherwise stated

	2014	2013	2012	2011	2010
Guarantee Activities (See 2. Development Activities)					
New business	3,155	2,781	2,657	2,099	1,464
Portfolio Run-off	1,505	2,368	1,432	700	1,038
Gross guarantee exposure	12,409	10,758	10,346	9,122	7,723
Net guarantee exposure	7,113	6,410	6,262	5,239	4,296
Results of Operations (See 8. Results of Operations)					
Operating income[1]	26.9	19.2	17.8	9.7	9.8
Net income (loss)	70.0	(4.3)	5.9	43.1	(16.5)
Investing Activities (See 5. Investment Management)					
Net investment portfolio	1,282	1,157	1,090	1,036	964
Investment income	53.4	33.6	36.9	13.9	24.1
Return on investments (%)	4.4%	3.1%	3.6%	1.4%	2.5%
Capital Measures (See 4. Capital Management)					
Total shareholders' equity	974	911	905	924	875
Operating capital[2]	1,262	1,178	1,125	1,099	1,033
Total economic capital[3]	620	572	508	414	360
Total economic capital/operating capital (%)	49%	49%	45%	38%	35%

1. Net premium income less Administrative and Pension and Other Post Retirement Benefit Plan expenses

2. Operating capital is comprised of Paid-in capital, Retained earnings/Accumulated Other Comprehensive Income and Insurance Portfolio Reserve, net.

3. Amount of capital utilized in support of the guarantee portfolio as well as investment and operational risks.

1. EXECUTIVE SUMMARY

Overview

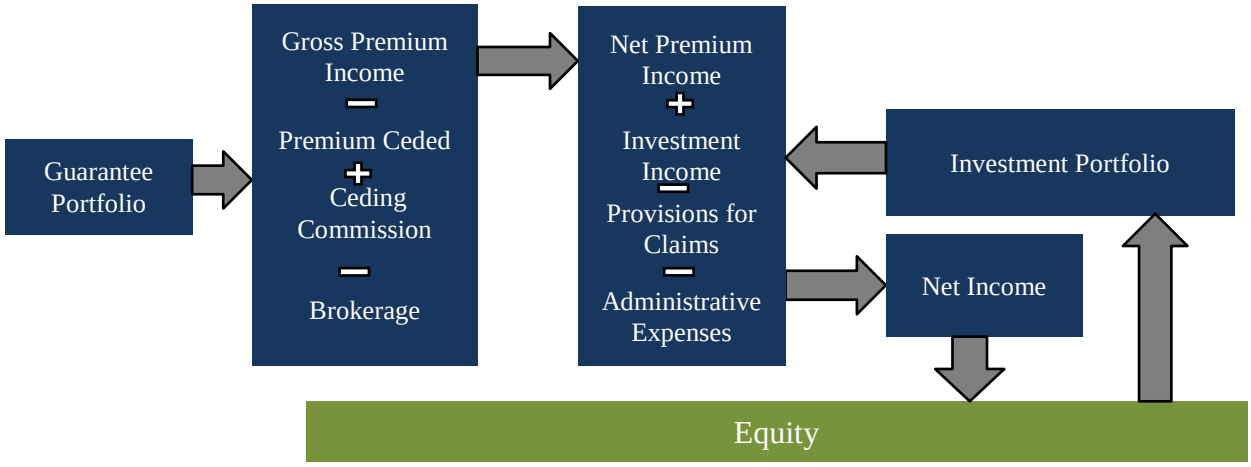
Established in 1988, the Multilateral Investment Guarantee Agency (MIGA or "the Agency") is a member of the World Bank Group (WBG)[1] and is a legal entity separate and distinct from the other WBG entities with its own charter (the "Convention"), share capital, financial structure, management, and staff. Membership in the Agency, which currently stands at 180 countries, is open to all members of IBRD.

MIGA contributes to the WBG's twin goals of ending extreme poverty and promoting shared prosperity by facilitating foreign direct investments (FDI) into developing countries to support economic growth, reduce poverty, and improve people's lives. To this end, the Agency acts as a risk mitigator, providing investors and lenders in the international investment community with the level of comfort necessary to invest in developing countries by providing political risk insurance (PRI) and credit enhancement products. In addition, as part of its mandate, the Agency carries out complementary activities such as dispute resolution in support of FDI, as well as research and knowledge services.

MIGA is committed to promoting projects that are economically, environmentally, and socially sustainable, and that promise a strong development impact. Since its inception, MIGA has issued $33 billion of guarantees, in support of 751 projects in 109 member countries. The Agency has also supported numerous technical assistance activities, as well as multiple programs at regional and global levels in member countries.

MIGA's revenue base is primarily represented by net premium income from its guarantee portfolio which is comprised of gross premium income less, premiums ceded to its reinsurers net of ceding commission, and brokerage costs. Combined with earnings from its investment portfolio, MIGA pays for its operating expenses and, after providing for expected losses and a prudential level of unexpected losses on its guarantee portfolio, is able to retain capital resources in the form of retained earnings and portfolio reserves to strengthen its ability to support new business (See Figure 1). The inherent volatility in the Agency's net income is driven primarily by the provision for losses on its guarantee portfolio, and the performance of its investment portfolio. The following is a graphical illustration of MIGA's financial model.

Figure 1. MIGA Financial Model



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

MIGA's Outlook and Strategic Focus

In April 2014, MIGA's Board of Directors approved the Agency's FY15-17 Strategic Directions paper which outlines the operational priorities and areas of focus over the next three fiscal years.

During the FY15-17 period, working in collaboration with the other WBG entities and optimizing the opportunities presented by its expanded product line (PRI and credit enhancing products) and broader client base, MIGA plans to focus on high risk countries (IDA and fragile and conflict-affected states), transformational projects, energy efficiency and climate change, and transactions with strong development impact in Middle Income Countries. While demand for PRI and credit enhancing products can fluctuate from year to year, MIGA's strategy focuses on growth with the goal of achieving 50% increase in new guarantee business between FY13 and FY17.

Basis of Reporting

MIGA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as well as International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Financial Results

During FY14, new guarantee commitments totaled $3.2 billion, an increase of $0.4 billion or 13% over FY13. As a result, as of June 30, 2014, MIGA's gross and net guarantee exposures stood at record highs of $12.4 billion and $7.1 billion, respectively, reflecting a continued upward trend in these measures.

The Agency recorded net income of $70 million during FY14 compared to a net loss of $4 million in the prior year. The key contributing factors to the significant increase in the net results were the significantly lower provision for claims and higher investment income.

Capital and Financial Risk Management

MIGA is financially self-sustaining, and its activities are supported by a strong capital base and a comprehensive risk management framework. To this end, MIGA uses an Economic Capital-based framework to assess its capital adequacy and risk-bearing capacity on an ongoing basis. A key component of this is the capital utilization ratio, defined as Total Economic Capital/Operating Capital which stood at 49% as of June 30, 2014, well below the 70%-80% range viewed by management as acceptable.

2. DEVELOPMENT ACTIVITIES

Business Segments

MIGA plays a critical role in supporting private investment flows to developing member countries by offering PRI and credit enhancement products, investment dispute resolution, and research and knowledge services.

Non-Commercial Risk Insurance

MIGA provides investment guarantees against certain non-commercial risks to eligible foreign investors for qualified investments in developing member countries and offers coverage against the risks of: 1)

transfer restriction and inconvertibility, 2) expropriation, 3) breach of contract, 4) war and civil disturbance, 5) the non-honoring of a sovereign financial obligation, and 6) the non-honoring of financial obligation by a state-owned enterprise. Investors may choose any combination of these covers[2] (see **Box 2**). MIGA insures new and existing cross-border investments originating in any MIGA member country, destined for any developing member country. Types of investments that can be covered include equity, shareholder and non-shareholder loans, and loan guarantees (provided the loans have a minimum maturity of more than one year). Other forms of investments—such as technical assistance and management contracts, or franchising and licensing agreements—may also be eligible.

Box 2. MIGA's Product Line Up

Traditional Political Risk Insurance

- **Transfer restriction and inconvertibility** – provides coverage for the risk of inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered.
- **Expropriation** – covers the risk of partial or total loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership of, control over, or rights to the insured investment.
- **War and civil disturbance** – covers the risk of damage to, or the destruction or disappearance of, tangible covered assets caused by politically motivated acts of war or civil disturbance in the host country, including revolution, insurrection, coups d'état, sabotage and terrorism.
- **Breach of contract** – covers the risk of being unable to obtain or enforce an arbitral or judicial decision recognizing the breach of an obligation by the host government or a state-owned enterprise.

Non-Honoring of Financial Obligations

- **Non-honoring of a sovereign financial obligation (NHSFO)** – covers the risk that a sovereign fails to honor an unconditional financial payment obligation or guarantee, where the underlying project meets all of MIGA's eligibility requirements. Unlike MIGA's breach of contract coverage, this credit enhancement coverage does not require a final arbitral award or court decision as a condition of payment of a claim. Sub-sovereign entities can also be covered.
- **Non-honoring of financial obligation by a state-owned enterprise (NHFSOE)**– covers the risk that a state-owned enterprise fails to honor an unconditional financial payment obligation or guarantee, where the underlying project meets all of MIGA's eligibility requirements. This coverage does not require a final arbitral award or court decision as a condition of payment of a claim.

During FY14, MIGA issued guarantees for a total of $3.2 billion in support of twenty-four projects, and resulted in cumulative guarantees issued of $33.2 billion through June 30, 2014. Table 1 contains a summary of cumulative guarantees issued in member countries.

Table 1. Cumulative Guarantees Issued in Member Countries

	FY14	FY13	FY12	FY11	FY10
Cumulative Guarantees Issued ($B)*	33.2	30.0	27.2	24.5	22.4
Host Countries	109	108	105	104	100

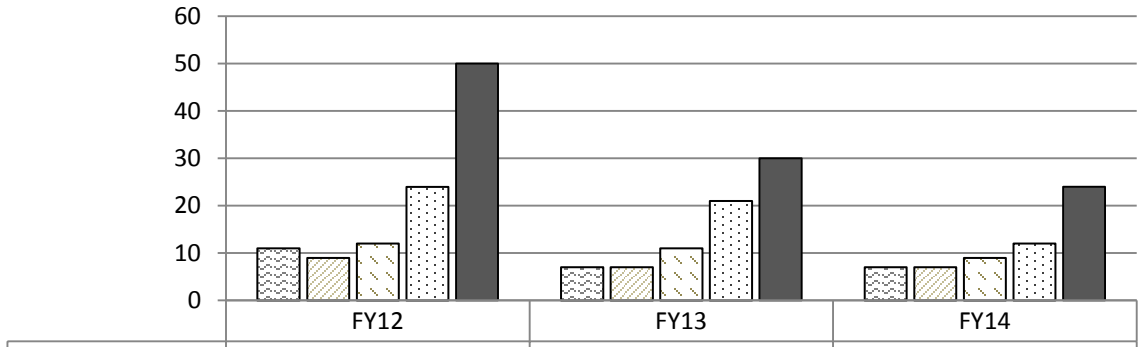
** Includes amounts from Cooperative Underwriting Program issued prior to FY10.*

Of the new guarantees issued, 18 projects were in one or more priority areas identified in the Agency's FY11-FY14 business strategy. This includes guarantees issued for $1,107 million in support of 12 projects in IDA-eligible countries, $1,406 million in support of 9 complex projects, $ 219 million in support of 7 projects in conflict-affected countries and $147 million in support of 7 projects with South-

[2] Smaller guarantees may be underwritten through the MIGA's Small Investment Program (SIP), but SIP coverage is limited to the risks of transfer restriction, expropriation, and war and civil disturbance.

South investments. **Table 2** details the issuance of guarantees in priority areas over each of the past three fiscal years.

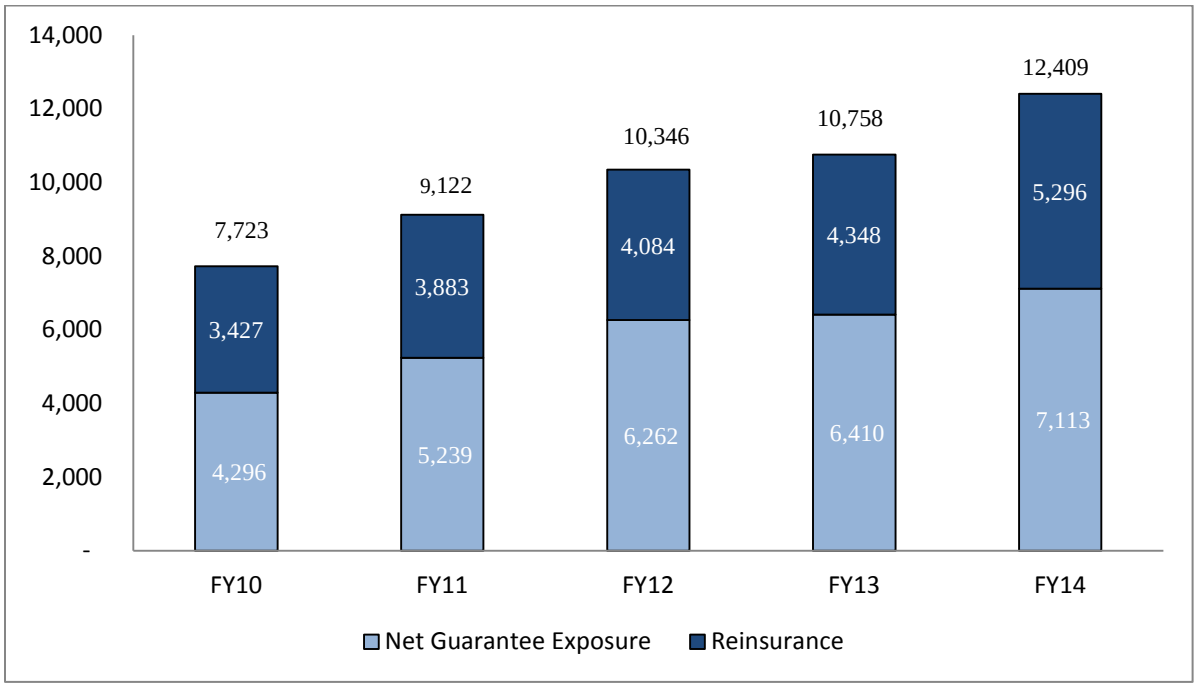
Table 2. New Guarantees Issued by Priority Area by Fiscal Year (Project Count)



	FY12	FY13	FY14
South South	11	7	7
Conflict Affected	9	7	7
Complex	12	11	9
IDA	24	21	12
Total Issuance	50	30	24

As of June 30, 2014, the total gross and net exposures amounted to $12.4 billion and $7.1 billion compared to $10.8 billion and $6.4 billion, respectively, at June 30, 2013. **Figure 2** below indicates the growth in the guarantee portfolio over the last five fiscal years.

Figure 2. Guarantee Portfolio Exposure ($M)



Europe & Central Asia remains the region with the highest concentration of MIGA's guarantees, continuing to reflect the impact of the financial-sector related guarantees issued in the aftermath of the 2008 financial crisis as well as the burgeoning demand in the sector for non-honoring products. The recent surge in the Agency's exposure to Africa also reflects its increasing support to the energy sector and infrastructure projects in Sub-Saharan Africa. **Table 3** details the regional distribution of MIGA's gross and net guarantee exposures at the end of each of the past three fiscal years.

Table 3. Regional Distribution of Gross and Net Exposure ($M)

	Gross			Net			% of Total Net Exposure		
	FY14	**FY13**	**FY12**	**FY14**	**FY13**	**FY12**	**FY14**	**FY13**	**FY12**
Africa	3,154	2,777	1,574	1,890	1,628	1,258	26.6	25.4	20.1
Asia	1,767	1,621	1,392	882	954	861	12.4	14.9	13.7
Europe & Central Asia	5,252	4,408	5,543	2,875	2,583	3,018	40.4	40.3	48.2
Latin America & the Caribbean	1,413	1,069	1,069	930	673	642	13.1	10.5	10.3
Middle East & North Africa	822	883	768	536	572	483	7.5	8.9	7.7
Total	**12,409**	**10,758**	**10,346**	**7,113**	**6,410**	**6,262**	**100.0**	**100.0**	**100.0**

Note: numbers may not add up due to rounding.

Infrastructure remains a key sector of focus with the highest portfolio concentration as of June 30, 2014, followed by the financial sector. **Table 4** shows the sector distribution of MIGA's gross and net guarantee exposures at the end of each of the past three fiscal years.

Table 4. Sector Distribution of Gross and Net Exposure ($M)

	Gross			Net			% of Total Net Exposure		
	FY14	**FY13**	**FY12**	**FY14**	**FY13**	**FY12**	**FY14**	**FY13**	**FY12**
Agribusiness	138	212	224	137	208	197	1.9	3.2	3.1
Financial	4,380	3,430	4,297	2,343	1,988	2,270	32.9	31.0	36.3
Infrastructure	5,500	4,719	3,920	3,204	2,757	2,436	45.0	43.0	38.9
Manufacturing	973	999	774	623	641	457	8.8	10.0	7.3
Mining	218	239	241	153	170	171	2.2	2.7	2.7
Oil & Gas	927	931	336	381	420	261	5.4	6.6	4.2
Tourism, Retail & Services	273	228	554	272	226	469	3.8	3.5	7.5
Total	**12,409**	**10,758**	**10,346**	**7,113**	**6,410**	**6,262**	**100.0**	**100.0**	**100.0**

Note: numbers may not add up due to rounding.

Investment Dispute Resolution

Consistent with Article 23 of the MIGA Convention, the Agency seeks both to remove impediments to the flow of investment to developing member countries and to encourage the settlement of disputes between investors and host governments. MIGA actively pursues the resolution of disputes affecting MIGA-supported projects. In many cases, these efforts focus on situations in which either a claim has been or is expected to be filed, but MIGA will also assist in resolving problems that are not related to its cover. During FY14, MIGA engaged with investors or governments in relation to projects located in Albania, Argentina, Central African Republic, China, Mali, Niger, Rwanda, and Uganda.

In appropriate circumstances, the Agency will mediate disputes between states and investors not guaranteed by MIGA if such disputes inhibit the flow of additional investment to the country. In such

circumstances, MIGA may seek compensation for these services and reimbursement for its costs in conducting the mediation.

3. FUNDING SOURCES

Capital Stock

MIGA derives its financial strength primarily from the capital backing it receives from its shareholders and its retained earnings.

MIGA's Convention initially established its authorized capital stock (membership shares) at 100,000 shares—equivalent to $1,082 million—with a provision that the authorized capital stock shall automatically increase upon the admission of a new member to the extent that the total number of authorized shares are sufficient to allow subscription by the new member. During FY14, the total authorized shares increased to 186,537 as of June 30, 2014, equivalent to $2,018.3 million. Myanmar completed its membership requirements during FY14, bringing the total number of member countries to 180 as of June 30, 2014. **Table 5** provides a summary of the capital stock as of June 30, 2014.

Table 5. **Capital Stock ($M) – June 30, 2014**

	Initial Capital	Capital Increase	Total
Subscribed Capital	1,168	750	1,918
Of which:			
Paid-in Capital	234	132	366
Callable Capital	935	618	1,552

Of the initial membership shares subscribed, 20 percent had been paid-in and the remaining 80 percent was subject to call when needed by MIGA to meet its obligations. As of June 30, 2014, $113.4 million of paid-in capital is in the form of nonnegotiable, non-interest bearing demand obligations (promissory notes). The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. Since inception, MIGA has not encashed any of the promissory notes.

Any calls on unpaid subscriptions are uniform on all shares. If the amount received by MIGA on a call is insufficient to meet the obligations which necessitated the call, MIGA may make further calls until the amounts received are sufficient to meet such obligations. The liability of a member on a call or calls is limited to the unpaid balance of its capital subscription. Since its inception, no call has been made on MIGA's callable capital.

Equity

Total shareholders' equity as of June 30, 2014 was $974.2 million compared with $910.7 million as of June 30, 2013. The increase of $63.5 million primarily reflects the $70 million FY14 net income, partially offset by the $6.9 million increase in accumulated other comprehensive loss on account of additional actuarial losses on the pension and post-retirement benefit plans.

4. CAPITAL MANAGEMENT

Underwriting Capacity

MIGA's equity base ensures the financial sustainability of the Agency over both the short-term and long-term. The subscribed capital and retained earnings determine the Agency's statutory underwriting capacity. The Council of Governors and the Board of Directors have set the maximum amount of contingent liability that may be assumed by MIGA as 350 percent of the sum of its unimpaired subscribed capital and reserves and retained earnings, and 100 percent of the ceded exposure. In other words, the maximum amount of net guarantee exposure is determined by the amount of available capital, and the statutory underwriting capacity is expressed on a gross exposure basis by adding the current amount of portfolio reinsurance. As of June 30, 2014, MIGA's underwriting capacity was $15,145 million, as detailed in **Table 6** below.

Table 6. **Current Underwriting Capacity ($M) – June 30, 2014**

Subscribed Capital	1,918
Retained Earnings	638
Accumulated Other Comprehensive Loss	(30)
Insurance Portfolio Reserve (net)	288
Total	2,814
350% of Subscribed Capital, Retained Earnings, Accumulated Other Comprehensive Loss and Insurance Portfolio Reserve, net	9,849
100% of Exposure Ceded	5,296
Statutory Underwriting Capacity - June 30, 2014	**15,145**

As of June 30, 2014, MIGA's gross exposure was $12,409 million, representing 82 percent of MIGA's statutory underwriting capacity.

Capital Adequacy

Under its Economic Capital-based capital adequacy framework, MIGA's measures of capital adequacy and risk-bearing capacity include economic capital consumed by the guarantee portfolio. It provides an analytically rigorous measure for assessing the consumption of risk capital by the core guarantee business, and incorporates the effects from portfolio diversification and concentration. In addition, MIGA estimates the minimum amount of capital that should be held against operational risk in the Agency and the risk of loss in the investment portfolio.

Total economic capital, defined as capital consumption from the guarantee portfolio and estimated capital required for operational risk[3] and investment risk, represents a broader measure of MIGA's capital adequacy. As of June 30, 2014, the economic capital consumed by the guarantee portfolio amounted to $561 million and the total economic capital for the Agency amounted to $620 million, compared to $519 million and $572 million, respectively, as of June 30, 2013. The increase reflects the volume growth and changes in the composition of MIGA's guarantee portfolio, increasingly reflecting more complex transactions in strategic priority areas and non-honoring business.

Through an annual exercise of gauging the capital adequacy position, the current amount of economic capital consumed by MIGA's activities is calculated to measure how much of available operating capital

[3] Operational risk capital is based on the Basel II methodology for calculating operational risk capital as a percentage of gross revenues and amounted to $23 million as of June 30, 2014.

is currently utilized. In addition, MIGA assesses how much economic capital is projected to be utilized in the future under various scenarios of growth and development of the guarantee portfolio. These stress-test scenarios estimate the economic capital consumed under assumptions of continued growth in MIGA's portfolio over five years, in combination with increased concentration of exposures, country rating downgrades, and regional and global contagion effects.

MIGA's management monitors the level and utilization of available operating capital, which is comprised of paid-in-capital, retained earnings, and the insurance portfolio reserve, net of the corresponding reinsurance recoverable. MIGA management's objective is to have sufficient operating capital to sustain losses associated with claims and to support the ongoing business without facing a significant risk of having to avail itself of the callable capital. As measures of the current utilization of this capital, by the guarantee portfolio and by the Agency as a whole, **Table 7** shows the ratios of guarantee portfolio and total economic capital to operating capital over the past three years. These ratios stood at 44.5 percent and 49.1 percent, respectively, as of June 30, 2014 compared with 44.0 percent and 48.5 percent as of June 30, 2013. The June 30, 2014 ratios are well below the 70-80 percent range which management considers acceptable.

To gauge year-on-year changes to the relative risk-level of the guarantee portfolio, **Table7** also shows the ratio of guarantee portfolio economic capital to portfolio net exposure. As of June 30, 2014, this ratio stood at 7.9 percent compared to 8.1 percent at end-FY13. The above ratios indicate a strong and stable capital position for the Agency at the end of FY14.

Table 7. Capital Adequacy Summary (FY12-14, $M)

	FY14	FY13	FY12
Guarantee Portfolio Economic Capital	**561**	**519**	**459**
Total Economic Capital	**620**	**572**	**508**
Insurance Portfolio Reserve (net)	288	267	220
Retained Earnings and Accumulated Other Comprehensive Loss	608	545	540
Paid-in Capital	366	366	365
Operating Capital	**1,262**	**1,178**	**1,125**
Net Exposure	**7,113**	**6,410**	**6,262**
Guarantee Portfolio Economic Capital / Operating Capital	**44.5%**	**44.0%**	**40.8%**
Total Economic Capital / Operating Capital	**49.1%**	**48.5%**	**45.2%**
Guarantee Portfolio Economic Capital / Net Exposure	**7.9%**	**8.1%**	**7.3%**

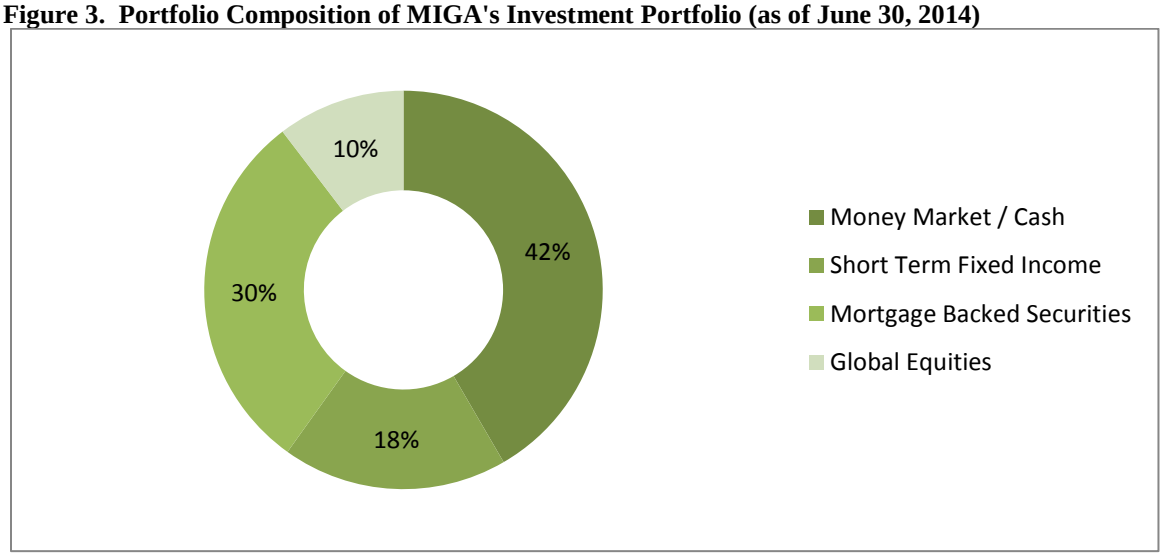
Note: numbers may not add up due to rounding.

5. INVESTMENT MANAGEMENT

MIGA's investment policy sets the objectives and constraints for managing MIGA's investment account assets. As claims arise, MIGA's invested assets will be liquidated to pay claims on a pre-recovery basis. The portfolio consists of two tranches. Tranche 1 is managed with target duration between 1 to 2 years to support potential claims, and consists of investments in cash, treasury securities, agency securities, mortgage-backed securities (MBS), asset-backed securities (ABS) and sovereign securities. Tranche 2 (Long-Term Investment Portfolio or LTIP) supports long-term capital growth, by investing in assets such as global equities. Portfolio management activities for MIGA's fixed income assets, as well as trading, risk analytics and reporting, are provided by IBRD's Treasury Investment Management Department.

As of June 30, 2014, the net investment portfolio totaled $1,282 million comprised of cash, treasury securities, agency securities, MBS, ABS, sovereign and government guaranteed securities, global equities, and derivatives (see **Figure 3**). Although primarily USD-denominated, the portfolio also held cash and government securities denominated in currencies other than USD accounting for $145 million.

Figure 3. Portfolio Composition of MIGA's Investment Portfolio (as of June 30, 2014)



MIGA's investment portfolio had an annual portfolio yield of 4.4 percent in FY14 versus 3.1 percent in FY13 largely due to the strong performance of the Long Term Investment Portfolio (LTIP), wholly comprised of Global Equities, and which had an annual yield of 21.3 percent in FY14. **Table 8** provides details on the investment income by asset class over the past three fiscal years.

Table 8. Investment Income by Asset Class ($M)

Asset Class	FY14	FY13	FY12
Money Market / Cash	1.0	0.8	1.4
US Short Term (0-3 Year)	2.8	2.0	2.0
Mortgage Backed Securities	11.4	(1.7)	11.0
US Long Term (5-10 Year)	-	(1.3)	17.7
LTIP - Global Equities	38.2	33.8	4.8
Total Investment Income	**53.4**	**33.6**	**36.9**
Total Portfolio Return	**4.4%**	**3.1%**	**3.6%**

6. RISK MANAGEMENT

The responsibility for approving MIGA's risk management policies lies with the Board of Directors. The Audit Committee of the Board deals with risk management issues. While the Executive Vice President and Chief Executive Officer assumes the responsibility for overall risk management with the support of the senior management team, the responsibility for the design and operational implementation of the risk management framework lies with the Finance and Risk Management Group with coordination from the Legal Affairs and Claims Group, the Operations Group and the Economics and Sustainability Group.

Risk Categories

MIGA is exposed to a variety of risks and uses risk management programs such as an Economic Capital Framework, and reinsurance arrangements to manage its risk. Below is a description of risk management systems of the important risks for MIGA.

Insurance Risk

Assessment of non–commercial risk forms an integral part of MIGA's underwriting process, and includes the analysis of both country-related and project-related risks. Insurance risk arises from MIGA's core business of issuing investment guarantees. MIGA's earnings depend upon the extent to which claims experience is consistent with assumptions used in setting prices for products and establishing technical provisions and liabilities for claims. If actual claims experience of the Agency is less favorable than underlying assumptions, then income would be reduced. MIGA monitors claim activities and provisions for pending claims. In addition, claims reserves for the guarantee portfolio are calculated, using MIGA's Economic Capital Model.

Portfolio Risk

For portfolio risk management purposes, MIGA currently utilizes an Economic Capital (EC) [4] Model, based on best practices applied in risk modeling. Under the EC framework, MIGA defines its economic capital as the 99.99th percentile of the aggregate loss distribution over a one year horizon, minus the mean of the loss distribution, which is in line with industry practice. The model helps evaluate concentration risk in the guarantee portfolio and facilitates active, risk-based exposure management by allocating the Economic Capital to particular regions, countries, sectors, covers, or individual contracts, based on their respective risk contribution. Additionally, in order to prevent excessive risk concentration, MIGA uses the EC model to set maximum net guarantee exposure limits per country and per project, which as of June 30, 2014 stood at $720 million and $220 million, respectively.

[4] The Economic Capital concept is a widely recognized risk management tool in the banking and insurance industries, defining the minimum amount of capital an organization needs to hold in order to sustain larger than expected losses with a high degree of confidence, over a defined time horizon and given the risk exposure and defined risk tolerance.

As of June 30, 2014, the top ten largest exposure countries are shown below in **Table 9**, accounted for 49% of the total net guarantee portfolio.

Table 9. Top Ten Countries by Net Exposure ($M)

Host Country	Gross Exposure	Net Exposure	Share of Net Exposure (%)
Serbia	852	607	8.5
Russian Federation	864	432	6.1
Croatia	976	418	5.9
Ukraine	760	379	5.3
Panama	626	310	4.4
Cote d'Ivoire	848	305	4.3
Ghana	333	301	4.2
Turkey	450	249	3.5
Kenya	281	246	3.5
Cameroon	298	238	3.3
Top Ten Countries	6,286	3,485	49.0

During FY14, MIGA entered into an exposure exchange agreement with IBRD whereby both institutions agreed to exchange $120 million of notional exposure with each other. Under the agreement, IBRD has provided a guarantee on MIGA's exposure under its Non-Honoring of Sovereign Financial Obligations product in exchange for MIGA's guarantee on IBRD's loan exposure. This arrangement positively impacted MIGA's concentration risk and lowered the economic capital consumption on the overall portfolio.

Liquidity Risk

Adequate liquidity resources need to be maintained to sustain the Agency over prolonged periods of cash payouts due to claims. MIGA assesses and monitors the availability of its liquid assets on a periodic basis and analyzes the impact on its finances (capital and liquidity) under stress scenarios where claims situations propagate through contagion across countries and regions. During the fiscal year ended June 30, 2014, there was one claim filed with the Agency.

Operational Risk

Operational risk is intrinsic to financial institutions and is an important component of the agency-wide risk management framework. The most important types of operational risk involve breakdowns in internal controls, processes, systems and corporate governance.

MIGA mitigates operational risks by maintaining a sound internal control system based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s 1992 *Integrated Internal Control* framework and the effectiveness of key controls in the financial reporting process is assessed and validated annually. Additionally, MIGA's internal control is regularly evaluated through independent review by the Internal Audit Department (IAD) of the World Bank Group.

With regard to information technology, all MIGA information systems and applications are hosted on the IBRD technology infrastructure that is configured and adherent to the information security policy and procedures of the World Bank Group. In addition, increased collaboration with the World Bank Group has allowed MIGA to gain access to a larger pool of specialized skill sets to support its information systems.

Legal Risk

Legal risks arise primarily from changes in the legal parameters of MIGA's member countries as a result of legislation or court decisions that may affect MIGA's activities. There are also legal risks associated with MIGA being involved in legal disputes and arbitration proceedings, especially in the context of claim resolution or settlement.

MIGA manages these risks by monitoring current and prospective future developments by way of ongoing discussions with member countries' representatives on the Board of Directors and Council of Governors. MIGA also shares information and analyses with other members of the World Bank Group, the IMF and the United Nations. In addition, MIGA actively participates as a member of the Berne Union in discussions and analyses of the changes in the operating investment environment in its member countries.

7. CRITICAL ACCOUNTING POLICIES

The notes to MIGA's financial statements contain a detailed summary of MIGA's accounting policies. Described below are those accounting policies which involve significant management judgment and estimates when preparing the Agency's financial statements and accompanying notes to conform to both U.S. GAAP and IFRS. Accounting estimates generally involve the establishment of parameters by management based on judgments about the probable outcome of future conditions, transactions, or events. Because these are projections, actual results may differ from those estimates in a variety of areas. The area which management deems most critical with respect to the application of estimates and assumptions is the establishment of MIGA's loss reserves.

Reserve for Claims

MIGA's provisioning methodology builds on portfolio risk quantification models that use both individually assessed loss probabilities for projects at risk and rating-based loss probabilities that are applied to the entire guarantee portfolio. Under this methodology, for the purpose of presentation in the financial statements, MIGA's reserve consists of two primary components, the Specific Reserve and the Insurance Portfolio Reserve.[5]

Reserves are presented on a gross basis on the liability side of the balance sheet, and the associated reinsurance assets on the asset side, since reinsurance does not relieve MIGA of its primary liability to the insured. A detailed summary of MIGA's provisioning policy can be found in the Notes to Financial Statements – Note A, *Summary of Significant Accounting and Related Policies*.

Pension and Other Postretirement Benefits

Along with IBRD and IFC, MIGA participates in pension and post-retirement benefit plans that cover almost all of their staff members. All costs, assets, and liabilities associated with these plans are allocated among IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. The underlying actuarial assumptions, fair value of plan assets, and funded status associated with these plans are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. For further details, please refer to the Notes to Financial Statements – Note F, *Pension and Other Post Retirement Benefits*.

[5] The Insurance Portfolio Reserve is calculated as the 95th percentile loss less the mean loss from the Economic Capital Model.

Fair Value of Financial Instruments

The fair values of financial instruments are based on a three-level hierarchy. For financial instruments classified as Levels 1 and 2, inputs are based on observable market data, with less judgment applied in arriving at fair values. For financial instruments classified as Level 3, where applicable, unobservable inputs are used. These require Management to make significant assumptions and judgments in determining fair value measures.

All of MIGA's financial instruments are classified as Levels 1 and 2, as the inputs are based on observable market data, with less judgment applied in arriving at fair value measures. The methodology, inputs, and assumptions are reviewed, on a quarterly basis, to assess the appropriateness of the fair value hierarchy classification of each financial instrument.

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

8. RESULTS OF OPERATIONS

Operating Income and Net Income

FY14 operating income was $27 million, an increase of $8 million compared to FY13, of which net premium income accounted for $6 million. FY14 net income of $70 million represented a significant increase of $74 million compared to net loss of $4.3 million in FY13. **Table 10** below shows the breakdown of MIGA's operating income and net income over the past three years.

Table 10. Analysis of Operating Income and Net Income (Loss) ($M)

	FY14	**FY13**	**FY12**
Total Guarantees Issued	3,155	2,781	2,657
Gross Exposure	12,409	10,758	10,346
Net Exposure	7,113	6,410	6,262
Premium Income	115.6	97.2	89.2
Premium Ceded	(50.1)	(37.7)	(33.7)
Ceding Commission	10.9	8.5	7.9
Brokerage and Other Charges	(4.0)	(1.7)	(1.7)
Net Premium Income	**72.4**	**66.3**	**61.7**
Administrative Expenses	(39.9)	(41.2)	(41.1)
Pension and Post Retirement Benefit Plan Expense	(5.6)	(5.9)	(2.8)
Operating Income[1]	**26.9**	**19.2**	**17.8**
Income from Investments	53.4	33.6	36.9
Translation Gains (Losses)	2.8	0.3	(11.5)
Provision for Claims and Other Exposures[2]	(13.1)	(56.7)	(37.3)
Net Income (Loss)	**70.0**	**(4.3)**	**5.9**
Operating Capital	**1,262**	**1,178**	**1,125**
Guarantee Portfolio Economic Capital (EC)	561	519	459
ROOC[3] **(before provisions)**	**6.6%**	**4.5%**	**3.8%**
ROOC (after provisions)	**5.5%**	**(0.4%)**	**0.5%**
ROCU[4]	**4.8%**	**3.7%**	**3.9%**

Note: numbers may not add up due to rounding.
(1) Operating Income = Net Premium Income less Administrative and Pension and Post Retirement Benefit Plan Expenses
(2) Provisions are net of currency translation effect
(3) Return on Operating Capital = Net Income/Operating Capital
(4) Return on Capital Utilized = (Net Premium Income-Administrative and Other Expenses)/Economic Capital Utilized by the Guarantee Portfolio

FY14 versus FY13

The factors contributing to the higher operating income and a net income in FY14 are discussed further below.

Net Premium Income
MIGA's gross exposure and gross premium income increased by $1.7 billion and $18.4 million, respectively. Premium amounts ceded to reinsurers increased by $12.4 million resulting in a net premium income of $72.4 million compared to $66.3 million in FY13. The gross premium income growth reflects a higher portfolio premium rate, consistent with the shift in the risk composition of the portfolio associated with the pursuit of MIGA's strategic priorities, and higher average gross exposure.

Income from Investments
MIGA's investment portfolio generated $53.4 million of investment income in FY14, compared with $33.6 million in FY13. The yield was 4.4 percent in FY14 compared with 3.1 percent in FY13, with the returns from global equities significantly contributing to the FY14 investment income.

Provision for Claims
MIGA recorded an increase in net reserves for claims of $13.1 million in FY14 compared to $56.7 million in FY13. The lower charge in FY14 primarily reflects the effect of downward adjustments associated with the specific claim reserve, net country risk rating upgrade compared to net downgrade in the prior year, release associated with the portfolio run-off and the positive impact of the exposure exchange agreement with IBRD.

9. CORPORATE GOVERNANCE AND CONTROL

General Governance

Board Membership

MIGA's Board of Directors consists of 25 members. In accordance with the Convention establishing MIGA, all members of the Board are elected every two years by their member governments. Directors are neither officers, nor staff of MIGA. The President serves as the presiding officer, is the only management member of the Board of Directors, and ordinarily has no vote except a deciding vote in the case of an equal division. The Board has established five standing committees which are each chaired by a Director: (i) Committee on Development Effectiveness or CODE, (ii) Audit Committee or AC, (iii) Budget Committee or BC, (iv) Human Resources Committee or HRC, and (v) Committee on Governance and Administrative Matters or COGAM. The Directors maintain an Ethics Committee to consider matters relating to the interpretation or application of the Code of Conduct for Board Officials.

The Directors and their committees operate in continuous session at the principal offices of the World Bank Group, and meet in accordance with the Agency's business needs. Each committee's terms of reference establishes its respective roles and responsibilities. Their role is primarily to help the full Board of Directors discharge its oversight responsibilities through in-depth examination of policies and practices.

Senior Management Changes

Effective February 17, 2014, Ms. Lakshmi Shyam-Sunder, formerly MIGA's Director and Chief Financial Officer was appointed Vice President and World Bank Group Chief Risk Officer. The search for Ms. Shyam-Sunder's successor is currently underway.

Audit Committee

Membership

The Audit Committee consists of eight members of the Board of Directors. Membership on the Committee is determined by the Board of Directors, based upon nominations by the Chairman of the Board, following informal consultation with the Directors. In addition, the composition of the Committee is expected to reflect the economic and geographic diversity of MIGA's member countries. Other relevant selection criteria include seniority, continuity, and relevant experience. Some or all of the responsibilities of individual Committee members are performed by their alternates or advisors. Generally, Committee members are appointed for a two-year term; reappointment to a second term, when possible, is desirable for continuity. Audit Committee meetings are generally open to any member of the Board who wishes to attend, and non-Committee members of the Board may participate in the discussion but cannot vote. In addition, the Chairman of the Audit Committee may speak in that capacity at meetings of the Board of Directors, with respect to discussions held at the Audit Committee.

Key Responsibilities

The Audit Committee has a mandate to assist the Board of Directors in overseeing MIGA's finances, accounting, risk management, and internal controls. This mandate includes the review and oversight of MIGA's financial statements and financial reporting related to trust funds. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of the external auditor, as well as monitoring the performance and independence of the external auditor. The Audit Committee oversees the internal audit function, including reviewing the responsibilities, staffing, annual internal audit plan, and effectiveness of internal audit. In the execution of its role, the Committee discusses with management, the external auditors, and internal auditors, financial issues and policies which have an impact on the Agency's financial position and risk-bearing capacity. The Committee also reviews with the external auditor the financial statements prior to their publication and recommends the annual audited financial statements for approval to the Directors. The Audit Committee monitors the evolution of developments in corporate governance and encourages continuous improvement of, and adherence to MIGA's policies, procedures, and practices.

Communications

The Audit Committee communicates regularly with the full Board of Directors through distribution of the following documents:

- The minutes of its meetings.
- Reports of the Audit Committee prepared by the Chairman, which document discussions held. These reports are distributed to the Directors, Alternates Directors, World Bank Group Senior Management, and MIGA Senior Management.
- "Statement(s) of the Chairman" and statements issued by other members of the Audit Committee.
- The Annual Report to the Board of Directors, which provides an overview of the main issues addressed by the committee over the year.

The Audit Committee's communications with the external auditor are described in the Auditor Independence section.

Executive Sessions

Under the Audit Committee's Terms of Reference, members of the Audit Committee shall meet periodically in separate executive or, where specifically required, closed sessions with management, the Auditor General, the External Auditor, and the Vice President for Institutional Integrity, to discuss any matters that the Committee or any of the foregoing believes should be discussed privately.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information, with respect to the financial position, financial statement presentations, risk assessment, and risk management, as well as matters regarding governance and controls. The Audit Committee meets both formally and informally throughout the year to discuss finance, accounting, risk management, and internal controls matters. The Directors have unrestricted access to management. The Audit Committee reviews and discusses with management the quarterly and annual financial statements. The committee also reviews with the external auditor the financial statements prior to their publication and recommends these for approval to the Board of Directors.

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

Code of Conduct and Business Conduct Framework

Staff members' ethical obligations to the institution are embodied in its Core Values and Principles of Staff Employment. As a member organization, MIGA has adopted the updated World Bank Group Code of Conduct, *Living our Values* (the Code), which is a practical guide to assist staff in making the Bank Group's Core Values a part of what staff does every day. The Code applies to all staff worldwide and is available on IBRD's website, **www.worldbank.org**. All MIGA staff have completed the mandatory training course which includes an acknowledgement from staff to abide by the tenets of the Code.

In addition to the Code, the business conduct obligations of staff are articulated in the Staff Manual (Principles of Staff Employment, Staff Rules), Administrative Manual, and other guidelines. The Principles and Staff Rules require that all staff avoid or properly manage conflicts of interest. To protect individual staff in MIGA from apparent and real (potential or actual) conflicts of interest, senior managers are required to complete an annual financial disclosure statement with the Office of Ethics and Business Conduct.

Guidance for staff is also provided through programs, training materials, and other resources. Managers are responsible for ensuring that internal systems, policies, and procedures are consistently aligned with MIGA's business conduct framework. The following World Bank Group units assist in communicating business conduct expectations to staff:

- The Office of Ethics and Business Conduct (EBC) provides leadership, management and oversight for MIGA's ethics infrastructure including the Ethics HelpLine, a consolidated conflicts of interest disclosure/resolution system, financial disclosure, ongoing training to both internal and external audiences, and communication resources. This office has the mandate to review and assist in the resolution of allegations of staff misconduct.
- The Integrity Vice Presidency (INT) is charged with investigating allegations of fraud and corruption in projects benefiting from World Bank Group funding or guarantees. It also trains and educates staff and clients in detecting and reporting fraud and corruption.

Both EBC and INT report directly to the President and each is composed of professionals from a range of disciplines including financial analysts, researchers, investigators, lawyers, prosecutors, forensic accountants, and staff with operational experience across the World Bank Group. These units maintain comprehensive websites to provide guidance on how to handle concerns.

Auditor Independence

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

- Prohibition of the external auditor from the provision of any non-audit related services
- All audit-related services must be pre-approved on a case-by-case basis by the Board of Directors, upon recommendation by 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 the incumbent audit firm should be allowed to participate in the re-bidding
- An evaluation of the performance of the external auditor at the mid-point of the five year term.

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 Directors.

As standard practice, the external auditor is invited as an observer to attend all Audit Committee meetings and is frequently asked to present its perspective on issues. In addition, the Audit Committee meets periodically with the external auditor in private sessions without the presence of management. Communication between the external auditor and the Audit Committee is ongoing, as frequently as is deemed necessary by either party. MIGA's external auditors follow the communication requirements with audit committees set out under US Generally Accepted Auditing Standards and International Standards on Auditing. In keeping with these standards, significant formal communications include:

- Quarterly and annual financial statement reporting
- Annual appointment of the external auditors
- Presentation of the external audit plan
- Presentation of control recommendations and discussion of the Internal Control over Financial Reporting (ICFR) attestation and report
- Presentation of a statement regarding independence

In addition to committee meetings, individual members of the Audit Committee have independent access to the external auditor.

Internal Control

Internal Control Over Financial Reporting

Management makes an annual assertion whether, as of June 30 of each fiscal year, the organization's system of internal control over its external financial reporting has met the criteria for effective internal control over external financial reporting as described in the 1992 *Internal Control – Integrated Framework* issued by The Committee of the Sponsoring Organizations of the Treadway Commission (COSO)[6].

[6] COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the casual 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

Concurrently, MIGA's external auditor provides an attestation report on whether Management's assertion regarding the effectiveness of internal control over external financial reporting is fairly stated in all material respects.

On May 14, 2013, COSO issued the *2013 Internal Control-Integrated Framework* (2013 Framework). The updated Framework is intended to clarify internal control concepts and simplify their use and application. The 1992 Framework will remain available until December 15, 2014, after which time it will be superseded by the 2013 Framework. MIGA is currently evaluating the updated Framework.

effectiveness. Revisions to the original framework were subsequently effected in May 2013 and will be effective for MIGA from FY15.

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MIGA | Multilateral Investment Guarantee Agency
WORLD BANK GROUP

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

August 7, 2014

The management of the Multilateral Investment Guarantee Agency (MIGA) 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 Board of Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of MIGA's financial statements and attestation of its internal control over financial reporting were valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over external financial reporting for financial statement presentations in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards. 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.

MIGA assessed its internal control over external financial reporting for financial statement presentation in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as of June 30, 2014. This assessment was based on the criteria for effective internal control over external financial reporting described in the 1992 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that MIGA maintained effective internal control over

external financial reporting presented in conformity with both accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board as of June 30, 2014. The independent audit firm that audited the financial statements has issued an attestation report on management's assertion on MIGA's internal control over external financial reporting.

The Board of Directors of MIGA has appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of MIGA. The Audit Committee is comprised entirely of Directors who are independent of MIGA's management. The Audit Committee is responsible for recommending to the Board of 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 MIGA in addition to reviewing MIGA'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

Keiko Honda
Executive Vice President and CEO

Thomas Obudho Obuya
Acting Director, Finance and Risk Management

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

Independent Auditors' Report

President and Board of Directors
Multilateral Investment Guarantee Agency:

We have examined management's assertion, included in the accompanying *Management's Report Regarding Effectiveness of Internal Control Over External Financial Reporting*, that the Multilateral Investment Guarantee Agency (MIGA) maintained effective internal control over financial reporting as of June 30, 2014, based on criteria established in the *1992 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). MIGA'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 and International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 MIGA maintained effective internal control over financial reporting as of June 30, 2014 is fairly stated, in all material respects, based on criteria established in the *1992 Internal Control – Integrated Framework* 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 financial statements of MIGA, which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and our report dated August 7, 2014 expressed an unqualified opinion on those financial statements.

KPMG LLP

August 7, 2014

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

Independent Auditors' Report

President and Board of Directors
Multilateral Investment Guarantee Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the Multilateral Investment Guarantee Agency (MIGA), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, 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 and International Financial Reporting Standards as issued by the International Accounting Standards Board; 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.

KPMG

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIGA as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2014 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 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 MIGA maintained effective internal control over financial reporting as of June 30, 2014, based on criteria established in the *1992 Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 7, 2014 expressed an unqualified opinion on management's assertion.

KPMG LLP

Washington, D.C.
August 7, 2014

Balance Sheet

June 30, 2014 and June 30, 2013
Expressed in thousands of US dollars

	2014	2013
Assets		
CASH	$ 26,886	$ 11,841
INVESTMENTS - Trading (including securities transferred under repurchase agreements) - Note B	1,342,158	1,152,915
Securities purchased under resale agreements - Note B	-	20,000
Derivative assets - Note B	203,008	364,997
NONNEGOTIABLE, NONINTEREST-BEARING DEMAND OBLIGATIONS - Note C	113,434	112,384
OTHER ASSETS		
Receivable for investment securities sold - Note B	11,546	4,674
Estimated reinsurance recoverables - Note E	127,300	99,100
Prepaid premiums ceded to reinsurers	148,252	52,290
Net assets under retirement benefits plans - Note F	15,324	15,700
Miscellaneous assets	19,641	14,624
	322,063	186,388
TOTAL ASSETS	$ 2,007,549	$ 1,848,525
Liabilities and Shareholders' Equity		
LIABILITIES		
Payable for investment securities purchased - Note B	$ 23,976	$ 12,182
Securities sold under repurchase agreements and payable for cash collateral received - Note B	66,967	11,426
Derivative liabilities - Note B	202,611	364,990
Accounts payable and accrued expenses	54,942	43,736
Unearned premiums and commitments fees	262,435	124,436
Reserve for claims - Note E		
Specific reserve for claims	9,700	17,700
Insurance portfolio reserve	412,700	363,400
Reserve for claims - gross	422,400	381,100
Total liabilities	1,033,331	937,870
CONTINGENT LIABILITIES - Note D		
SHAREHOLDERS' EQUITY		
Capital stock - Note C		
Authorized capital (186,537 shares- June 30, 2014; 186,359 shares-June 30, 2013)		
Subscribed capital (177,281 shares- June 30, 2014; 177,103 shares-June 30, 2013)	1,918,180	1,916,254
Less uncalled portion of subscriptions	1,552,166	1,550,625
	366,014	365,629
Retained earnings	638,032	567,992
Accumulated other comprehensive loss - Note H	(29,828)	(22,966)
Total shareholders' equity	974,218	910,655
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,007,549	$ 1,848,525

See accompanying notes to the financial statements

Statement of Operations

For the fiscal years ended June 30, 2014 and June 30, 2013
Expressed in thousands of US dollars

	2014	2013
INCOME		
Income from guarantees		
Premium income - Note D	$ 115,631	$ 97,222
Premium ceded - Note D	(50,081)	(37,749)
Ceding commission and other fees	10,862	8,546
Brokerage and other charges	(3,962)	(1,747)
Total	72,450	66,272
Income from investments - Note B	53,432	33,577
Translation gains (losses) - Investments and other assets	2,824	(296)
Total income	128,706	99,553
EXPENSES		
Provision for claims and other exposures - Note E		
Increase in net reserves, excluding translation losses	9,800	54,400
Translation losses	3,300	2,300
Provision for claims and other exposures, net	13,100	56,700
Administrative expenses	39,921	41,250
Expense from pension and other post retirement benefit plans - Note F	5,645	5,882
Total expenses	58,666	103,832
NET INCOME (LOSS)	$ 70,040	$ (4,279)

See accompanying notes to the financial statements

Statement of Comprehensive Income

For the fiscal years ended June 30, 2014 and June 30, 2013
Expressed in thousands of US dollars

	2014	2013
NET INCOME (LOSS)	$ 70,040	$ (4,279)
OTHER COMPREHENSIVE (LOSS) INCOME - Note H		
Net actuarial (losses) gains on benefit plans	(6,268)	9,431
Prior service (costs) credits on benefit plans	(594)	57
Total other comprehensive (loss) income	(6,862)	9,488
COMPREHENSIVE INCOME	$ 63,178	$ 5,209

Statement of Changes in Shareholders' Equity

For the fiscal years ended June 30, 2014 and June 30, 2013
Expressed in thousands of US dollars

	2014	2013
CAPITAL STOCK		
Balance at beginning of the fiscal year	$ 365,629	$ 365,413
Paid-in subscriptions	385	216
Ending Balance	366,014	365,629
RETAINED EARNINGS		
Balance at beginning of the fiscal year	567,992	572,271
Net income (loss)	70,040	(4,279)
Ending Balance	638,032	567,992
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year	(22,966)	(32,454)
Other comprehensive (loss) income	(6,862)	9,488
Ending Balance	(29,828)	(22,966)
TOTAL SHAREHOLDERS' EQUITY	$ 974,218	$ 910,655

See accompanying notes to the financial statements

Statement of Cash Flows

For the fiscal years ended June 30, 2014 and June 30, 2013
Expressed in thousands of US dollars

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) ..……...……	$ 70,040	$ (4,279)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for claims - Note E……..……..	13,100	56,700
Translation (gains) losses - Investments and other assets	(2,824)	296
Net changes in:		
Investments - Trading, net……...……	(105,944)	(64,655)
Other assets……..…….	(98,019)	(27,641)
Accounts payable and accrued expenses……..……..	4,427	9,918
Unearned premiums and commitment fees……	133,817	31,277
Net cash provided by operating activities	14,597	1,616
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital subscription payments	183	108
Net cash provided by financing activities	183	108
EFFECT OF EXCHANGE RATE CHANGES ON CASH……...……	265	(368)
Net increase in cash……..…….	15,045	1,356
Cash at beginning of the fiscal year……...……	11,841	10,485
CASH AT END OF THE FISCAL YEAR……...…..……	$ 26,886	$ 11,841

See accompanying notes to the financial statements

Statement of Subscriptions to Capital Stock and Voting Power

As of June 30, 2014

Expressed in thousands of US dollars

	SUBSCRIPTIONS (NOTE C)				VOTING POWER	
Members	Shares[1]	Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Afghanistan	118	$ 1,277	$ 255	$ 1,022	346	0.16
Albania	102	1,104	210	894	330	0.15
Algeria	1,144	12,378	2,350	10,028	1,372	0.63
Angola	187	2,023	405	1,618	415	0.19
Antigua and Barbuda	50	541	108	433	278	0.13
Argentina	2,210	23,912	4,539	19,373	2,438	1.12
Armenia	80	866	173	693	308	0.14
Australia	3,019	32,666	6,201	26,465	3,247	1.49
Austria	1,366	14,780	2,806	11,974	1,594	0.73
Azerbaijan	115	1,244	249	995	343	0.16
Bahamas, The	176	1,904	362	1,542	404	0.19
Bahrain	136	1,472	279	1,193	364	0.17
Bangladesh	599	6,481	1,230	5,251	827	0.38
Barbados	120	1,298	246	1,052	348	0.16
Belarus	233	2,521	504	2,017	461	0.21
Belgium	3,577	38,703	7,347	31,356	3,805	1.74
Belize	88	952	181	771	316	0.14
Benin	108	1,169	222	947	336	0.15
Bolivia	220	2,380	452	1,928	448	0.21
Bosnia and Herzegovina	80	866	173	693	308	0.14
Botswana	88	952	181	771	316	0.14
Brazil	2,606	28,197	5,353	22,844	2,834	1.30
Bulgaria	643	6,957	1,321	5,636	871	0.40
Burkina Faso	61	660	132	528	289	0.13
Burundi	74	801	160	641	302	0.14
Cambodia	164	1,774	337	1,437	392	0.18
Cameroon	107	1,158	232	926	335	0.15
Canada	5,225	56,535	10,732	45,803	5,453	2.50
Cape Verde	50	541	108	433	278	0.13
Central African Rep	60	649	130	519	288	0.13
Chad	60	649	130	519	288	0.13
Chile	855	9,251	1,756	7,495	1,083	0.50
China	5,530	59,835	11,359	48,476	5,758	2.64
Colombia	770	8,331	1,582	6,749	998	0.46
Comoros	50	541	108	433	278	0.13
Congo, Democratic Republic of	596	6,449	1,224	5,225	824	0.38
Congo, Republic of	115	1,244	236	1,008	343	0.16
Costa Rica	206	2,229	423	1,806	434	0.20
Cote d'Ivoire	310	3,354	637	2,717	538	0.25
Croatia	330	3,571	678	2,893	558	0.26
Cyprus	183	1,980	376	1,604	411	0.19
Czech Republic	784	8,483	1,610	6,873	1,012	0.46
Denmark	1,265	13,687	2,598	11,089	1,493	0.68
Djibouti	50	541	108	433	278	0.13
Dominica	50	541	108	433	278	0.13
Dominican Republic	147	1,591	318	1,273	375	0.17
Ecuador	321	3,473	659	2,814	549	0.25
Egypt, Arab Republic of	809	8,753	1,662	7,091	1,037	0.47
El Salvador	122	1,320	264	1,056	350	0.16

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2014

Expressed in thousands of US dollars

	SUBSCRIPTIONS (NOTE C)				VOTING POWER	
Members	**Shares[1]**	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Equatorial Guinea	50	$ 541	$ 108	$ 433	278	0.13
Eritrea	50	541	108	433	278	0.13
Estonia	115	1,244	236	1,008	343	0.16
Ethiopia	123	1,331	253	1,078	351	0.16
Fiji	71	768	154	614	299	0.14
Finland	1,057	11,437	2,171	9,266	1,285	0.59
France	8,565	92,673	17,593	75,080	8,793	4.03
Gabon	169	1,829	347	1,482	397	0.18
Gambia, The	50	541	108	433	278	0.13
Georgia	111	1,201	240	961	339	0.16
Germany	8,936	96,688	18,355	78,333	9,164	4.20
Ghana	432	4,674	887	3,787	660	0.30
Greece	493	5,334	1,013	4,321	721	0.33
Grenada	50	541	108	433	278	0.13
Guatemala	140	1,515	303	1,212	368	0.17
Guinea	91	985	197	788	319	0.15
Guinea-Bissau	50	541	108	433	278	0.13
Guyana	84	909	182	727	312	0.14
Haiti	75	812	162	650	303	0.14
Honduras	178	1,926	366	1,560	406	0.19
Hungary	994	10,755	2,042	8,713	1,222	0.56
Iceland	90	974	195	779	318	0.15
India	5,371	58,114	11,032	47,082	5,599	2.56
Indonesia	1,849	20,006	3,798	16,208	2,077	0.95
Iran, Islamic Rep	1,659	17,950	3,590	14,360	1,887	0.86
Iraq	350	3,787	757	3,030	578	0.26
Ireland	650	7,033	1,335	5,698	878	0.40
Israel	835	9,035	1,715	7,320	1,063	0.49
Italy	4,970	53,775	10,208	43,567	5,198	2.38
Jamaica	319	3,452	655	2,797	547	0.25
Japan	8,979	97,153	18,443	78,710	9,207	4.22
Jordan	171	1,850	351	1,499	399	0.18
Kazakhstan	368	3,982	756	3,226	596	0.27
Kenya	303	3,278	622	2,656	531	0.24
Korea, Republic of	791	8,559	1,625	6,934	1,019	0.47
Kosovo	96	1,039	208	831	324	0.15
Kuwait	1,639	17,734	3,367	14,367	1,867	0.86
Kyrgyz Republic	77	833	167	666	305	0.14
Lao People's Dem	60	649	130	519	288	0.13
Latvia	171	1,850	351	1,499	399	0.18
Lebanon	250	2,705	514	2,191	478	0.22
Lesotho	88	952	181	771	316	0.14
Liberia	84	909	182	727	312	0.14
Libya	549	5,940	1,188	4,752	777	0.36
Lithuania	187	2,023	384	1,639	415	0.19
Luxembourg	204	2,207	419	1,788	432	0.20
Macedonia, FYR of	88	952	181	771	316	0.14
Madagascar	176	1,904	362	1,542	404	0.19

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2014

Expressed in thousands of US dollars

	SUBSCRIPTIONS (NOTE C)				VOTING POWER	
Members	**Shares[1]**	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Malawi	77	$ 833	$ 167	$ 666	305	0.14
Malaysia	1,020	11,036	2,095	8,941	1,248	0.57
Maldives	50	541	108	433	278	0.13
Mali	143	1,547	294	1,253	371	0.17
Malta	132	1,428	271	1,157	360	0.16
Mauritania	111	1,201	228	973	339	0.16
Mauritius	153	1,655	314	1,341	381	0.17
Myanmar	178	1,926	385	1,541	406	0.19
Mexico	1,192	12,897	2,579	10,318	1,420	0.65
Micronesia, Fed. States of	50	541	108	433	278	0.13
Moldova	96	1,039	208	831	324	0.15
Mongolia	58	628	126	502	286	0.13
Montenegro	61	660	132	528	289	0.13
Morocco	613	6,633	1,259	5,374	841	0.39
Mozambique	171	1,850	351	1,499	399	0.18
Namibia	107	1,158	232	926	335	0.15
Nepal	122	1,320	251	1,069	350	0.16
Netherlands	3,822	41,354	7,850	33,504	4,050	1.86
New Zealand	513	5,551	1,110	4,441	741	0.34
Nicaragua	180	1,948	370	1,578	408	0.19
Niger	62	671	134	537	290	0.13
Nigeria	1,487	16,089	3,054	13,035	1,715	0.79
Norway	1,232	13,330	2,531	10,799	1,460	0.67
Oman	166	1,796	341	1,455	394	0.18
Pakistan	1,163	12,584	2,389	10,195	1,391	0.64
Palau	50	541	108	433	278	0.13
Panama	231	2,499	474	2,025	459	0.21
Papua New Guinea	96	1,039	208	831	324	0.15
Paraguay	141	1,526	290	1,236	369	0.17
Peru	657	7,109	1,350	5,759	885	0.41
Philippines	853	9,229	1,752	7,477	1,081	0.50
Poland	764	8,266	1,653	6,613	992	0.45
Portugal	673	7,282	1,382	5,900	901	0.41
Qatar	241	2,608	495	2,113	469	0.21
Romania	978	10,582	2,009	8,573	1,206	0.55
Russian Federation	5,528	59,813	11,355	48,458	5,756	2.64
Rwanda	132	1,428	271	1,157	360	0.16
St. Kitts & Nevis	50	541	108	433	278	0.13
St. Lucia	88	952	181	771	316	0.14
St. Vincent and the Grenadines	88	952	181	771	316	0.14
Samoa	50	541	108	433	278	0.13
Sao Tome & Principe	50	541	108	433	278	0.13
Saudi Arabia	5,528	59,813	11,355	48,458	5,756	2.64
Senegal	256	2,770	526	2,244	484	0.22
Serbia	407	4,404	836	3,568	635	0.29
Seychelles	50	541	108	433	278	0.13
Sierra Leone	132	1,428	271	1,157	360	0.16
Singapore	272	2,943	559	2,384	500	0.23
Slovak Republic	391	4,231	803	3,428	619	0.28
Slovenia	180	1,948	370	1,578	408	0.19

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2014

Expressed in thousands of US dollars

	SUBSCRIPTIONS (NOTE C)				VOTING POWER	
Members	**Shares[1]**	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Solomon Islands	50	$ 541	$ 108	$ 433	278	0.13
South Africa	1,662	17,983	3,414	14,569	1,890	0.87
South Sudan	155	1,677	335	1,342	383	0.18
Spain	2,265	24,507	4,652	19,855	2,493	1.14
Sri Lanka	478	5,172	982	4,190	706	0.32
Sudan	206	2,229	446	1,783	434	0.20
Suriname	82	887	177	710	310	0.14
Swaziland	58	628	126	502	286	0.13
Sweden	1,849	20,006	3,798	16,208	2,077	0.95
Switzerland	2,643	28,597	5,429	23,168	2,871	1.32
Syrian Arab Republic	296	3,203	608	2,595	524	0.24
Tajikistan	130	1,407	267	1,140	358	0.16
Tanzania	248	2,683	509	2,174	476	0.22
Thailand	742	8,028	1,524	6,504	970	0.44
Timor-Leste	50	541	108	433	278	0.13
Togo	77	833	167	666	305	0.14
Trinidad and Tobago	358	3,874	735	3,139	586	0.27
Tunisia	275	2,976	565	2,411	503	0.23
Turkey	814	8,807	1,672	7,135	1,042	0.48
Turkmenistan	66	714	143	571	294	0.13
Uganda	233	2,521	479	2,042	461	0.21
Ukraine	1,346	14,564	2,765	11,799	1,574	0.72
United Arab Emirates	656	7,098	1,347	5,751	884	0.40
United Kingdom	8,565	92,673	17,593	75,080	8,793	4.03
United States	32,564	352,342	67,406	284,936	32,792	15.02
Uruguay	202	2,186	437	1,749	430	0.20
Uzbekistan	175	1,894	379	1,515	403	0.18
Vanuatu	50	541	108	433	278	0.13
Venezuela, R.B. de	1,427	15,440	3,088	12,352	1,655	0.76
Vietnam	388	4,198	797	3,401	616	0.28
Yemen, Republic of	155	1,677	335	1,342	383	0.18
Zambia	318	3,441	688	2,753	546	0.25
Zimbabwe	236	2,554	511	2,043	464	0.21
Total - June 30, 2014[2]	177,281	$ 1,918,180	$ 366,014	$ 1,552,166	218,321	100.00
Total - June 30, 2013	177,103	$ 1,916,254	$ 365,629	$ 1,550,625	218,631	100.00

1. Subscribed shares pertaining to the General Capital Increase include only those shares for which the subscription process has been completed, i.e., for which required payment has been received.

2. May differ from the sum of individual figures shown because of rounding.

Statement of Guarantees Outstanding

As of June 30, 2014

Expressed in thousands of US dollars

Host Country	Gross Exposure (Note D)					Reinsurance (Other)	Net Exposure
	US Dollars	Euro	Swiss Franc	British Pound	Total		
Afghanistan	$ 152,760	$ 1,834	$ -	$ -	$ 154,593	$ 48,676	$ 105,917
Albania	1,565	184,801	-	-	186,366	79,120	$ 107,245
Angola	12,900	528,343	-	-	541,243	461,567	$ 79,676
Armenia	-	3,890	-	-	3,890	-	$ 3,890
Bangladesh	329,637	-	-	-	329,637	179,326	$ 150,310
Benin	1,026	8,047	-	-	9,073	103	$ 8,971
Bolivia	10,777	-	-	-	10,777	-	$ 10,777
Bosnia and Herzegovina	-	96,850	-	-	96,850	-	$ 96,850
Bulgaria	-	87,459	-	-	87,459	43,730	$ 43,730
Burkina Faso	-	499	-	-	499	50	$ 449
Burundi	-	8,477	-	-	8,477	-	$ 8,477
Cameroon	180,000	117,626	-	-	297,626	60,000	$ 237,626
Central African Republic	-	32,767	-	-	32,767	-	$ 32,767
China	28,070	-	-	-	28,070	369	$ 27,701
Colombia	-	2,723	-	-	2,723	-	$ 2,723
Congo, Democratic Republic of[3]	119,721	5,187	-	-	124,909	5,250	$ 119,659
Costa Rica	117,645	-	-	-	117,645	68,875	$ 48,769
Cote d'Ivoire	768,839	78,867	-	-	847,706	542,478	$ 305,228
Croatia	-	975,898	-	-	975,898	557,637	$ 418,261
Djibouti	148,737	-	-	-	148,737	87,962	$ 60,775
Dominican Republic	93,549	-	-	-	93,549	14,032	$ 79,516
Ecuador	10,522	-	-	-	10,522	-	$ 10,522
Egypt, Arab Republic of	176,425	-	-	-	176,425	56,100	$ 120,325
El Salvador	44,212	-	-	-	44,212	-	$ 44,212
Ethiopia	13,344	-	-	-	13,344	-	$ 13,344
Gabon	-	7,876	-	-	7,876	-	$ 7,876
Georgia	24,262	-	-	-	24,262	-	$ 24,262
Ghana	332,807	-	-	-	332,807	32,231	$ 300,575
Guinea	-	54,179	-	-	54,179	5,418	$ 48,761
Guinea-Bissau	-	11,829	-	-	11,829	1,183	$ 10,646
Honduras	82,407	6,484	-	-	88,891	-	$ 88,891
Hungary	-	573,833	-	-	573,833	391,866	$ 181,967
Indonesia	207,000	-	-	-	207,000	60,000	$ 147,000
Iran, Islamic Republic of	72,893	-	-	-	72,893	7,289	$ 65,604
Iraq	16,782	-	-	-	16,782	-	$ 16,782
Jamaica	56,526	-	-	-	56,526	11,305	$ 45,221
Jordan	212,922	-	-	-	212,922	79,800	$ 133,122
Kenya	192,602	87,911	-	-	280,513	34,784	$ 245,729
Kosovo	-	51,872	-	-	51,872	-	$ 51,872
Kyrgyz Republic	5,763	-	-	-	5,763	-	$ 5,763
Lao People's Democratic Republic	60,378	-	-	-	60,378	30,189	$ 30,189
Latvia	-	64,840	-	-	64,840	-	$ 64,840
Lebanon	35,460	-	-		35,460	-	$ 35,460
Libya	-	10,374	-	-	10,374	-	$ 10,374
Macedonia, former Yugoslav Republic of	-	155,616	-	-	155,616	23,935	$ 131,681
Madagascar	-	2,996	-	-	2,996	-	$ 2,996
Mali	16,200	-	-	-	16,200	1,620	$ 14,580
Mauritania	5,400	-	-	-	5,400	540	$ 4,860
Moldova	-	19,787	-	-	19,787	-	$ 19,787
Mozambique	42,181	2,594	-	-	44,775	12,939	$ 31,835

Statement of Guarantees Outstanding *(cont'd)*

As of June 30, 2014

Expressed in thousands of US dollars

Host Country	Gross Exposure (Note D)					Reinsurance (Other)	Net Exposure
	US Dollars	Euro	Swiss Franc	British Pound	Total		
Nicaragua	$ 56,210	$ -	$ -	$ -	$ 56,210	$ -	$ 56,210
Niger	-	6,401	-	-	6,401	-	$ 6,401
Nigeria	8,655	-	-	-	8,655	945	$ 7,710
Pakistan	220,500	-	89,857	-	310,357	92,598	$ 217,759
Panama[4]	626,132	-	-	-	626,132	315,666	$ 310,466
Peru	6,156	-	-	-	6,156	1,231	$ 4,925
Poland	-	135	-	-	135	-	$ 135
Russian Federation	415,563	448,039	-	-	863,602	431,131	$ 432,471
Rwanda	110,143	-	-	-	110,143	15,378	$ 94,765
Senegal	99,000	42,177	-	-	141,177	23,766	$ 117,411
Serbia	-	851,864	-	-	851,864	244,945	$ 606,919
Sierra Leone	-	1,945	-	-	1,945	-	$ 1,945
South Africa	14,132	-	12,636	-	26,768	-	$ 26,768
Swaziland	12,891	-	-	-	12,891	6,445	$ 6,445
Thailand	55,378	-	-	-	55,378	27,689	$ 27,689
Togo	-	4,349	-	-	4,349	-	$ 4,349
Tunisia	-	148,671	-	-	148,671	54,635	$ 94,036
Turkey	14,500	435,834	-	-	450,334	201,688	$ 248,646
Turkmenistan	11,477	-	-	-	11,477	-	$ 11,477
Uganda	136,726	182	-	-	136,908	66,425	$ 70,483
Ukraine	750,021	9,985	-	-	760,006	380,566	$ 379,440
Uruguay	300,000	-	-	-	300,000	192,000	$ 108,000
Uzbekistan	67,711	-	-	-	67,711	22,381	$ 45,330
Vietnam	677,250	-	-	-	677,250	474,375	$ 202,876
Zambia	85,752	-	-	-	85,751	-	$ 85,751
	$ 7,241,506	$ 5,133,040	$ 102,494	$ -	$ 12,477,039	$ 5,450,239	$ 7,026,799
Adjustment for Dual-Country Contracts [1]							
Lao PDR/Thailand	(55,378)	-	-	-	(55,378)	(27,689)	(27,689)
Mozambique/Swaziland	(12,891)	-	-	-	(12,891)	(6,445)	(6,445)
	(68,269)	-	-	-	(68,269)	(34,135)	(34,135)
Adjustment for Exposure Exchange[5]							
Brazil	-	-	-	-	-	(120,000)	120,000
						(120,000)	120,000
Total - June 30, 2014 [2]	$ 7,173,237	$ 5,133,040	$ 102,494	$ -	$ 12,408,770	$ 5,296,105	$ 7,112,665
Total - June 30, 2013	$ 6,800,276	$ 3,858,767	$ 96,586	$ 2,742	$ 10,758,370	$ 4,348,538	$ 6,409,832

1. For contracts where there are two host countries, MIGA is at risk for losses in both countries up to the maximum amount of liability under the contract. As such, the aggregate exposure is reported in both host countries and an adjustment is made to adjust for double-counting.

2. May differ from the sum of individual figures shown because of rounding.

3. Reinsurance reflects amounts ceded to Conflict affected and Fragile Economies Facility (CAFEF).

4. Net exposure in Panama reduced by $120 million on account of exposure exchange agreement with IBRD, treated as Financial Guarantee (Note D).

5. Brazil net exposure increased by $120 million on account of exposure exchange agreement with IBRD, treated as Reinsurance (Note D).

Notes to Financial Statements

Purpose

The Multilateral Investment Guarantee Agency (MIGA), established on April 12, 1988 and located in Washington D.C., is a member of the World Bank Group which also includes the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the International Development Association (IDA), and the International Center for Settlement of Investment Disputes (ICSID). MIGA's activities are closely coordinated with and complement the overall development objectives of the other World Bank Group institutions. MIGA is designed to help developing countries attract productive foreign investment by both private investors and commercially operated public sector companies. Its facilities include guarantees or insurance against noncommercial risks and a program of advisory services and technical assistance to support member countries' efforts to attract and retain foreign direct investment.

MIGA is immune from taxation pursuant to Chapter VII, Article 47, of the Convention establishing the Agency.

Note A: Summary of Significant Accounting and Related Policies

Basis of Preparation

MIGA's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with accounting principles generally accepted in the United States of America (U.S. GAAP). The policy adopted is that considered most appropriate to the circumstances of MIGA having regard to its legal requirements and to the practices of other international insurance entities.

The preparation of financial statements in conformity with IFRS and U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Significant judgments have been made in areas which management views as most critical with respect to the establishment of its loss reserves, and valuation of pension and post-retirement benefits-related liabilities and the related net periodic cost of such benefit plans.

On August 7, 2014, the Executive Vice President and Chief Executive Officer and the Acting Director, Finance and Risk Management, authorized the financial statements for issue, which was also the date through which MIGA's management evaluated subsequent events.

The significant accounting policies employed by MIGA are summarized below.

Investments

MIGA manages its investment portfolio both for the purpose of providing liquidity for potential claims and for capital growth. MIGA invests in global equity securities, time deposits, mortgage /asset-backed securities (ABS) and government and agency obligations based on its investment authorization approved by the Board. Government and agency obligations include highly rated fixed-rate bonds, notes, bills and other obligations issued or unconditionally guaranteed by governments of countries or other official entities, including government agencies or by multilateral organizations. MIGA makes use of derivatives contracts such as exchange traded futures, options and covered forward contracts to manage its investment portfolio. The purposes of these transactions are to enhance the return and manage the overall duration of the portfolio. With respect to futures and options, MIGA generally closes out most open positions prior to expiration. Futures are settled on a daily basis.

Notes to Financial Statements

MIGA has classified all investment securities as trading. Investments classified as trading securities are reported at fair value using trade-date accounting. Securities purchased or sold may have a settlement date that is different from the trade-date. A liability is recorded for securities purchased but not settled before the reporting dates. Similarly, a receivable (Other Assets) is recorded for securities sold but not settled before the reporting dates.

For trading securities, unrealized net gains and losses are recognized in earnings. Income from investments includes net gains and losses, dividend income and interest income.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital
Payments on these instruments are due to MIGA upon demand and are held in bank accounts which bear MIGA's name. Accordingly, these instruments are carried and reported at face value as assets on the Balance Sheet.

Impairment of Reinsurance Assets
MIGA assesses at each balance sheet date whether there is objective evidence that the reinsurance asset is impaired, and makes a provision for such impairment. Objective evidence may be in the form of observable data that comes to MIGA's attention periodically. If impairment is determined, the carrying amount of the reinsurance asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Operations.

Reserve for Claims
MIGA's reserve consists of two primary components, the Specific Reserve and the Insurance Portfolio Reserve. These components are comprehensive and mutually exclusive with respect to risk of losses that may develop from each guarantee contract, and from the contingent liability for the portfolio as a whole.

The Specific Reserve is calculated based on contract-specific parameters that are reviewed every quarter by MIGA's management for contracts that have known difficulties. The Insurance Portfolio Reserve is calculated based on the long-term historical experiences of the non-commercial risk insurance industry.

Assumptions and parameters used in the calculations are intended to serve as the basis for an objective reserve for probable claims. Key assumptions, including frequency of claim, severity, and expected recovery have been quantitatively derived from the non-commercial risk insurance industry's historical claims data. The principal sources of data used as inputs for the assumptions include the Berne Union and the Overseas Private Investment Corporation (OPIC). The historical analysis of the data from those sources is further augmented by an internal econometric scoring analysis in order to derive risk-differentiated parameters with term structure effects over time. The historical and econometric analyses cover periods that are over 30 years, and the derived parameters are considered stable in the short term; however the parameters are reviewed periodically. Short-term risk changes are captured by changes in internal risk ratings for countries and contracts on a quarterly basis. For the purpose of claims provisioning, MIGA factors in the time value of money of potential cash flows, using representative risk-free interest rates as the discount rates.

For the purpose of the presentation of the financial statements, insurance liabilities (or reserves) are presented on a gross basis and not net of reinsurance. Therefore, MIGA's reserves are shown on a gross basis on the liability side of the balance sheet, while establishing reinsurance recoverable assets on the asset side. Reinsurance does not relieve MIGA of its primary liability to the insured.

Notes to Financial Statements

Currency Translation

Assets and liabilities denominated in foreign currencies are translated at market exchange rates in effect at the end of the reporting period. Income and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during each month. Translation adjustments are reflected in the Statement of Operations.

MIGA has in place a system for active management of exposures to foreign currencies, under which the amounts of non-U.S. dollar assets are matched to non-U.S. dollar insurance portfolio reserve components. The objective is to align the currency compositions of MIGA's assets and liabilities to minimize the sensitivity of MIGA's net income to movements in foreign currency exchange rates.

Valuation of Capital Stock

Under the MIGA Convention, all payments from members subscribing to the capital stock of MIGA shall be settled on the basis of the average value of the Special Drawing Rights (SDR) introduced by the International Monetary Fund, as valued in terms of United States dollars for the period January 1, 1981 to June 30, 1985, such value being equal to $1.082 for one SDR.

Revenue Recognition

Premium amounts received on direct insurance contracts and reinsurance contracts assumed can be upfront, annual, semi-annual or quarterly and are recorded as unearned premium. Premiums are recognized as earned on a pro rata basis over the contract period. A receivable for premium is recorded when the contract has been renewed and coverage amounts have been specified.

MIGA cedes to reinsurers in the normal course of business by obtaining treaty and facultative reinsurance to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio. Premiums ceded follow the same approach as for direct insurance contracts and are recognized as expenses on a pro rata basis over the contract period.

Fee and commissions income for MIGA primarily consists of administrative fees, arrangement fees, facility fees, renewal fees, commitment (offer) fees, and ceding commissions. Fees and commissions received upon renewal are recognized as income on a pro rata basis over the contract period.

Financial Guarantees

Financial guarantees are commitments issued by MIGA to guarantee payment performance to a third party. Financial guarantees are regarded as outstanding when the underlying financial obligation of the debtor is incurred, and called when a guaranteed party demands payment under the guarantee. MIGA would be required to perform under its financial guarantees if the payments guaranteed were not made by the debtor and the guaranteed party called the guarantee by demanding payment from MIGA in accordance with the terms of the guarantee.

Where applicable, MIGA records the fair value of the obligation to stand ready, and a corresponding asset in the financial statements. Guarantee fee income, is deferred and amortized over the life of the guarantee. MIGA also records a contingent liability for the probable losses related to guarantees outstanding.

Notes to Financial Statements

Statement of Cash Flows

For the purpose of MIGA's Statement of Cash Flows, cash is defined as the amounts of unrestricted currencies due from Banks.

Accounting and Reporting Developments

The amendments to IAS 19, *Employee Benefits*, became effective for MIGA on July 1, 2013. The key changes introduced by amended IAS 19 are: immediate recognition of the actuarial gains and losses through other comprehensive income (OCI) and the prohibition of recycling through profit or loss; a new approach to calculating and presenting interest income or expense on the net defined benefit liability or asset as a single net interest figure based on the discount rate that is used to measure the defined benefit obligations, replacing the interest cost and expected return on plan assets; and unvested past service costs can no longer be deferred and recognized over the future vesting period. MIGA's pension accounting policy is to follow U.S.GAAP, and therefore, IAS 19 amendments have no direct impact on MIGA. See "Differences between U.S.GAAP and IFRS" below for further discussion.

The Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU 2011-11) *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* and the related ASU 2013-01 *Balance Sheet (Topic 210)*: became effective for MIGA from the quarter ended September 30, 2013. These ASUs require entities to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position, and instruments and transactions subject to the enforceable masters netting agreements. Additional disclosures resulting from the effectiveness of these ASUs are included in Note B, Investments.

FASB's (ASU 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income (AOCI)* became effective for MIGA from the quarter ended March 31, 2014. The ASU introduces new presentation requirements about the amounts reclassified out of AOCI, requires an entity to present information about the reclassified amounts by component, and to provide additional details about such reclassifications. The ASU does not change the existing requirements for reporting net income or other comprehensive income in the financial statements or which items could be reclassified from other comprehensive income into net income. The adoption of the ASU resulted in the refinement of line item characterization in the tabular disclosures, in Note F-Pension and Other Post Retirement Benefits and Note H- Accumulated Other Comprehensive Loss.

In May 2014, FASB issued ASU 2014-19, *Revenue from Contracts with Customers (Topic 606).* The ASU provides a common framework for revenue recognition for US GAAP and IFRS. The core principle of the guidance is that an entity recognizes revenue when it transfers control of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled. The AUS also requires additional quantitative and qualitative disclosures to enable financial statements users understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. For MIGA, the ASU will be effective from the quarter ending September 30, 2017. MIGA is currently evaluating the impact of this ASU on its financial statements.

Notes to Financial Statements

Differences between US GAAP and IFRS

MIGA's accounting policy on pension accounting is to follow The Compensation Retirement Benefits Topic of the FASB Accounting Standards Codification (ASC) 715-30, which requires employers to recognize on their balance sheets the funded status of their defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the projected benefit obligation. Actuarial gains or losses and prior service costs or credits that arise during the period are recognized as part of Other Comprehensive Income to the extent they are not recognized as components of the net periodic benefit cost. Additionally, ASC 715-30 requires unrecognized net actuarial gains or losses and unrecognized prior service costs to be recognized in the ending balance of Accumulated Other Comprehensive Income. These amounts are adjusted as they are subsequently recognized as components of net periodic benefit cost.

MIGA's accounting policy under IAS 19, *Employee Benefits*, as amended, effective for MIGA from July 1, 2013, is to immediately recognize all actuarial gains and losses "in a statement of changes in shareholder's equity" through Other Comprehensive Income in the period in which they occur.

The salient differences between ASC 715-30 (MIGA policy) and IAS 19 as applied by MIGA pertain to the following: (a) *Unrecognized actuarial gains (losses):* ASC 715-30 requires that unrecognized actuarial gains (losses) in Equity be amortized through the income statement while IAS 19 prohibits recycling; (b) *Recognition of prior service cost:* IAS 19 requires immediate recognition of prior service cost while ASC 715-30 requires straight-line basis recognition over the remaining vesting period; (c) *Net interest cost (income) computation:* Computation under ASC 715-30 is based on separate computation of interest cost and expected return on plan assets, while under IAS 19 it is based on the plan funded status and the discount rate used to measure the defined benefit obligations; and (d) *Funded status recognition*: ASC 715-30 and IAS 19 primarily differ on the basis of net asset recognized relating to the post-retirement plans. MIGA does not believe the differences are material.

Note B: Investments

The investment securities held by MIGA are carried and reported at fair value, or at face value which approximates fair value. As of June 30, 2014, the majority of the Investments – Trading is comprised of time deposits and government and agency obligations (41.9% and 24.5%, respectively), with all instruments classified as Level 1 and Level 2 within the fair value hierarchy.

A summary of MIGA's investment portfolio at June 30, 2014 and June 30, 2013 are as follows:

In thousands of US Dollars

	Fair Value	
	June 30, 2014	*June 30, 2013*
Equity securities - US	$ 60,585	$ 95,366
Equity securities - non US	63,390	78,491
Comingled funds	8,712	12,505
Government and agency obligations	329,107	339,697
Time deposits	562,932	435,023
Asset-backed securities	317,432	191,833
Total investments - Trading	$ 1,342,158	$ 1,152,915

Notes to Financial Statements

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of June 30, 2014 and June 30, 2013:

In thousands of US Dollars

	Fair Value	
	June 30, 2014	*June 30, 2013*
Investments – Trading	$ 1,342,158	$ 1,152,915
Cash held in investment portfolio [a]	18,666	2,977
Securities purchased under resale agreements	-	20,000
Receivable for investment securities sold	11,546	4,674
	1,372,370	1,180,566
Derivative assets		
Currency forward contracts	201,866	364,943
Others[b]	1,142	54
	203,008	364,997
Derivative liabilities		
Currency forward contracts	(202,443)	(363,927)
Others[b]	(168)	(1,063)
	(202,611)	(364,990)
Payable for investment securities purchased	(23,976)	(12,182)
Securities sold under repurchase agreements and payable for cash collateral received	(66,967)	(11,426)
Net investment portfolio	$ 1,281,824	$ 1,156,965

a. This amount is included under Cash on the Balance Sheet.

b. These relate to To-Be-Announced (TBA) securities and futures.

As of June 30, 2014, investments are denominated primarily in United States dollars with instruments in non-dollar currencies representing 11.3 percent (6.3 percent – June 30, 2013) of the portfolio, of which the Euro-denominated instruments accounted for 11.0 percent (6.0 percent – June 30, 2013).

MIGA classifies all investment securities as trading. Investments classified as trading securities are reported at fair value with unrealized gains or losses included in income from investments. The net unrealized gains included in Income from investments for the fiscal years ended June 30, 2014 and June 30, 2013 amounted to $11,250,000 and $12,564,000, respectively.

The following table summarizes MIGA's Income from investments in the Statement of Operations:

In thousands of US Dollars

	Fiscal Year Ended	
	June 30, 2014	June 30, 2013
Interest income	$ 9,913	$ 12,787
Dividend income	6,198	5,031
Gains - realized / unrealized	46,968	43,330
Losses - realized / unrealized	(9,647)	(27,571)
	$ 53,432	$ 33,577

Notes to Financial Statements

Income from derivative instruments related to interest income, realized and unrealized gains and losses and included in the table above, for the fiscal years ended June 30, 2014 and June 30, 2013 amounted to $6,000 and $396,000, respectively. Income from derivative instruments mainly relates to interest rate futures, options and covered forwards.

The following table summarizes MIGA's Income from derivative instruments related to interest income, realized and unrealized gains and losses:

In thousands of US Dollars

	Fiscal Year Ended	
	June 30, 2014	June 30, 2013
Interest Income	$ 181	$ 293
Realized - Gains/Losses	87	(40)
Unrealized - Gains/Losses	(262)	143
	$ 6	$ 396

Securities Lending:
MIGA may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resale) of government and agency obligations and asset-backed securities. These transactions are conducted under legally enforceable master netting arrangements, which allow MIGA to reduce its gross credit exposure related to these transactions. For Balance Sheet presentation purposes, MIGA presents its securities lending and repurchases, as well as re-sales, on a gross basis. As of June 30, 2014 and June 30, 2013, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements.

Transfers of securities by MIGA to counterparties are not accounted for as sales as the accounting criteria for the treatment as sale have not been met. Counterparties are permitted to re-pledge these securities until the repurchase date.

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

In thousands of US Dollars

	June 30, 2014	June 30, 2013
Securities transferred under repurchase agreements	$ 66,385	$ 11,411
Liabilities relating to securities transferred under repurchase agreements	$ 66,379	$ 11,426

In the case of resale agreements, MIGA receives collateral in the form of liquid securities and is permitted to re-pledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded as Investments on MIGA's Balance Sheet as the accounting criteria for treatment as a sale have not been met. As of June 30, 2014, MIGA had not received any securities under resale agreements ($20,000,000 - June 30, 2013).

Notes to Financial Statements

Fair Value Measurements

FASB's ASC 820-10, *Fair Value Measurements and Disclosures* and IFRS 7, *Financial Instruments: Disclosures*, define fair value, establish a consistent framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value and expand disclosure requirements about fair value measurements.

MIGA has an established process for determining fair values. Fair value is based upon quoted market prices, where available. Examples include exchange-traded equity securities and most government and agency securities.

For financial instruments for which quoted market prices are not readily 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, foreign exchange rates, constant prepayment rates; and credit spreads. Where applicable, unobservable inputs such as constant prepayment rates, probability of default, and loss severity are used. Unless quoted prices are available, time deposits are valued at face value, which approximates fair value.

Fair Value Hierarchy

ASC 820-10 and IFRS 7 establish a three-level fair value hierarchy under which 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). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable and unobservable. Additionally, ASC 820-10 requires that the valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Level 1: Financial assets 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.

Notes to Financial Statements

The following tables present MIGA's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and June 30, 2013:

In thousands of US Dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2014			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Equity securities - US	$ 60,585	$ -	$ -	$ 60,585
Equity securities - non US	63,390	-	-	63,390
Comingled funds	-	8,712	-	8,712
Government and agency obligations	182,899	146,208	-	329,107
Time deposits	68,696	494,236	-	562,932
Asset backed securities	-	317,432	-	317,432
Total investments - Trading	375,570	966,588	-	1,342,158
Derivative assets				
Currency forward contracts	-	201,866	-	201,866
Others[a]	1	1,141	-	1,142
Total derivative assets	1	203,007	-	203,008
Total	$ 375,571	$ 1,169,595	$ -	$ 1,545,166
Liabilities:				
Securities sold under repurchase agreements[b]	$ -	$ 66,373	$ -	$ 66,373
Derivative liabilities				
Currency forward contracts	-	202,443	-	202,443
Others[a]	150	18	-	168
Total derivative liabilities	150	202,461	-	202,611
Total	$ 150	$ 268,834	$ -	$ 268,984

a. These relate to TBA securities and futures.

b. Excludes $594,199 relating to payable for cash collateral received.

Notes to Financial Statements

In thousands of US Dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2013			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Equity securities - US	$ 95,366	$ -	$ -	$ 95,366
Equity securities - non US	78,491	-	-	78,491
Comingled funds	-	12,505	-	12,505
Government and agency obligations	159,668	180,029	-	339,697
Time deposits	22,845	412,178	-	435,023
Asset backed securities	-	191,833	-	191,833
Total investments - Trading	356,370	796,545	-	1,152,915
Securities purchased under resale agreements	20,000	-	-	20,000
Derivative assets				
Currency forward contracts	-	364,943	-	364,943
Others[a]	-	54	-	54
Total derivative assets	-	364,997	-	364,997
Total	$ 376,370	$ 1,161,542	$ -	$ 1,537,912
Liabilities:				
Securities sold under repurchase agreements	$ -	$ 11,426	$ -	$ 11,426
Derivative liabilities				
Currency forward contracts	-	363,927	-	363,927
Others[a]	-	1,063	-	1,063
Total derivative liabilities	-	364,990	-	364,990
Total	$ -	$ 376,416	$ -	$ 376,416

a. These relate to TBA securities.

Inter-Level Transfers:

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

There were no inter-level transfers during the fiscal year ended June 30, 2014. The table below provides the details of inter-level transfers for the fiscal year ended June 30, 2013:

In thousands of US Dollars

	Fiscal Year ended June 30, 2013		
	Level 1	Level 2	Level 3
Asset backed securities			
Transfers (out of) into	$ -	$ -	$ -
Transfers into (out of)	-	2,448	(2,448)
Total	$ -	$ 2,448	$ (2,448)

Notes to Financial Statements

Level 3 Financial Instruments:
There were no Level 3 financial instruments as of June 30, 2014 and June 30, 2013.

The following table provides a summary of changes in the fair value of MIGA's Level 3 financial assets during the fiscal year ended June 30, 2013.

In thousands of US Dollars

	Fiscal Year Ended June 30, 2013
Asset-Backed Securities:	
Beginning of the fiscal year	$ 2,114
Total realized/unrealized income	493
Transfers out	(2,448)
Settlements/Maturity	(159)
End of the fiscal year	$ -

Credit Exposure:
The maximum credit exposure of investments closely approximates the fair values of the financial instruments.

Asset backed securities (ABS) are diversified among credit cards, student loans, home equity loans and mortgage backed securities. Since these holdings are investment grade, neither concentration risk nor credit risk represents a significant risk to MIGA as of June 30, 2014. However, market deterioration could cause this to change in future periods.

Derivative Instruments:
MIGA uses currency forward contracts to manage the currency risk embedded in its insurance portfolio reserve and to enhance the returns from and manage the currency risk in the investment portfolio.

Notes to Financial Statements

Notional Amounts and Credit Exposures of the Derivative Instruments

The following table provides information on the credit exposure and notional amounts of the derivative instruments:

In thousands of US Dollars

Type of contracts	June 30, 2014	June 30, 2013
Currency forward contracts		
Credit exposure	$ 24	$ 2,181
Exchange traded options and futures [a]		
Notional long position	1,591	6,827
Notional short position	711,300	133,600
Others[b]		
Notional long position	144,000	83,000
Notional short position	2,000	5,000
Credit exposure	1,141	53

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.

Offsetting Assets and Liabilities

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

The presentation of derivative instruments is consistent with the manner in which these instruments are settled; currency forward contracts are settled on a gross basis.

Notes to Financial Statements

The following tables summarize information on derivative receivables and payables (before and after netting adjustments) that are reflected on MIGA's Balance Sheet as of June 30, 2014 and June 30, 2013. 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 collateral received.

In thousands of US dollars

	June 30, 2014					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts of Recognized Assets on the Balance Sheet	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Gross Amounts of Recognized Liabilities on the Balance Sheet	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet
Currency forward contracts	$ 201,866	$ -	$ 201,866	$ 202,443	$ -	$ 202,443
Others[a]	1,154	(12)	1,142	192	(24)	168
Total	$ 203,020	$ (12)	$ 203,008	$ 202,635	$ (24)	$ 202,611
Amounts subject to legally enforcable master netting agreement			(201,866)			(202,016)
Net Derivative positions at counterparty level before collateral			$ 1,142			$ 595
Less:						
Cash collateral received[b]			594			
Net derivative exposure after collateral			$ 548			

a. These relate to TBA securities and futures.
b. Does not include excess collateral received.

Notes to Financial Statements

	June 30, 2013					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts of Recognized Assets on the Balance Sheet	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Gross Amounts of Recognized Liabilities on the Balance Sheet	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet
Currency forward contracts	$ 364,943	$ -	$ 364,943	$ 363,927	$ -	$ 363,927
Others[a]	69	(15)	54	1,083	(20)	1,063
Total	$ 365,012	$ (15)	$ 364,997	$ 365,010	$ (20)	$ 364,990
Amounts subject to legally enforcable master netting agreement			(363,851)			(364,861)
Net Derivative positions at counterparty level before collateral			$ 1,146			$ 129
Less:						
Cash collateral received			-			
Net derivative exposure after collateral			$ 1,146			

a. These relate to TBA securities.

Note C: Capital Stock

The MIGA Convention established MIGA's authorized capital stock at 100,000 shares with a provision that the authorized capital stock shall automatically increase on the admission of a new member to the extent that the then authorized shares are insufficient to provide the shares to be subscribed by such member. The Convention further states that 10 percent of the members' initial subscription be paid in cash, in freely convertible currencies, except that developing member countries may pay up to a quarter of the 10 percent in their own currencies. An additional 10 percent of the initial subscription shall be paid in the form of non-negotiable, non-interest bearing promissory notes. The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. The remaining 80 percent is subject to call when required by MIGA to meet its obligations.

On March 29, 1999, the Council of Governors approved a General Capital Increase (GCI) resolution increasing the authorized capital stock of MIGA by 78,559 shares to be subscribed by members during the subscription period ending March 28, 2002. Of the additional capital, 17.65 percent is to be paid in cash, in freely usable currency. The remaining 82.35 percent is subject to call when required by MIGA to meet its obligations. On May 6, 2002, the Council of Governors adopted a resolution to extend the GCI subscription period to March 28, 2003. On March 17, 2003, the Council of Governors approved an amendment to the GCI resolution allowing eligible countries to subscribe to the GCI shares allocated to them by submitting an Instrument of Contribution before the GCI deadline of March 28, 2003, and requesting such countries to pay for their GCI shares as soon as possible. The reserved shares will be issued and corresponding voting power will accrue when the subscription process has been completed.

Notes to Financial Statements

At June 30, 2014, MIGA's authorized capital stock comprised 186,537 (186,359 – June 30, 2013) shares, of which 177,281 (177,103 – June 30, 2013) shares had been subscribed. Each share has a par value of SDR10,000, valued at the rate of $1.082 per SDR. Of the subscribed capital as of June 30, 2014, $366,014,000 ($365,629,000 – June 30, 2013) has been paid in; and the remaining $1,552,166,000 ($1,550,625,000 - June 30, 2013) is subject to call. At June 30, 2014, MIGA had $113,434,000 ($112,384,000 – June 30, 2013) in the form of non-negotiable, non-interest bearing demand obligations (promissory notes).

A summary of the changes in MIGA's authorized, subscribed and paid-in capital during the fiscal years ended June 30, 2014 and June 30, 2013 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
At June 30, 2014						
Authorized	107,978	$ 1,168,322	78,559	$ 850,008	186,537	$ 2,018,330
Subscribed:						
At beginning of fiscal year	107,800	$ 1,166,396	69,303	$ 749,858	177,103	$ 1,916,254
New membership	178	1,926	-	-	178	1,926
At end of fiscal year	107,978	1,168,322	69,303	749,858	177,281	1,918,180
Uncalled portion of the Subscription	(86,382)	(934,658)	(57,071)	(617,508)	(143,453)	(1,552,166)
Paid-in Capital	21,596	$ 233,664	12,232	$ 132,350	33,828	$ 366,014
At June 30, 2013						
Authorized	107,800	$ 1,166,396	78,559	$ 850,008	186,359	$ 2,016,404
Subscribed:						
At beginning of fiscal year	107,700	$ 1,165,314	69,303	$ 749,858	177,003	$ 1,915,172
New membership	100	1,082	-	-	100	1,082
At end of fiscal year	107,800	1,166,396	69,303	749,858	177,103	1,916,254
Uncalled portion of the Subscription	(86,240)	(933,117)	(57,071)	(617,508)	(143,311)	(1,550,625)
Paid-in Capital	21,560	$ 233,279	12,232	$ 132,350	33,792	$ 365,629

Membership:

On December 16, 2013, Myanmar became the 180th member of MIGA with a subscription of 178 shares.

Notes to Financial Statements

Note D: Guarantees

Guarantee Program

MIGA offers guarantees or insurance against loss caused by non-commercial risks (political risk insurance and non- honoring products) to eligible investors on qualified investments in developing member countries. MIGA insures investments for up to 20 years against six different categories of risk: currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, breach of contract, non-honoring of a sovereign financial obligation, and non-honoring of financial obligation by a state-owned enterprise.

Premium rates applicable are set forth in the contracts. Payments against all claims under a guarantee may not exceed the maximum amount of coverage issued under the guarantee. Under breach of contract coverage, payments against claims may not exceed the lesser of the amount of guarantee and the arbitration award.

Contingent Liability

The maximum amount of contingent liability (gross exposure) of MIGA under guarantees issued and outstanding at June 30, 2014 totaled $12,408,770,000 ($10,758,370,000 – June 30, 2013). A contract of guarantee issued by MIGA may permit the guarantee holder, at the start of each contract period, to elect coverage and place amounts both on current and standby. MIGA is currently at risk for amounts placed on current. The maximum amount of contingent liability is MIGA's maximum exposure to insurance claims, which includes "standby" coverage for which MIGA is committed but not currently at risk. At June 30, 2014, MIGA's actual exposure to insurance claims, exclusive of standby coverage is $9,727,068,000 ($8,342,274,000 – June 30, 2013).

Trust Fund Activities

MIGA also acts as administrator of some investment guarantee trust funds. MIGA, on behalf of the trust funds, issues guarantees against loss caused by non-commercial risks to eligible investors on qualified investments in the countries specified in the trust fund agreements. Under the trust fund agreements, MIGA, as administrator of the trust funds, is not liable on its own account for payment of any claims under contracts of guarantees issued by MIGA on behalf of such trust funds. Contract of guarantees issued by MIGA on behalf of trust funds at June 30, 2014, amounts to $20,259,400 ($15,994,000 – June 30, 2013).

In addition, MIGA administers Conflict Affected and Fragile Economies Facility (CAFEF), a donor partner-funded trust fund established in April 2013. Under the CAFEF structure, MIGA issues guarantees and cedes to the CAFEF an initial loss layer of which MIGA shares a portion, for eligible projects. As of June 30, 2014, amounts ceded to CAFEF totaled $5,250,000 (Nil – June 30, 2013).

Reinsurance

MIGA obtains treaty and facultative reinsurance (both public and private) to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio, and not for speculative reasons. All reinsurance contracts are ceded on a proportionate basis. However, MIGA is exposed to reinsurance non-performance risk in the event that reinsurers fail to pay their proportionate share of the loss in case of a claim. MIGA manages this risk by requiring that private sector reinsurers be rated by at least two of the four major rating agencies (Standard & Poor’s, A.M. Best, Moody’s and Fitch), and that such ratings be above a minimum threshold. In addition, MIGA may also place reinsurance with public insurers of member countries that operate under and benefit from the full faith and credit of their governments and with multilateral agencies that represent an acceptable counterparty risk. MIGA has established limits, at both the project and

portfolio levels, which restrict the amount of reinsurance that may be ceded. The project limit states that MIGA may cede no more than 90 percent of any individual project. The portfolio limit states that MIGA may not reinsure more than 50 percent of its aggregate gross exposure.

Of the $12,408,770,000 outstanding contingent liability (gross exposure) as at June 30, 2014 ($10,758,370,000– June 30, 2013), $5,290,855,000 was ceded through contracts of reinsurance ($4,348,538,000 – June 30, 2013) and $5,250,000 (Nil – June 30, 2013) was ceded to CAFEF. Net exposure amounted to $7,112,665,000 as at June 30, 2014 ($6,409,832,000 – June 30, 2013).

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of June 30, 2014, total insurance assumed by MIGA, primarily with official investment insurers, amounted to $263,118,000 ($257,041,000 – June 30, 2013).

Premiums relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2014 and June 30, 2013 were as follows:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2014	June 30, 2013
Premiums written		
Direct	$ 230,082	$ 121,864
Assumed	2,210	2,520
Ceded	(146,043)	(71,769)
	$ 86,249	$ 52,615
Premium Income		
Direct	113,424	95,372
Assumed	2,207	1,850
	$ 115,631	$ 97,222
Premium Ceded	$ (50,081)	$ (37,749)

Portfolio Risk Management

Controlled acceptance of non-commercial risk in developing countries is MIGA’s core business. The underwriting of such risk requires a comprehensive risk management framework to analyze, measure, mitigate and control risk exposures.

Claims risk, the largest risk for MIGA, is the risk of incurring a financial loss as a result of a claimable non-commercial risk event in developing countries. Non-commercial risk assessment forms an integral part of MIGA's underwriting process and includes the analysis of both country-related and project-related risks.

Country risk assessment is a combination of quantitative and qualitative analysis. Ratings are assigned individually to each risk for which MIGA provides insurance coverage in a country. Country ratings are reviewed and updated every quarter. Country risk assessment forms the basis of the underwriting of insurance contracts, setting of premium levels, capital adequacy assessment and provisioning for claims.

Project-specific risk assessment is performed by a cross-functional team. Based on the analysis of project-specific risk factors within the country context, the final project risk ratings can be higher or lower than the country ratings of a specific coverage. The decision to issue an insurance

Notes to Financial Statements

contract is subject to approval by MIGA's senior management and concurrence or approval by the Board of Directors. For insurance contracts that are issued under the Small Investment Program (SIP), the Board has delegated approval to MIGA's senior management. In order to avoid excessive risk concentration, MIGA sets exposure limits per country and per project. As of June 30, 2014, the maximum net exposure which may be assumed by MIGA is $720 million ($720 million – June 30, 2013) in each host country and $220 million ($220 million – June 30, 2013) for each project.

As approved by the Board of Directors and the Council of Governors, the maximum aggregate amount of contingent liabilities that may be assumed by MIGA is 350 percent of the sum of MIGA's unimpaired subscribed capital, retained earnings, accumulated other comprehensive income (loss) and insurance portfolio reserve plus 100 percent of gross exposure ceded by MIGA through contracts of reinsurance. Accordingly, at June 30, 2014, the maximum level of guarantees outstanding (including reinsurance) may not exceed $15,145 million ($13,897 million – June 30, 2013).

Exposure Exchange with IBRD

During FY14, MIGA entered into an exposure exchange agreement with IBRD under which MIGA and IBRD agreed to exchange $120 million each of notional amount of exposures on their respective balance sheets with one another. Under the agreement, IBRD provided a guarantee on principal and interest pertaining to MIGA's guarantee exposure under its Non-Honoring of Sovereign's Financial Obligation in exchange for MIGA's guarantee on IBRD's loan principal and interest exposure. As of June 30, 2014, liabilities related to MIGA's obligation under this agreement amounted to $1.8 million.

Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure to loss in a host country, region, or sector. The portfolio shares of the top five and top ten largest exposure countries provide an indicator of concentration risk. The gross and net exposures of the top five and top ten countries at June 30, 2014 and June 30, 2013 are as follows:

In thousands of US Dollars

	June 30, 2014		June 30, 2013	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	$ 4,299,076	$ 7,167,867	$ 3,664,881	$ 5,838,938
% of Total Gross Exposure	34.7	57.8	34.1	54.3
Net Exposure	$ 2,147,556	$ 3,485,360	$ 1,829,073	$ 3,065,083
% of Total Net Exposure	30.2	49.0	28.5	47.8

A regionally diversified portfolio is desirable for MIGA as an insurer, because correlations of claims occurrences are typically higher within a region than between regions. When a correlation is higher, the probability of simultaneous occurrences of claims will be higher.

Notes to Financial Statements

The regional distribution of MIGA's portfolio at June 30, 2014 and June 30, 2013 is as follows:

In thousands of US dollars

	June 30, 2014			June 30, 2013		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Africa	$ 3,154,315	$ 1,889,639	26.6	$ 2,777,029	$ 1,627,764	25.4
Asia	1,767,286	881,753	12.4	1,620,983	954,346	14.9
Europe & Central Asia	5,251,563	2,874,564	40.4	4,407,826	2,582,856	40.3
Latin America & Caribbean	1,413,342	930,232	13.1	1,069,151	672,776	10.5
Middle East & North Africa	822,264	536,477	7.5	883,381	572,090	8.9
	$12,408,770	$ 7,112,665	100.0	$10,758,370	$ 6,409,832	100.0

The sectoral distribution of MIGA's portfolio at June 30, 2014 and June 30, 2013 is shown in the following table:

In thousands of US dollars

	June 30, 2014			June 30, 2013		
Sector	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Infrastructure	$ 5,499,934	$ 3,203,687	45.0	$ 4,719,038	$2,757,082	43.0
Financial	4,380,235	2,343,118	32.9	3,429,899	1,987,985	31.0
Tourism, Retail and Services	273,463	272,057	3.8	227,735	225,919	3.5
Manufacturing	972,678	622,630	8.8	999,491	640,533	10.0
Oil and Gas	926,585	380,649	5.4	930,838	420,388	6.6
Mining	217,632	153,379	2.2	239,525	170,115	2.7
Agribusiness	138,243	137,145	1.9	211,844	207,810	3.2
	$12,408,770	$ 7,112,665	100.0	$10,758,370	$6,409,832	100.0

Note E: ***Reserve for Claims and other Exposures***

MIGA's gross reserve for claims and other exposures at June 30, 2014 amounted to $422,400,000 ($381,100,000- June 30, 2013) and estimated reinsurance recoverables amounted to $127,300,000 ($99,100,000- June 30, 2013).

Notes to Financial Statements

The following table provides an analysis of the changes in the gross reserve for claims and other exposures for the fiscal years ended June 30, 2014 and June 30, 2013:

In thousands of US Dollars

	June 30, 2014	June 30, 2013
Gross reserve balance	$ 381,100	$ 278,200
Less: Estimated reinsurance recoverables	99,100	52,900
Net reserve balance, beginning of the year	282,000	225,300
Increase to net reserves before translation adjustment	9,800	54,400
Foreign currency translation adjustment	3,300	2,300
Provision for claims - net of reinsurance	13,100	56,700
Net reserve balance	295,100	282,000
Add: Estimated reinsurance recoverables	127,300	99,100
Gross reserve balance, end of the year	$ 422,400	$ 381,100

The provision for claims for the fiscal year ended June 30, 2014 and June 30, 2013 reflected the following changes in the Insurance portfolio reserve and Specific reserve for claims:

In thousands of US Dollars

	Fiscal Year Ended	
	June 30, 2014	June 30, 2013
Provision for claims:		
Insurance portfolio reserve	$ 20,900	$ 47,100
Specific reserve for claims	(7,800)	9,600
Increase, net	$ 13,100	$ 56,700

The foreign currency translation adjustment reflects the impact on MIGA's claim reserve arising from the revaluation of guarantee contracts denominated in currencies other than US dollar. The foreign currency translation impact on claim reserve is effectively managed through MIGA's system for managing exposures to foreign currencies. The amount by which the reserve increases (decreases) as a result of translation adjustment is offset by the translation gains (losses) on MIGA's investment portfolio and other assets, reported on the Statement of Operations.

Specific Reserve for Claims

The specific reserve for claims is composed of reserves for pending claims and reserves for contracts where a claimable event, or events that may give rise to a claimable event, may have occurred, but in relation to which no claim has been filed, but where a loss is probable. The parameters used in calculating the specific reserves, i.e., claims probability, severity and expected recovery, are assessed on a quarterly basis for each contract for which a reserve is created or maintained. At June 30, 2014, the specific reserves amounted to $9,700,000 ($17,700,000 – June 30, 2013) on a gross basis and $7,400,000 ($15,137,000 – June 30, 2013), net of reinsurance.

Notes to Financial Statements

The following table shows how the estimates of the specific reserves for each reporting period have developed over the past reporting periods:

Specific Reserve development

In thousands of US dollars										
Reporting Period	Up to FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Estimate of cumulative - claims:										
At end of reporting period	61,340	1,062	-	2,800	13	30,300	5,000	4,200	5,200	-
One year later	57,777	-	-	1,491	13	2,900	-	9,100	268	
Two years later	59,100	-	-	2,291	13	-	-	5,932		
Three years later	53,100	-	-	2,500	13	-	-			
Four years later	24,200	-	-	491	13	-				
Five years later	7,700	-	-	491	13					
Six years later	7,400	-	-	491						
Seven years later	4,200	-	-							
Eight years later	4,100	-								
Nine years later	4,200									

Specific reserves at June 30, 2014

Reporting Period	Up to FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	Total
Estimate of cumulative claims at July 1, 2013	4,200	-	-	491	13	-	-	5,932	268	-	10,904
Cumulative payments	(700)	-	-	(491)	(13)	-	-	-	-	-	(1,204)
Specific reserves at June 30, 2014	3,500	-	-	-	-	-	-	5,932	268	-	9,700

Pending Claims

During the fiscal year ended June 30, 2014, MIGA received a new claim relating to War and Civil Disturbance coverage in the Central African Republic. This claim had initially been reserved for in FY13 under probable losses. In addition, on June 30, 2013, MIGA had one pending claim under its War and Civil Disturbance coverage for a project in Mali. There were no claims paid during the fiscal year ended June 30, 2014. Appropriate reserves are maintained for these matters.

Notes to Financial Statements

Note F: Pension and Other Post Retirement Benefits

MIGA, IBRD and IFC participate in a defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan (RSBP) and a Post-Employment Benefits Plan (PEBP) that cover substantially all of their staff members.

The SRP provides regular pension benefits and includes a cash balance plan. The regular pension benefit component provides a final salary guaranteed benefit or equivalent annuity, while the cash balance plan provides benefits equal to the amounts contributed by both the employer and the employee plus investment returns, or equivalent annuity. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

Responsibility for governance of the plans, including overseeing all aspects of the plans including investment decisions and contribution rates, lies with the IBRD's Pension Financial Committee.

MIGA uses a June 30 measurement date for its pension and other postretirement benefit plans.

All costs, assets and liabilities associated with these pension plans are allocated between MIGA, IBRD, and IFC based upon their employees' respective participation in the plans. In addition, MIGA and IFC reimburse IBRD for their proportionate share of any contributions made to these plans by IBRD. Contributions to these plans are calculated as a percentage of salary.

The amounts presented below reflect MIGA's respective share of the costs, assets, and liabilities of the plans.

The following table summarizes MIGA's respective share of the costs associated with the SRP, RSBP, and PEBP for the fiscal years ended June 30, 2014 and June 30, 2013:

In thousands of US dollars

	Fiscal Year ended June 30, 2014				Fiscal Year ended June 30, 2013			
Benefit Cost	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Service cost	$ 4,563	$ 1,109	$ 515	$ 6,187	$ 4,328	$ 1,042	$ 458	$ 5,828
Interest cost	5,900	1,049	435	7,384	4,951	893	353	6,197
Expected return on plan assets	(8,711)	(1,018)	-	(9,729)	(8,015)	(913)	-	(8,928)
Amortization of prior service cost[a]	14	151	5	170	75	135	7	217
Amortization of unrecognized net loss[a]	1,022	204	407	1,633	1,761	361	446	2,568
Net periodic pension cost	$ 2,788	$ 1,495	$ 1,362	$ 5,645	$ 3,100	$ 1,518	$ 1,264	$ 5,882

a. Included in amounts reclassified into net income (See Note H - Accumulated Other Comprehensive Loss).

Notes to Financial Statements

The following table summarizes the projected benefit obligations, fair value of plan assets, and funded status associated with the SRP, RSBP and PEBP for MIGA for the fiscal years ended June 30, 2014 and June 30, 2013. While contributions made to SRP and RSBP are irrevocable, contributions made to PEBP are revocable. As a result, the assets for PEBP do not qualify for off-balance sheet accounting and are included in IBRD's investment portfolio, with MIGA's portion reflected in receivable from IBRD under Note G (Transactions with Affiliated Organizations). The assets of the PEBP are invested in fixed- income and equity instruments.

In thousands of US dollars

	Fiscal Year ended June 30, 2014				Fiscal Year ended June 30, 2013			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Projected Benefit Obligation								
Beginning of year	$ 132,420	$ 21,957	$ 9,844	$ 164,221	$ 129,861	$ 21,740	$ 9,385	$ 160,986
Service cost	4,563	1,109	515	6,187	4,328	1,042	458	5,828
Interest cost	5,900	1,049	435	7,384	4,951	893	353	6,197
Net entity transfers	7,479	93	n.a.	7,572	n.a.	n.a.	n.a.	n.a.
Participant contributions	1,288	125	8	1,421	1,141	118	12	1,271
Federal subsidy received	n.a	23	n.a	23	n.a	18	n.a	18
Plan amendments	516	n.a	248	764	n.a	160	n.a	160
Benefits paid	(5,851)	(424)	(372)	(6,647)	(5,221)	(469)	(343)	(6,033)
Remeasurement effects:								
Actuarial loss (gain) from change in demographic assumptions	3,968	(90)	1,191	5,069	-	-	-	-
Actuarial loss (gain) from change in financial assumptions	13,522	2,469	1,112	17,103	(6,316)	(2,486)	(432)	(9,234)
Actuarial (gain) loss from change in experience assumptions	(3,847)	934	2,393	(520)	3,676	941	411	5,028
End of year	**$ 159,958**	**$ 27,245**	**$ 15,374**	**$ 202,577**	**$ 132,420**	**$ 21,957**	**$ 9,844**	**$ 164,221**
Fair value of plan assets								
Beginning of year	$ 148,120	$16,551		$ 164,671	$ 139,109	$14,671		$ 153,780
Net entity transfers	7,479	93		7,572	n.a.	n.a.		n.a.
Participant contributions	1,288	125		1,413	1,141	118		1,259
Actual return on assets	20,980	2,500		23,480	10,419	1,166		11,585
Employer contributions	3,266	1,326		4,592	2,672	1,065		3,737
Benefits paid	(5,851)	(424)		(6,275)	(5,221)	(469)		(5,690)
End of year	**$ 175,282**	**$ 20,171**	**$ -**	**$ 195,453**	**$ 148,120**	**$ 16,551**	**$ -**	**$ 164,671**
Funded status[a]	**$ 15,324**	**$ (7,074)**	**$ (15,374)**	**$ (7,124)**	**$ 15,700**	**$ (5,406)**	**$ (9,844)**	**$ 450**
Accumulated Benefit Obligation	**$ 140,300**	**$ 27,245**	**$ 13,074**	**$ 180,619**	**$ 107,706**	**$ 21,957**	**$ 8,455**	**$ 138,118**

a. Positive funded status is reported as Net assets under retirement benefits plans; negative funded status is included under Accounts payable and accrued expenses on the Balance Sheet.

Notes to Financial Statements

The following tables present the amounts included in Accumulated Other Comprehensive Loss relating to Pension and Other Post Retirement Benefits:

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2014

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 16,463	$ 5,680	$ 8,939	$ 31,082
Prior service cost	592	1,336	253	2,181
Net amount recognized in Accumulated Other Comprehensive Loss	$ 17,055	$ 7,016	$ 9,192	$ 33,263

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2013

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 16,111	$ 4,053	$ 4,650	$ 24,814
Prior service cost	90	1,487	10	1,587
Net amount recognized in Accumulated Other Comprehensive Loss	$ 16,201	$ 5,540	$ 4,660	$ 26,401

The estimated amounts that will be amortized from Accumulated Other Comprehensive Loss into net periodic benefit cost in the fiscal year ending June 30, 2015 are as follows:

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 1,065	$ 244	$ 723	$ 2,032
Prior service cost	61	151	24	236
Amounts estimated to be amortized into net periodic benefit cost	$ 1,126	$ 395	$ 747	$ 2,268

Notes to Financial Statements

Actuarial Assumptions

The actuarial assumptions used are based on financial market interest rates, inflation expectations, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations.

The expected long-term rate of return for the SRP assets is a weighted average of the expected long term (10 years or more) returns for the various asset classes, weighted by the portfolio allocation. Asset class returns are developed using a forward-looking building block approach and are not strictly based on historical returns. Equity returns are generally developed as the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of expected inflation, real bond yield, and risk premium/spread (as appropriate). Other asset class returns are derived from their relationship to equity and bond markets. The expected long-term rate of return for the RSBP is computed using procedures similar to those used for the SRP. The discount rate used in determining the benefit obligation is selected by reference to the year-end yields of AA corporate bonds.

Actuarial gains and losses occur when actual results are different from expected results. Amortization of these unrecognized gains and losses will be included in income if, at the beginning of the fiscal year, they exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If required, the unrecognized gains and losses are amortized over the expected average remaining service lives of the employee group.

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs for the fiscal years ended June 30, 2014 and June 30, 2013:

In percent

	SRP		RSBP		PEBP	
	2014	2013	2014	2013	2014	2013
Weighted average assumptions used to determine projected benefit obligations						
Discount rate	4.20	4.60	4.40	4.80	4.30	4.50
Rate of compensation increase	5.40	5.70			5.40	5.70
Health care growth rates-at end of fiscal year			5.30	5.90		
Ultimate health care growth rate			4.10	3.90		
Year in which ultimate rate is reached			2022	2022		
Weighted average assumptions used to determine net periodic pension cost						
Discount rate	4.60	3.90	4.80	4.10	4.50	3.86
Expected return on plan assets	5.90	5.80	6.00	6.10		
Rate of compensation increase	5.70	5.40			5.70	5.40
Health care growth rates - at end of fiscal year			5.90	6.30		
Ultimate health care growth rate			3.90	3.60		
Year in which ultimate rate is reached			2022	2022		

Notes to Financial Statements

The sensitivity of the projected benefit obligation to changes in assumptions relating to the discount rate and rate of composition increase are set out below:

In thousands of US dollars	*Impact on Projected Benefit Obligation*	
	Increase in Assumption by 100 bps	*Decrease in Assumption* by 100 bps
Discount Rate		
SRP	$ (22,459)	$ 28,802
RSBP	(5,019)	6,737
PEBP	(2,168)	2,776
	$ (29,646)	$ 38,315
Rate of Compensation Increase		
SRP	$ 3,705	$ (3,559)
RSBP	-	-
PEBP	1,109	(643)
	$ 4,814	$ (4,202)

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the projected benefit obligations to variations in significant actuarial assumptions, the same method has been applied as for calculating the liability recognized in the statement of financial position.

The following table shows the expected benefits to be paid under the three pension plans on an undiscounted basis. It should be noted that the actual amounts may vary from expected amounts.

	June 30, 2014			*June 30, 2013*		
	SRP	RSBP	PEBP	SRP	RSBP	PEBP
Duration (years)	15.6	21.2	15.7	14.0	20.0	13.0

In thousands of US dollars	*June 30, 2014*			*June 30, 2013*		
	SRP	RSBP	PEBP	SRP	RSBP	PEBP
Maturity analysis of benefits expected to be paid						
< 1 year	5,594	439	492	5,172	395	465
1 to 5 years	24,430	2,202	2,352	23,829	2,024	1,950
5 to 10 years	36,694	4,241	3,501	35,420	3,937	2,688

Notes to Financial Statements

The medical cost trend rate can significantly affect the reported postretirement benefit income or costs and benefit obligations for the RSBP. The following table shows the effects of a one-percentage-point change in the assumed healthcare cost trend rate:

In thousands of US dollars

	One percentage point increase	One percentage point decrease
Effect on total service and interest cost	$ 600	$ (400)
Effect on postretirement benefit obligation	6,500	(5,000)

Investment Strategy

The investment policy establishes the framework for investment of the plan assets based on long-term investment objectives and the trade-offs inherent in seeking adequate investment returns within acceptable risk parameters. A key component of the investment policy is to establish a Strategic Asset Allocation (SAA) representing the policy portfolio (i.e., policy mix of assets) around which the plans are invested. The SAA for the plans are reviewed in detail and reset about every three years, with more frequent reviews and changes if and as needed based on market conditions.

The key long-term objective is to target and secure asset performance that is reasonable in relation to the growth rate of the underlying liabilities and the assumed sponsor contribution rates. This is particularly so in the case of the SRP, which has liabilities that can be projected with a reasonable level of confidence based on the actuarial assumptions. Given the relatively long investment horizons of the SRP and RSBP, and the relatively modest liquidity needs over the short-term to pay benefits and meet other cash requirements, the focus of the investment strategy is on generating sustainable long-term investment returns through various assets classes and strategies including equity, private equity and real estate.

The SAA is derived using a mix of quantitative analysis that incorporates expected returns and volatilities by asset class as well as correlations across the asset classes, and qualitative considerations such as the desired liquidity needs of the plans. The strategic asset allocation is comprised of a diversified portfolio drawn from among fixed- income, equity, real assets and absolute return strategies.

Notes to Financial Statements

The following table presents the actual and target asset allocation at June 30, 2014 and June 30, 2013 by asset category for the SRP and RSRP. The portfolios are in a period of transition to the new SAA, which explains for the most part, the difference between the target allocation and the actual allocation as of June 30, 2014.

In Percent

	SRP			RSBP		
	Policy Allocation 2014	% of Plan Assets		Policy Allocation 2014	% of Plan Assets	
Asset Class	(%)	2014	2013	(%)	2014	2013
Fixed income & Cash	26	23	31	26	24	30
Public Equity	33	35	28	33	35	30
Private Equity	20	18	18	20	20	21
Hedge Funds	-	12	11	-	11	9
Real Assets[a]	13	12	12	13	10	10
Opportunistic	8	-	-	8	-	-
Total	100	100	100	100	100	100

a. *Real assets comprise primarily of Real estate and Real estate investment trusts (REITs) with a small allocation to infrastructure and timber.*

Significant Concentrations of Risk in Plan Assets

The assets of the SRP and RSBP are diversified across a variety of asset classes. Investments in these asset classes are further diversified across funds, managers, strategies, geographies and sectors to limit the impact of any individual investment. In spite of such level of diversification, equity market risk remains the primary source of the plans' overall return volatility.

Risk management practices

Managing investment risk is an integral part of managing the assets of the Plan. Liability-driven investment management and asset diversification are central to the overall investment strategy and risk management approach for the SRP. The surplus volatility risk (defined as the annualized standard deviation of asset returns relative to that of liabilities) is considered the primary indicator of the Plan's overall investment risk. It is used to define the risk tolerance level and establish the overall level of investment risk.

Investment risk is regularly monitored at the absolute level, as well as at the relative levels with respect to the investment policy, manager benchmarks, and liabilities of the Plan. Stress tests are performed periodically using relevant market scenarios to assess the impact of extreme market events. Monitoring of performance (at both manager and asset class levels) against benchmarks and compliance with investment guidelines is carried out on a regular basis as part of the risk monitoring process. Risk management for different asset classes is tailored to their specific characteristics and is an integral part of the external managers' due diligence and monitoring processes.

Credit risk is monitored on a regular basis and assessed for possible credit event impacts. The liquidity position of the plans is analyzed at regular intervals and periodically tested using various stress scenarios to ensure that the plans have sufficient liquidity to meet all cash flow requirements.

Notes to Financial Statements

In addition, the long-term cash flow needs of the Plans are considered during the SAA exercise and are one of the main drivers in determining maximum allocation to the illiquid investment vehicles.

The Plans mitigate operational risk by maintaining a system of internal control along with other checks and balances at various levels to ensure the controls exist.

Fair Value Measurements

All plan assets are measured at fair value on recurring basis. The following table presents the fair value hierarchy of major categories of plans assets as of June 30, 2014 and June 30, 2013:

In thousands of US dollars	Fair Value Measurements on a Recurring Basis as of June 30, 2014							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt Securities								
Time deposits	$ -	$ 25	$ -	$ 25	$ -	$ 2	$ -	$ 2
Securities purchased under resale agreements	635	-	-	635	157	-	-	157
Government and agency securities	28,647	6,080	-	34,727	2,160	2,580	-	4,740
Corporate and convertible bonds	-	1,484	-	1,484	-	19	-	19
Asset backed securities	-	724	-	724	-	0	-	0
Mortgage backed securities	-	1,692	-	1,692	-	17	-	17
Total Debt Securities	29,282	10,005	-	39,287	2,317	2,618	-	4,935
Equities								
US common stocks	6,657	-	-	6,657	535	-	-	535
Non-US common stocks	30,112	-	-	30,112	3,410	-	-	3,410
Mutual Funds	5,519	-	-	5,519	876	-	-	876
Real estate investment trusts (REITs)	4,023	-	-	4,023	360	-	-	360
Total Equity Securities	46,311	-	-	46,311	5,181	-	-	5,181
Commingled funds	-	19,510	-	19,510	-	2,219	-	2,219
Real estate (including infrastructure and timber)	-	5,268	11,999	17,267	-	349	1,269	1,618
Private equity	-	-	31,271	31,271	-	-	3,966	3,966
Hedge funds	-	16,042	5,202	21,244	-	1,704	460	2,164
Derivative assets / liabilities	7	(45)	-	(38)	(1)	(10)	-	(11)
Other assets/liabilities	-	-	-	430	-	-	-	99
Total Assets	$ 75,600	$ 50,780	$ 48,472	$ 175,282	$ 7,497	$ 6,880	$ 5,695	$ 20,171

Notes to Financial Statements

In thousands of US dollars	Fair Value Measurements on a Recurring Basis as of June 30, 2013							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt Securities								
Time deposits	$ 2	$ 2,264	$ -	$ 2,266	$ -	$ 305	$ -	$ 305
Securities purchased under resale agreements	3,100	-	-	3,100	184	-	-	184
Government and agency securities	29,140	6,724	-	35,864	1,734	2,549	-	4,283
Corporate and convertible bonds	-	1,391	-	1,391	-	92	-	92
Asset backed securities	-	800	-	800	-	1	-	1
Mortgage backed securities	-	1,843	-	1,843	-	18	-	18
Total Debt Securities	32,242	13,022	-	45,264	1,918	2,965	-	4,883
Equities								
US common stocks	4,986	-	-	4,986	324	-	-	324
Non-US common stocks	23,755	-	-	23,755	2,553	-	-	2,553
Mutual Funds	1,547	-	-	1,547	321	-	-	321
Real estate investment trusts (REITs)	3,188	-	-	3,188	291	-	-	291
Total Equity Securities	33,476	-	-	33,476	3,490	-	-	3,490
Commingled funds	-	12,778	-	12,778	-	1,789	-	1,789
Real estate (including infrastructure and timber)	-	4,316	10,281	14,597	-	272	1,117	1,389
Private equity	-	-	27,394	27,394	-	-	3,439	3,439
Hedge funds	-	11,645	4,469	16,114	-	1,039	401	1,440
Derivative assets / liabilities	7	99		106	(2)	39	-	37
Other assets/liabilities	-	(13)	-	(1,609)	-	-	-	85
Total Assets	$ 65,725	$ 41,847	$ 42,144	$ 148,120	$ 5,406	$ 6,104	$ 4,957	$ 16,551

Valuation methods and assumptions

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of Plan assets. It is important to note that the investment amounts in the asset categories shown in the table above are different from the asset category allocation shown in the Investment Strategy section of the note. Asset classes in the table above are grouped by the characteristics of the investments held. The asset class break-down in the Investment Strategy section is based on management's view of the economic exposures after considering the impact of derivatives and certain trading strategies.

Debt securities

Debt securities include time deposits, U.S. treasuries and agencies, debt obligations of foreign governments and debt obligations in corporations of domestic and foreign issuers. Fixed- income also includes investments in asset backed securities such as collateralized mortgage obligations and mortgage- backed securities. These securities are valued by independent pricing vendors at quoted market prices for the same or similar securities, where available. If quoted market prices are not available, fair values are based on discounted cash flow models using market-based parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. Some debt securities are valued using techniques which require significant unobservable inputs.

Notes to Financial Statements

The selection of these inputs may involve some judgment. Management believes its estimates of fair value are reasonable given its processes for obtaining securities prices from multiple independent third-party vendors, ensuring that valuation models are reviewed and validated, and applying its approach consistently from period to period. Unless quoted prices are available, money market instruments and securities purchased under resale agreements are reported at face value which approximates fair value.

Equity securities
Equity securities (including REITs) are invested in companies in various industries and countries. Investments in public equity listed on securities exchanges are valued at the last reported sale price on the last business day of the fiscal year.

Commingled funds
Commingled funds are typically common or collective trusts reported at NAV as provided by the investment manager or sponsor of the fund based on valuation of underlying investments, and reviewed by management.

Private equity
Private equity includes investments primarily in leveraged buyouts, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. A large number of these funds are in the investment phase of their life cycle. Private equity investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The underlying investments are valued using inputs such as cost, operating results, discounted future cash flows and trading multiples of comparable public securities.

Real estate
Real estate includes several funds which invest in core real estate as well as non-core types of real estate investments such as debt, value add, and opportunistic equity investments. Real estate investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The valuations of underlying investments are based on income and/or cost approaches or comparable sales approach, and taking into account discount and capitalization rates, financial conditions, local market conditions among others.

Hedge fund investments
Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. Hedge Funds include investments in equity, event driven, fixed income, multi strategy and macro relative value strategies. These investments do not have a readily determinable fair market value and are reported at NAVs provided by external managers or fund administrators (based on the valuations of underlying investments) on a monthly basis, and reviewed by management, taking into consideration the latest audited financial statements of the funds.

Investments in hedge funds and commingled funds can typically be redeemed at NAV within the near term while investments in private equity and most real estate are inherently long term and illiquid in nature with a quarter lag in reporting by the fund managers. For the reporting of those asset classes with a reporting lag, management estimates are based on the latest available information taking into account underlying market fundamentals and significant events through the balance sheet date.

Notes to Financial Statements

Investment in derivatives

Investment in derivatives such as equity or bond futures, to-be-announced (TBA) securities, swaps, options and currency forwards are used to achieve a variety of objectives that include hedging interest rates and currency risks, gaining desired market exposure of a security, an index or currency exposure and rebalancing the portfolio. Over-the-counter derivatives are reported using valuations based on discounted cash flow methods incorporating market observable input.

The following tables present a reconciliation of Level 3 assets held during the year ended June 30, 2014 and June 30, 2013:

SRP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

In thousands of US dollars — Fiscal Year Ended June 30, 2014

	Corporate and convertible Debt	Asset backed Securities	Mortgage backed Securities	Private equity	Real estate	Hedge funds	Total
Balance, beginning of fiscal year	$ -	$ -	$ -	$ 27,394	$ 10,281	$ 4,469	$ 42,144
Actual return on plan assets:							
Relating to assets still held at the reporting date	-	-	-	5,197	1,708	301	7,206
Relating to assets sold during the period	-	-	-	2,062	548	546	3,156
Purchases, issuance and settlements, net	-	-	-	(3,382)	(538)	(114)	(4,034)
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Balance, end of fiscal year	$ -	$ -	$ -	$ 31,271	$ 11,999	$ 5,202	$ 48,472

RSBP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

In thousands of US dollars — Fiscal Year Ended June 30, 2014

	Corporate and convertible Debt	Asset backed Securities	Mortgage backed Securities	Private equity	Real estate	Hedge funds	Total
Balance, beginning of fiscal year	$ -	$ -	$ -	$ 3,439	$ 1,117	$ 401	$ 4,957
Actual return on plan assets:							
Relating to assets still held at the reporting date	-	-	-	710	161	16	887
Relating to assets sold during the period	-	-	-	326	50	45	421
Purchases, issuance and settlements, net	-	-	-	(509)	(59)	(2)	(570)
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Balance, end of fiscal year	$ -	$ -	$ -	$ 3,966	$ 1,269	$ 460	$ 5,695

Notes to Financial Statements

SRP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

In thousands of US dollars Fiscal Year Ended June 30, 2013

	Corporate and convertible Debt	Asset backed Securities	Mortgage backed Securities	Private equity	Real estate	Hedge funds	Total
Balance, beginning of fiscal year	$ 13	$ 20	$ 18	$ 28,053	$ 9,974	$ 3,913	$ 41,991
Actual return on plan assets:							
Relating to assets still held at the reporting date	-	-	-	5,136	126	289	5,551
Relating to assets sold during the period	-	-	-	(1,215)	763	24	(428)
Purchases, issuance and settlements, net	(3)	(20)	(18)	(4,580)	(582)	353	(4,850)
Transfers in	-	-	-	-	-	630	630
Transfers out	(10)	-	-	-	-	(740)	(750)
Balance, end of fiscal year	$ -	$ -	$ -	$ 27,394	$ 10,281	$ 4,469	$ 42,144

RSBP - Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

In thousands of US dollars Fiscal Year Ended June 30, 2013

	Corporate and convertible Debt	Asset backed Securities	Mortgage backed Securities	Private equity	Real estate	Hedge funds	Total
Balance, beginning of fiscal year	$ -	$ 8	$ 2	$ 3,421	$ 1,101	$ 339	$ 4,871
Actual return on plan assets:							
Relating to assets still held at the reporting date	-	-	-	663	3	19	685
Relating to assets sold during the period	-	-	-	(110)	88	2	(20)
Purchases, issuance and settlements, net	-	(8)	(2)	(535)	(75)	52	(568)
Transfers in	-	-	-	-	-	53	53
Transfers out	-	-	-	-	-	(63)	(63)
Balance, end of fiscal year	$ -	$ -	$ -	$ 3,439	$ 1,117	$ 401	$ 4,957

Notes to Financial Statements

Estimated Future Benefits Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation at June 30, 2014:

In thousands of US dollars

	SRP	RSBP		PEBP
		Before Federal Subsidy	Federal Subsidy	
July 1, 2014 - June 30, 2015	$ 5,798	$ 450	$ 11	$ 490
July 1, 2015 - June 30, 2016	6,263	491	13	578
July 1, 2016 - June 30, 2017	6,499	541	14	637
July 1, 2017 - June 30, 2018	6,760	598	15	666
July 1, 2018 - June 30, 2019	7,330	660	17	713
July 1, 2019 - June 30, 2024	44,587	4,601	107	4,458

Expected Contributions

MIGA's contribution to the SRP and RSBP varies from year to year, as determined by the Pension Finance Committee, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP for MIGA during the fiscal year beginning July 1, 2014 is $3,173,000 and $1,261,000, respectively.

Note G: Transactions with Affiliated Organizations

MIGA contributes its share of the World Bank Group's corporate costs. Payments for these services are made by MIGA to IBRD, IDA and IFC based on negotiated fees, charge backs and allocated charges where charge back is not feasible. Transaction with IFC also include brokerage fees paid for referral services on guarantee projects.

Total fees paid by MIGA for the fiscal year ended June 30, 2014 and June 30, 2013 are as follows:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2014	June 30, 2013
Fees charged by IBRD/IDA	$ 11,667	$ 11,541
Fees charged by IFC	4,094	2,738

Notes to Financial Statements

At June 30, 2014 and June 30, 2013, MIGA had the following receivables from (payables to) its affiliated organizations with regard to administrative services and pension and other postretirement benefits:

In thousands of US dollars

	June 30, 2014			June 30, 2013		
	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total
IBRD	$ (4,632)	$ 7,591	$ 2,959	$ (3,501)	$ 6,204	$ 2,703
IFC	(2,229)	-	(2,229)	(793)	-	(793)
	$ (6,861)	$ 7,591	$ 730	$ (4,294)	$ 6,204	$ 1,910

a. This amount is included in Accounts payable and accrued expenses on the Balance Sheet.
b. This amount is included in Miscellaneous assets on the Balance Sheet.

Note H: Accumulated other Comprehensive Income (Loss)

The following tables present the changes in Accumulated other Comprehensive Loss (AOCL) for the fiscal years ended June 30, 2014 and June 30, 2013:

In thousands of US dollars

	Fiscal Year Ended June 30, 2014			
	Cumulative Translation Adjustment[a]	Unrecognized Net Acturial Losses on Benefit Plans	Unrecognized Prior Service Costs on Benefit Plans	Total Accumulated Other Comprehenisve Loss
Balance, beginning of fiscal year	$ 3,435	$ (24,814)	$ (1,587)	$ (22,966)
Changes during the year:				
Changes in fair value in AOCL	-	(7,901)	(764)	(8,665)
Amounts reclassified into net income[b]	-	1,633	170	1,803
Net changes during the year	-	(6,268)	(594)	(6,862)
Balance, end of fiscal year	$ 3,435	$ (31,082)	$ (2,181)	$ (29,828)

a. Until June 30, 2006, all the currencies of transactions were deemed functional and the related currency translation adjustments were reflected in Equity through Other Comprehensive Income.
b. See Note F, Pension and Other Post Retirement Benefits.

Notes to Financial Statements

	Fiscal Year Ended June 30, 2013			
	Cumulative Translation Adjustment[a]	Unrecognized Net Acturial Losses on Benefit Plans	Unrecognized Prior Service Costs on Benefit Plans	Total Accumulated Other Comprehenisve Loss
Balance, beginning of the fiscal year	$ 3,435	$ (34,245)	$ (1,644)	$ (32,454)
Changes during the year:				
Changes in fair value in AOCL	-	6,863	(160)	6,703
Amounts reclassified into net income[b]	-	2,568	217	2,785
Net changes during the year	-	9,431	57	9,488
Balance, end of fiscal year	$ 3,435	$ (24,814)	$ (1,587)	$ (22,966)

a. Until June 30, 2006, all the currencies of transactions were deemed functional and the related currency translation adjustments were reflected in Equity through Other Comprehensive Income.

b. See Note F, Pension and Other Post Retirement Benefits.

Note I: Fair Value Measurement

Fair value is defined as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. MIGA uses observable market data, when available, and minimizes the use of unobservable inputs when determining fair value. The fair values of MIGA's cash and non-negotiable, non-interest-bearing demand obligations, receivables for investment securities sold, payables for investment securities purchased, accounts payable and accrued expenses approximate their carrying values. The fair values of government obligations are based on quoted market prices and the fair values of asset-backed securities are based on pricing models for which market observable inputs are used. The degree to which management judgment is involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. Substantially all of MIGA’s financial instruments use either of the foregoing methodologies to determine fair values that are recorded on its financial statements.

Note J: Risk Management

The responsibility for approving MIGA’s risk management policies lies with the Board of Directors. The Audit Committee of the Board deals with risk management issues. While the Executive Vice President and Chief Executive Officer assumes the responsibility for overall risk management with the support of the senior management team, the responsibility for the design and operational implementation of the risk management framework lies with the Finance and Risk Management Group with coordination from the Legal Affairs and Claims Group, the Operations Group and the Economics and Sustainability Group.

Notes to Financial Statements

The description below provides information on the various risks to which MIGA is exposed, including a discussion on the related risk mitigants.

Risk Categories

- *Credit Risk – Reinsurance Counterparts*

Counter-party credit risk in MIGA's portfolio is the risk that reinsurers would fail to pay their share of a claim. MIGA requires that private sector reinsurers, with which it conducts business, be rated by at least two of the four major rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch), and that the ratings be above a minimum threshold. Also, MIGA has established limits at both the project and portfolio levels, which restrict the amount of reinsurance.

The following table summarizes the ceded exposure by counter-party rating as of June 30, 2014 and June 30, 2013:

In thousands of US dollars

	June 30, 2014	June 30, 2013
AAA	100,000	105,949
AA	2,148,445	481,749
AA-	1,277,730	2,464,110
A+	1,625,788	862,005
A	111,591	408,590
BBB+	-	26,135
BBB	27,301	-
	5,290,855	4,348,538

- *Credit Risk – Investment Portfolio*

MIGA's investment portfolio does not have material credit risk exposure as the portfolio is currently invested in fixed-income securities with high credit quality. The Investment authorization stipulates that government or agency sponsored debt securities be AA-rated or above, time deposits be A-rated or above, and corporate debt securities be AAA-rated.

- *Interest Rate Risk*

Interest rate changes affect the market values of MIGA's invested assets. A need to liquidate assets to pay for claims in an unfavorable interest rate environment may generate trading losses and reduce investment income. Changes in interest rates will also affect prepayment speeds of mortgage and asset backed security holdings, which may affect the duration of the asset portfolio. A 100 basis point parallel shift in the yield curve would impact the net income for the fiscal year ended June 30, 2014, by approximately $15.9 million ($13.5 million – June 30, 2013). This interest rate sensitivity is illustrative only and is based on simplified scenarios. The impact of a parallel shift in interest rates is determined using market value weighted portfolio duration applied to invested asset balance at year end.

- *Foreign Exchange Rate Risk*

The majority of MIGA's assets and contingent liabilities are denominated in USD, but some guarantee contracts are issued in other currencies such as EUR. To the extent that a claim is made in a non-USD currency and requires payment in excess of MIGA's holdings of that currency, MIGA may face a foreign exchange related loss in converting to the needed currency to pay for a claim. A 10% change in the USD/Euro year end exchange rate would impact net income for the fiscal year ended June 30, 2014, by approximately $14.2 million ($6.8 million – fiscal year end

June 30, 2013) and net guarantee exposure by approximately $281.8 million ($222.0 million – fiscal year end June 30, 2013). The impact on the net income is mitigated by an offsetting effect due to exchange rate movement on investment portfolio and other assets. This foreign exchange rate sensitivity is illustrative only and is based on simplified scenarios.